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HOT OFF THE PRESS!

BILL TO EXTEND EXPIRED PROVISIONS PENDING IN SENATE

We have previously discussed the significant tax provisions that expired as of December 31, 2013. In an attempt to extend these provisions the Senate Finance Committee has prepared the *Expiring Provisions Improvement Reform and Efficiency Act* (EXPIRE). Some of the items in the bill include:

Personal Extenders

1. The bill extends for two years the \$250 above-the-line deduction for teachers and school professionals for expenses paid or incurred for books, supplies, etc.
2. Under current law, if you have mortgage debt canceled or forgiven after 2013, you may be required to pay taxes on that amount as taxable income. Under this provision, up to \$2 million of forgiven debt is eligible to be excluded from income.
3. The bill extends the election to take an itemized deduction for state and local general sales taxes in lieu of the itemized deduction permitted for state and local income taxes for two years.
4. Another provision extends for two years the owner of an IRA who is age 70-1/2 or older to generally exclude from gross income up to \$100,000 per year in distributions made directly from the IRA to certain public charities.

Business Extenders

1. Extended for two years, through 2015, is the temporary 15-year cost recovery period for certain leasehold, restaurant, and retail improvements.
2. The bill extends 50 percent bonus depreciation for qualified property purchased and placed in service before January 1, 2017.
3. For taxable years beginning in 2014, and thereafter, the proposal would increase the maximum amount eligible for Section 179 and the phase out, to the same as those in effect for years 2010-2013 (\$500,000 and \$2 million, respectively).

For the most part, these provisions and others included in the bill do not change taxation from what was in effect for 2013. Let's see if the Senate and House can get their act together and can get this done.

RECORD RETAINAGE

A common question we receive is how long should I keep my tax records. See the discussion below for guidelines you should consider.

You should generally keep records supporting items claimed on tax returns until the statute of limitations runs out. Typically, this is three years from the due date of the return, or the date you filed, whichever is later. Therefore, this year, the tax records for 2010 tax year and most paperwork (see below) you have left from earlier years, can be destroyed.

Keeping records for three years is the general rule. There are exceptions for certain records. Noted below are some basis guidelines.

1. Real estate records - Keep real estate records as long as you own the property, plus three years after you sell or dispose of it. Throughout ownership of the property, keep records of the purchase, as well as receipts for improvements, insurance claims, and financing documents.
2. To accurately report taxable events involving stocks and bonds, you must maintain detailed records of purchases and sales. These records should include dates, quantities, prices, dividends and investment expenses. Keep these records for as long as you own the investments, plus the statute of limitations.
3. Any issues you have that affect more than one year, such as charitable contribution carryovers, net operating losses, or casualty losses should be saved until the deductions no longer have an effect.

One last word, when cleaning out financial documents, be sure to shred them thoroughly before you toss them out.

PAYING TAXES ON HOUSEHOLD HELPERS

If you employ someone to work for you around the house, it is important to consider the tax implications of this arrangement. While many people disregard the need to pay taxes on household employees, they do so at the risk of incurring significant tax penalties in the future.

Commonly referred to as the “nanny tax”, these rules apply to you if (1) you pay for someone for household work and (2) that worker is your employee.

(1) Household work is work that is performed in or around your home by baby-sitters, nannies, health aids, private nurses, maids, caretakers, yard workers, and other similar domestic workers.

(2) Who is a household employee?

If a worker controls how the work is done, the worker is not your employee, but is self-employed. A self-employed worker usually provides his or her own tools, and offers services to the general public in an independent business. Also, if an agency provides the worker and controls what work is done and how it is done, the worker is not your employee.

When you hire a household employee to work for you, on a regular basis, he or she must complete USCIS Form I-9 Employment Eligibility Verification. It is your responsibility to verify that the employee is either a U.S. citizen, or an alien who can legally work. Keep the completed form for your records.

Employment Taxes

If you have a household employee, you may need to withhold and pay Social Security and Medicare taxes, or you may need to pay federal unemployment tax, or both. We can help you to determine the taxes required to paid and when.

Wages Not Counted

For purposes of Social Security and Medicare taxes, do not include wages paid to a spouse; your child under age 21; and under certain circumstances, your parent.

As you can see, tax considerations for household employees are complex. As you attempt to determine your position, contact us so we can assist you in working thru the payment and filing requirements.

THANKS TO YOU. . .

We want to thank you, our loyal clients and friends of the Firm, for assisting us to continue to grow and expand to provide better service and services. In that regard, we are pleased to announce the addition to our team of **Joel Axelrod** and his associate **Debbie Bonhard**. They have brought their practice and experience with them to assist us in working with you to meet your financial goals. Their background is in working with small and medium sized businesses to implement tax and financial strategies that minimize liabilities, and assist in meeting compliance requirements. We hope you will have the opportunity to meet with them in the near future.

As we continue to grow, we have formalized a team approach towards the services offered you. This means that more than one partner and/or associate will be reviewing your needs to better serve you. To you it means if you try to reach the current contact on your account and that person is not available, others in the Firm are aware of your particular situation, and will be able to assist you to resolve any issues you may have.

We are striving to grow better to meet your needs. Once, again, thanks to you.

NEWS AND NOTES . . .

The purpose of this column is to keep your informed of happenings within the office and with our friends. If you have any items you would like to contribute, contact the editor.

Special congratulations to **Mike and Debbie Singer** upon the birth of their first granddaughter (fourth grandchild) **Abigail Lillian**.

Christine Bretz continues to be active as part of our speakers' bureau. She recently spoke on "Tax Tips and Strategies" for Lee Hyder & Assoc., as well as to the Society for Financial Awareness. Interested in a speaker for your group, or event, contact us.

We have had a number of our clients and friends, who have received special recognition, they include:

1. **Ari, Jori and Rick Maron**, and **Steven Dettlebach** for being included in "*Crain's Cleveland*" as members of the "**Power 150**". The list represents a snapshot of those leading some of NE Ohio's most influential organizations, and in a position to move the region forward.
2. Congratulations to **Stacy Feiner** for being profiled in "*Crain's Cleveland*" as "**Who to Watch in Finance**" in her position as Director at SS&G Parkland.
3. To **Dancing Wheels Company and Mary Verdi-Fletcher** congratulations upon receipt of the **Governor's Award for the Arts**. This award is given for outstanding contributions to the arts locally, statewide, regionally, and nationally.

4. We also congratulate **Mary Verdi-Fletcher** upon receipt of the **International 2014 Henry Viscardi Achievement Award**. The award pays tribute to exemplary leaders in the disability community who have had a profound impact on shaping attitudes, raising awareness, and improving the quality of life of people with disabilities.
5. Recognition was given to **Marcia Wexberg** in the form of the **2014 Athena Award**. It recognizes her for her high level of professional excellence, contributing time to improve the quality of life of others, and actively assisting others, particularly women, in realizing their full leadership potential.
6. Also we would like to add our congratulations to **Terry Gilbert** upon receiving the **2014 Alumni of the Year Award** from **Cleveland Marshall Law School Alumni Association** and **Gordon Friedman** on his recognition for **faculty excellence at Cleveland Marshall Law School**.

BUSINESS IS GREAT . . . AND WE ARE LOOKING FOR MORE!

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