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Note these tax dates on your 2014 calendar

It's tax return filing season once again. Among the tax deadlines you may be required to meet in the next few months are the following:

- **January 15** – Due date for the fourth quarterly installment of 2013 estimated taxes for individuals, unless you file your tax return and pay any taxes due by January 31.
- **January 31** – Employers must furnish 2013 W-2 statements to employees. Payers must furnish payees with Form 1099s for various payments made. (The deadline for providing Form 1099-B and consolidated statements to customers is February 18.)
- **January 31** – Employers must generally file annual federal unemployment tax returns.
- **February 28** – Payers must file information returns, such as Form 1099s, with the IRS. This deadline is extended to March 31 for electronic filing.
- **February 28** – Employers must send Form W-2 copies to the Social Security Administration. This deadline is extended to March 31 for electronic filing.
- **March 3** – Farmers and fishermen who did not make 2013 estimated tax payments must file 2013 tax returns and pay taxes in full.
- **March 17** – 2013 calendar-year corporation income tax returns are due.
- **April 15** – 2013 partnership returns are due.
- **April 15** – Individual income tax returns for 2013 are due.

IRS sends notices about “possible income underreporting”

Form 1099-K is a new information return sent to businesses by “payment settlement entities” reporting the amount of credit card and other electronic receipts that were processed for the business.

The IRS also receives a copy of Form 1099-K and cross checks the reported amounts with the business's total income reported on its tax return. Where the numbers don't seem to make sense, the IRS sends notices to businesses telling them they “may have underreported gross receipts.” Notices go on to say “This is based on your tax return and Form(s) 1099-K, Payment/Merchant Cards and Third Party Network Transactions that show an unusually high portion of receipts from card payments.”

The IRS has sent thousands of letters labeled “Notification of Possible Income Underreporting” to small business owners. The notification project is ongoing as part of the IRS’s campaign to deal with the “tax gap,” the difference between taxes owed and taxes actually collected.

If you receive a notice, contact us immediately so that we can determine what response is required.

FSA rule is modified again

Flexible spending accounts (FSAs) allow taxpayers to set aside pre-tax dollars to pay for out-of-pocket medical expenses.

The drawback has been the fact that unused amounts each year are forfeited. Plans could provide a 2½ month grace period to use up unspent set-asides.

Now a change announced by the IRS adds more flexibility to these accounts. Plans can be modified by employers to allow up to \$500 of unused amounts to be carried over into the following year. Health FSAs cannot have both the old 2½ month grace period and the \$500 carryover; they can have one or the other (or neither).

Two financing options for your business: equity and debt

Start-up businesses and long-established firms share common ground in at least one respect: the need for financing. Managers of fledgling companies often debate the best way to obtain funds for buying inventory, heavy equipment, and buildings for making widgets. In the break rooms and suites of Fortune 500 firms, executives also discuss the best ways to cover cash shortfalls and meet capital needs.

Business financing generally comes in two flavors: equity and debt. For small businesses, equity financing often takes the form of contributions by family members, friends, business associates, and investors. For business owners, the biggest drawback to equity financing is loss of control. If Uncle John pumps his savings into your newly formed company, he may want a substantial voice in its day-to-day operations, whether or not he understands your industry or business model. On the plus side, equity contributions may be easier to procure than bank loans or other forms of financing.

Without an established track record, businesses may struggle to obtain debt financing. To extend a loan, a lender must be willing to risk the institution’s funds on your business. Loan terms generally compensate for this risk by stipulating an interest rate that reflects the lender’s estimate of your credit worthiness. If the lender thinks your firm may struggle making the loan payments, expect a higher rate.

From a business owner’s perspective, the signing of loan agreements also carries risk. That’s why it’s wise to proceed slowly. Take time to develop a formal business plan, cash flow projections, and a realistic picture of the firm’s needs. Determine whether alternate forms of financing may be available. Remember that failure to make timely loan payments may adversely affect your company’s ability to obtain future financing.

In general, a company should use debt financing for capital items such as plant and equipment, computers, and fixtures that will be used for several years. By incurring debt for such items, especially when interest rates are low, a firm can release operating cash flows for day-to-day operations or new opportunities. For short-term needs, consider establishing a line of credit.

Regardless of the form of financing chosen, all businesses must produce a product or service that others want to buy. Debt should be viewed as a tool – one of many – to help your company thrive.