



THIS MONTH:

- 1st Quarter Due Dates
- 2014 Standard Mileage Rates
- The Curse of the Home Office
- Documenting Shareholder Loans
- Report of Foreign Bank and Financial Accounts Requirements

1st Quarter 2014 Due Dates

January 15:

- *Individuals:* Fourth quarter 2013 estimated tax payments due (final installment).

January 31:

- *Employers:* Give your employees their copies of Form W-2 for 2013. File Form 941 for 4th quarter 2013, or annual Form 944. File Form 940 for 2013.
- *Businesses:* Distribute Form 1099 to recipients for 2013.

February 17:

- *Employees:* Submit a new Form W-4 to your employer.

February 28:

- *Employers:* File Form W-3 with Copy A of all Forms W-2, and Form 1096 with Copy A of all Forms 1099. Large food or beverage establishments file Form 8027 to report 2013 tip income, reported tips, and allocated tips.

March 17:

- *Calendar-Year Corporations:* 2013 income tax return (Forms 1120 and 1120S) due, or file Form 7004 for an automatic six-month extension. Provide shareholders with copy of Schedule K-1 (Form 1120S.)
- *C Corporations & LLCs:* File Form 2553 to choose to be treated as an S corporation beginning on January 1, 2014.

2014 Standard Mileage Rates

Beginning January 1st, 2014, the standard mileage rates for the use of a car will be:

- 56 cents per mile for business miles
- 23.5 cents per mile driven for medical/ moving
- 14 cents per mile charitable service

The Curse of the Home Office

Now that you have established a home office, you can work anytime that it is convenient for you (and your customers). You can even meet customers in your pajamas since you find them comfortable and encourage family and friends to interrupt your work any time for any reason. All joking aside, no one ever establishes a home office with the intent of working all day, every day. However, unless some boundaries are established (and followed), customers come to expect everything that you allow as normal. In order to establish and maintain a suitable separation of work and home life, you must:

- Establish policies for weekends, holidays, vacations and after-hours.
- Dress appropriately while you are working.
- Avoid making calls or scheduling appointments outside office hours.
- Have a plan for all types of interruptions (business and personal). This allows you to handle the interruption firmly, gently and with grace.
- Treat your office space like an office, with proper furniture, organization and without distractions, such as a television.

The only good rules are the ones that are enforced! Constantly making exceptions to the rules will only open the door to more exceptions. Make sure your customers understand your general policies. Rules can be posted in the office, included in written customer contracts, provided in a customer handbook, or other ways to fit the type of business you operate. Friends and family should also be informed of your rules. Done properly, you can create a space to deliver a valuable service, grow your business and support yourself and your loved ones.

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Documenting Shareholder Loans

Shareholders are not allowed to have a revolving loan account with their corporation. Loans to the corporation from shareholders or from the corporation to shareholders must have written documentation. Shareholder loan documentation should resemble a typical bank's loan. Loan terms between the shareholder and the corporation should have a reasonable interest rate and the date or terms of repayment. Shareholder loans to the corporation which lack documentation are treated as contributed capital. Shareholder loans from the corporation which lack documentation or which cannot be repaid are treated as either dividends (C-Corp) or distributions (S-Corp). De minimis rules allow some relief to shareholder's though. Loans which are less than \$10,000 between the shareholder and the corporation do not require documentation, if the loan can reasonably be expected to be repaid in less than one year.

Report of Foreign Bank and Financial Accounts Requirements

FBAR rules were established to protect against international terrorism. The reports filed as a result of this regulation provide leads to investigators that facilitate the identification and tracking of illicit funds or unreported income, as well as providing additional prosecutorial tools to combat money laundering and other crimes.

Who must file a FBAR? Any US person who has a financial interest in or signature authority to control the disposition of money or other authority over any financial account in a foreign country, if the aggregate value of these accounts exceeds \$10,000 at any time during the calendar year. The FBAR is due by June 30 of the year following the year that the account holder meets the \$10,000 threshold. An extension to file Federal income tax returns does not extend the due date for filing an FBAR. Filers cannot request an extension of the FBAR. Failure to file form TD F 90-22.1 when required to do so may potentially result in civil penalties, criminal penalties or both.

- Failure to File Penalty - Civil penalties up to \$10,000 for each non-willful violation and the greater of \$100,000 or 50% of the account balances for each willful violation. **Each year is a separate violation.**
- Criminal Penalties - Fines up to \$250,000 and 5 years imprisonment. If the FBAR violation occurs while violating another law (such as tax law, which it often will), the penalties are increased to \$500,000 and/or 10 years of imprisonment.

If foreign financial assets (including FBAR accounts) exceed \$50,000 additional reporting is required on Form 8938, *Statement of Specified Foreign Financial Assets*.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

PENALTY NOTICE: As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.