THE SMALL BIZ BUILDER

PADGETT THE SMALL BIZ PROS

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THIS MONTH:

Mandatory Electronic Filing of Form TD F 90-22.1

A U.S. person that has a financial interest in or signature authority over foreign financial accounts must file Form TD F 90-22.1, *Report of Foreign Bank and Financial Accounts* if the aggregate value of the foreign financial accounts exceeds $10,000 at any time during the calendar year. Beginning July 1st 2013, this form must be electronically filed, rather than paper filed. If you hold an interest in a foreign financial account, contact your local Padgett office for assistance with filing this form.

Where's My Refund?

You can generally expect the IRS to issue your refund in less than 21 calendar days after they receive your tax return. The "**Where's My Refund?**" tool also can be used to track the status of a refund once a return is filed. This information can be obtained using the IRS2Go phone application, or at www.IRS.gov. By entering the taxpayer identification (ID) number, filing status, and exact whole dollar amount of the expected refund, taxpayers can generally get refund information 72 hours after the IRS acknowledges receipt of an e-filed return, or three to four weeks after mailing a paper return.

Tax Season Has Begun!

BUSINESS RETURNS: The IRS began accepting electronically filed and paper filed 2013 business returns on Monday, January 13th. This includes Forms 1120, 1120S, 1065 and 1041.
INDIVIDUAL RETURNS: The IRS began accepting electronically filed and paper filed 2013 Individual Returns, Form 1040 series, on January 31, 2014.
WHY THE DELAY: The IRS announced a delay of approximately one to two weeks to the start of the 2014 filing season to allow adequate time to program and test tax processing systems following the 16-day federal government closure.
E-FILE OR PAPER FILE?: The IRS encourages taxpayers to electronically file stating "There is no advantage to filing on paper before the opening date, and taxpayers will receive their tax refunds much faster by using e-file with direct deposit."

IRS Transcript Service

IRS has provided a new tool to obtain transcripts online or by mail. Available transcripts for the current or past three years include:

- Tax Return (most line items on your return)
- Tax Account (basic data, marital status, type of return, AGI, taxable income)
- Record of Account (combined tax return and tax account)
- Wage and Income (W-2s, 1099s, 1098s)
- Verification of non-filing (after June 15th of the next year)

The transcripts can be requested by calling (800) 908-9946 or online at http://www.irs.gov/Individuals/Order-a-Transcript. Online, the transcript can be printed immediately. If requested by mail to the address on record, delivery takes 5-10 business days. Use Form 4506-T, if you need delivery to a different address.

JEFF STRUBLE
3233 W PEORIA AVE #105 PHOENIX AZ 85029 602-354-5127 FAS 602-354-5590
1660 S ALMA SCHOOL RD #226 MESA AZ 85210 480-668-1155 FAX 480-668-1313
jeff@rhinodreams.com padgett@rhinodreams.com
www.rhinodreams.com

Deduction Vs Capitalization of Tangible Property Costs

Over the past 6 years, the Internal Revenue Service has strived to address whether certain expenses should be deducted in the year paid or capitalized. The final regulations released in mid 2013 are the IRS's fourth attempt to provide comprehensive guidance on this matter— and they have *finally* succeeded.

General Rule for Tangible Property: Under the final regulations, all costs that facilitate the acquisition or production of such property must be capitalized, including the direct cost of the property, defense or perfection of title costs and facilitative costs including shipping, moving, appraising, application fees, sales and transfer taxes, finder's fees, architectural, engineering, environmental or inspection services for specific properties, brokers' or appraisers' fees, and services by a qualified intermediary in a like-kind exchange.

- Exceptions provide that employee compensation and overhead costs associated with the acquisition or production of each acquisition of property may be expensed in the year paid or incurred, or by election may be capitalized.
- Supplies and Materials are considered tangible property and can be expensed if they are $200 or less per item, per invoice OR have a useful life of 12 months or less.

De Minimis Safe Harbor Election: Taxpayer may elect to currently deduct "lower cost" business asset by attaching a statement to the taxpayer's timely filed original federal income tax return. The safe harbor election must be applied consistently to all property acquired during the tax year. The de minimis safe harbor threshold for most small businesses is $500 per item or per invoice (invoices should not be combined) OR has an economic life of 12 months or less. This elected accounting procedure or "Capitalization Policy" must be written and effective at the beginning of the year.

- The ***de minimis safe harbor election*** does not include land, inventory, rotable, temporary, or emergency spare parts.

Change in Accounting Method: In general, a change from current practice to these regulations is considered to be a ***change in accounting method and must secure IRS consent for the change***. However, if a capitalization policy was established prior to 1/1/14, a change to conform to the $500 limit may not be a change in an accounting method. Please contact your local Padgett office to see how this new law affects your business.