



Chandler Knowles Best

Shedding Light on the Truth in Taxes



Issue 8

A Newsletter from Chandler & Knowles CPAs, PLLC

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Chandler & Knowles,
CPAs
7370 Hawk Road
Flower Mound, TX 75022
817-430-3000
www.formycpa.com
tsa@emailmycpa.com

Hello,

We hope 2014 is off to a great start for you.

Right now we are working hard to find every possible deduction we can for our clients. Then, after April 15, we will be there to help you plan for the best use of the money you have saved.

Whether you want to invest it in growing your business, set it aside for retirement or a child's education, or even splurge on a round-the-world cruise, we would rather the money be spent to satisfy your desires rather than those of some Washington bureaucrats and lobbyists.

As our motto says, we want to make your life less taxing, by both reducing your tax burden and giving you the peace of mind that comes with financial security and a life well-lived.

— **Rochelle Chandler and Kristina Knowles, CPAs**

Capitalize or Deduct?



One of the biggest tax issues facing business taxpayers is whether they must capitalize or deduct expenditures for acquiring, maintaining, or repairing tangible business property. For example, if it costs \$50,000 to repair a commercial building roof after a blizzard, you could treat the expenditure as a repair and deduct the entire \$50,000 immediately. But if you are required to capitalize the expenditure as an improvement to the building, you would deduct the \$50,000 over the 39-year depreciable life of a commercial building.

The issue can be complicated. As the IRS stated, “The determination of whether an expense may be deducted as a repair or must be capitalized generally requires an examination of all of a taxpayer’s particular facts and circumstances. Moreover, the subjective nature of the existing standards described above has resulted in considerable controversy between taxpayers and the IRS over many years.”

On September 13th, the IRS issued new regulations designed to clarify the subject. This new framework, which went into effect on January 1st, gives property owners greater flexibility in how they account for their expenses and can potentially save a lot on taxes.

Taking advantage of these rules requires that the accounting be set up in accordance with the new rules, which runs 222 pages. For example, taxpayers with applicable financial statements can apply the safe harbor to an item that is \$5,000 or less, but those without a financial statement are limited to \$500. Taxpayers must also have written book policies in place at the beginning of the year to apply the safe harbor.

For more information on these rules, schedule an appointment with our office to review your current property management accounting systems and see how you can lower your taxes.

Income Tax Changes



The end of 2012 was marked by last-minute negotiations that brought large-scale changes to the tax code. 2013 lacked such drama, but there are still a large number of tax changes that you should know about.

Some of these changes are part of the tax laws passed on January 1st of last year, while others, such as the investment surtax and higher Medicare taxes are part of the Affordable Care Act (Obamacare) funding mechanism.

Because of all the changes, many taxpayers who historically receive refunds may find themselves owing tax for 2013. Here are some of the key changes that of which you should be aware.

New Individual Tax Rates – While the “Bush tax cuts” were made permanent for most taxpayers, rates were raised for high earners. A new 35% tax rate covers single filers with adjusted gross incomes (AGI) of \$398,351 to \$400,000 and married couples filing jointly with AGIs from \$398,351 to \$450,000. Any income above those limits is hit with the 39.6% rate.

Social Security – The Social Security portion of the payroll tax has gone back up from 4.2% to 6.2%. The maximum taxable earnings for 2013 were \$113,700, \$3,600 higher than the previous year.

Medicare – The Medicare Hospital Insurance portion of the payroll tax for families with incomes over \$250,000 went up from 2.9% to 3.8%.

Capital Gains – Those in the 39.6% tax bracket will now pay a 20% tax on capital gains.

Investment Surtax – Individuals with a modified AGI of \$200,000 (\$250,000 for couples) now pay a 3.9% surtax on investment income.

Exemptions and Itemized Deductions – The amount someone can claim as a personal exemption, as well as the amount of itemized expenses they can deduct, is reduced once an individual has an AGI over \$250,000 (\$300,000 for couples).

Section 179 Expensing – This year the amount a business can expense for new capital purchases has dropped back to \$25,000, with a phase out at \$200,000.

Sales Taxes – The option of deducting state sales tax instead of state income tax expired at the end of 2013, though it may be extended again.

Alternative Minimum Tax – This has now been permanently indexed to inflation instead of Congress having to pass a “patch” every year. The figure for 2013 is \$51,900 (\$80,800 for couples).

Bonus Depreciation – The 50% bonus depreciation was extended for 2013, but not for 2014.

Child Tax Credit – The 2001 changes to the child tax credit have been made permanent: \$1000 for each qualifying child under 17; amounts are refundable up to 15% of earnings over \$10,000.

Looking Ahead

At this point in time, we are not looking at major tax changes making it through Congress this year, especially considering it is an election year. One area that might change is the individual and employer penalties for not having medical insurance that meets federal requirements. The employer mandate was already delayed for one year, and various parts of the individual mandates have also been extended. We will keep you informed of any new developments.

Latest News From Our Office

Meet Our New Staff

Chris Hammer joined our firm last summer as a Technical Services Associate. She graduated from Texas Woman's University in December 2012 and had a temporary job at an accounting firm last tax season. Instead of being put off by the stress of tax season, she found it fun, and came to work for us. She assists with logging in all our clients' tax information, scanning, copying and e-filing the completed returns.



Chris Hammer and family



Debbie and Jim Lang

Debbie Lang joined us in January as a tax preparer. She has a Bachelor of Science degree from Panhandle State University in Goodwell, Oklahoma, an MBA from Dallas Baptist University and more than 18 years' experience in the accounting and finance arena.

Julie Monk is back with us for the third year as a receptionist. She and her husband, David, had an optical business in Missouri. They now spend their summers in Illinois, where two grandchildren live, and winters in Texas, so they can be near their other two grandchildren. Her Texas visits work out great for us because she can help out during tax season.



Julie and David Monk

Visit Our New Website

Our new [website](#) is on line, with information about our services, changes to the tax laws, an online copy of our newsletter and other valuable information.



Rochelle and Kristina have gone 2D. See the video by clicking the ["Watch Our Video"](#) link on our home page. True, the cartoon isn't as entertaining as Mickey Mouse; but then the services we offer are not Mickey Mouse, either.

What Our Clients Are Saying



I own two UPS stores, one on [Long Prairie Road in Flower Mound](#) and the other on [W. Round Grove Road in Lewisville](#). We do retail UPS shipping, packing, and also provide a variety of printing, copying and mailbox services. I have owned these stores since 1997, back when the company was known as Mail Boxes Etc.

Through UPS, we have software that tracks all of the revenue. What it doesn't tell me is the best way to present that information on a tax return. The rules keep changing every year and I just don't have the time to keep up on all the latest IRS regulations. I need someone who can advise me on the best way to minimize taxes and build wealth.

Eight years ago a colleague referred me to Rochelle Chandler and from that day forward she has done all my business and personal tax returns. Twice a year I have her look over my books to make sure that everything is in line. She also meets with me periodically to talk about my business strategy and future plans including retirement.

What I really like about the firm is the one-on-one service. It's not like accountants I have had in the past, where the partner meets with you in the beginning, but then quickly delegates you to someone else in the firm. Here, I am dealing directly with Rochelle, she personally knows my situation and can give me the guidance and direction I need.

They are a great company to trust with all of your tax needs. They are good people and I enjoy my relationship with them. And it truly is a relationship, not just a service I use once a year. — **Rick Schenck**

The Reviews Are In!

In January we received an **Angie's List Super Service Award**. According to Angie's List Founder Angie Hicks, only five percent of companies are able to earn the award.

Requirements include having an "A" rating, passing a background check and abiding by Angie's List operational guidelines. Service company ratings are updated daily on Angie's List. Companies are graded on an A through F scale in areas ranging from price to professionalism to punctuality. The Super Service Award adds to previous recognitions we have received, such as a Readers' Choice Award from The Leader.

To read what others have to say about us, or to leave your own review, click on the images to the right.



Tax Season Referral Game



To thank you for referring your friends and family to Chandler & Knowles CPAs, we're giving you an opportunity to participate in our Client Referral Program. It extends through the months of February, March, and April.

When you refer anyone to us and they become new clients, you will receive a \$25 credit towards any future services and be entered into our referral contest to win \$500 for that month. You will receive one entry for each individual (1040) referral, and two entries for each business referral.

The monthly drawings for \$500 will be held the last days of February, March, and April. Additionally, your name will be entered into the grand prize drawing for **\$1,000 at the end of April, so you could win twice!**

There is no limit on the number of entries you can receive. The more you refer, the greater your chances of winning each prize.

Where's My Refund?

More than 90 percent of federal refunds are issued within 21 days of return acceptance. IRS employees will not provide individual refund information before then. Taxpayers can find information about their refund by using the [Where's My Refund?](#) tool. It's available on *IRS.gov* and on the Smartphone app, IRS2Go.

Where's My Refund? provides taxpayers with the most up-to-date information available. Taxpayers must have some information from their current tax return to access their refund information. Refund information is updated once a day, generally overnight, so there's no need to check more than once a day.

Tax Season Schedule and Info

From February 3rd to April 15th, 2014,
we will be open:

M – Th · 8:00 AM – 5:30 PM

Friday · 8:00 AM - 5:00 PM

Saturday · 9:00 AM - 1:00 PM

Sunday · Closed

OTHER TIMES AVAILABLE BY APPOINTMENT.

(817) 430-3000

Deadline for Receiving Information

We will not guarantee timely filed Personal, Partnership or Trust Tax Returns if your tax information is not received in our office by **April 1, 2014**.

Mailing Returns

Once your Personal 1040 tax return is completed **you have until May 30, 2014** to pick up your tax package or your documents will be mailed to you via USPS on June 2, 2014.

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