



THIS MONTH:

- ◆ 4th Quarter 2014 Due Dates
- ◆ The Gift of Inventory
- ◆ News from the IRS

TO DO:

4th Quarter 2014 Due Dates

October 1:

- *Businesses:* Deadline for establishing a new SIMPLE retirement plan

October 15:

- *Individuals:* 2013 Form 1040 due if on extension

October 31:

- *Employers:* File Form 941 for 3rd quarter 2014

During November:

- *Employers:* Request Form W-4s from employees whose withholding allowances will be different in 2015

December 15:

- *Calendar-year C Corporations:* 4th installment of 2014 estimated tax due

The Gift of Inventory

Donating excess or obsolete inventory can help small businesses avoid hefty storage fees and make room in their warehouse for the products which do sell. Small business owners could also receive a valuable tax deduction if the donation meets certain requirements.

- ⇒ **What can be donated?** Obsolete inventory exists when the items are no longer in season/style, have expired, or are outdated for the purposes of your business. To qualify for a tax deduction, it must still retain some value and must be able to be used by the charitable organization. A computer is an example for which you can receive a tax deduction. However, the donation of a typewriter to a charitable organization will unlikely qualify for the tax deduction.
- ⇒ **How much can you donate?** The IRS encourages businesses to donate excess inventory to charity in quantities that can be used in the charitable organization's normal course of business and help them to meet the stated mission of their organization. For example, a manufacturing business can't receive a deduction for donating 200 widgets to the Salvation Army since they provide no benefit to the charity. However, a clothing store donating 200 coats to Salvation Army would receive a charitable deduction. What if there were 1,000 coats? To receive a deduction for all 1,000 coats, the Salvation Army would have to be able to sell these in the normal course of business, otherwise a deduction would be allowed for only a reasonable number of donated coats.
- ⇒ **Who can you donate to?** Only charitable organizations that are listed as 501(c)(3) organizations will qualify for the tax deduction. Schools, hospitals and churches are some examples of these types of organizations. If you're in doubt, you can ask the charity about its status.
- ⇒ **How much can you deduct?** The amount you can deduct is the smaller of its fair market value on the day you contributed it or its basis. The basis of contributed inventory is any cost incurred for the inventory. You must remove the amount of your charitable contribution deduction from your opening inventory, as it is not part of the cost of goods sold. If the cost of donated inventory is not included in your opening inventory, the inventory's basis is zero and you cannot claim a charitable contribution deduction.

If your small business has excess inventory, contact your local Padgett office to see how you may benefit from making a donation.

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Let us know if you have any questions on these or other tax and business issues

News from the IRS

Scam Phone Calls: The Internal Revenue Service issued a consumer alert providing taxpayers with tips to protect themselves from telephone scam artists calling and posing as the IRS. These callers may demand money or may say you have a refund due in hopes of tricking you into sharing private information. Don't be fooled, as these con artists can sound convincing and may know a lot about you. They usually alter the caller ID to make it look like the IRS is calling and use fake names and bogus IRS identification badge numbers. The IRS reminds people that identifying a fake IRS caller is relatively easy; below are five things the scammers often do but the IRS will never do:

1. Call you about taxes you owe without first mailing you an official notice.
2. Demand that you pay taxes without giving you the opportunity to question or appeal the amount.
3. Require you to use a specific payment method for your taxes, such as a prepaid debit card.
4. Ask for credit or debit card numbers over the phone.
5. Threaten to bring in local police or other law-enforcement groups to have you arrested for not paying.

If you get a phone call from someone claiming to be from the IRS and asking for money, the IRS advises you to do the following:

- If you know you owe taxes or think you might owe, call the IRS at 1.800.829.1040.
- If you know you don't owe taxes or have no reason to believe that you do, report the incident to the Treasury Inspector General for Tax Administration (TIGTA) at 1.800.366.4484 or at www.tigta.gov.
- If you've been targeted by this scam, also contact the Federal Trade Commission and use their "FTC Complaint Assistant" at FTC.gov. Please add "IRS Telephone Scam" to the comments of your complaint.

Email Phishing Scam: The IRS has been alerted to a new email phishing scam, in which the email will appear to be from the IRS and include a link to a bogus website intended to mirror the official IRS website. These emails contain the direction "you are to update your IRS e-file immediately". Although these emails may seem legitimate and mention USA.gov and IRS.gov, don't get scammed! These emails are not coming from the IRS, as the IRS never initiates contact with taxpayers by email, texting, or any social media.

Taxpayers who get these messages should not respond to the email or click on the links. Instead, they should forward the scam emails to the IRS at phishing@irs.gov. For more information, visit the IRS's [Report Phishing](#) web page.

IRS2Go Mobile App: The 2014 Version of the IRS2Go is now available! This new version has a brand new look and feel with new added features. The app is available in both English and Spanish and allows you to check the status of your federal income refund or request your tax return or account transcript through your smartphone. You can even use it to help you locate an IRS Volunteer Income Tax Assistance (VITA) site near your home. If you have an Apple iPhone, iPad, or iPod Touch, you can download the free IRS2Go app by visiting the [iTunes app store](#). If you have an Android device, you can visit [Google Play](#) to download the free IRS2Go app.

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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.