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Reminder: Second estimated tax payment due June 17

June 17, 2013, is the due date for making your second installment of 2013 individual estimated tax. Your check to the United States Treasury should be accompanied by Form 1040-ES. June 17 is also the due date for calendar-year corporations to make their second quarter 2013 estimated tax payment.

Does your 2013 withholding need adjusting?

If you have a sizable refund of your 2012 taxes, it may be time for you to check your withholding. After all, when you overpay your taxes, you're making an interest-free loan to the government.

Reducing your withholding is as simple as filing a new Form W-4 with your employer. The form comes with a worksheet to figure out how many allowances you should claim. Don't forget to allow for other taxable income besides wages, such as dividends or investment gains.

If you're concerned about underpaying taxes and exposing yourself to penalties, there are a few rules you should know. Generally, you won't face a penalty if you pay for 2013, through withholding or quarterly estimated payments, at least 100% of your 2012 taxes (110% if your adjusted gross income is over \$150,000), or if you pay at least 90% of what you'll owe for 2013.

Don't fall for bogus IRS e-mails and websites

Crooks wanting to steal your identity are using bogus e-mails and websites designed to look like genuine IRS communications. You might expect the April 15 filing deadline to mark the end of these scams, but they, in fact, are expected to continue for months.

An example of these bogus e-mails: You receive a message confirming IRS receipt of your tax return, but the IRS needs more information to process your return. The e-mail looks official and completely legitimate. But it isn't. The IRS does NOT contact taxpayers asking for personal and financial information. These e-mails should be deleted immediately. Fake IRS websites are also created by scammers to lure victims into filling out forms providing information that results in identity theft.

IRS announces 2013 deduction limits for business vehicles

The IRS has published depreciation limits for business vehicles first placed in service this year. The limits for passenger autos remain the same as the 2012 limits, but limits for light trucks and vans have some changes.

Because 50% bonus depreciation is allowed only for new vehicles, the limits are different for new and used vehicles. Here's a quick review.

For new business cars first placed in service this year, the first-year depreciation limit is \$11,160; for used cars, it's \$3,160. After year one, the limits are the same for both new and used cars: \$5,100 in year two, \$3,050 in year three, and \$1,875 in all following years.

The 2013 first-year depreciation limit for light trucks and vans is \$11,360 for new vehicles and \$3,360 for used vehicles. Limits for both new and used vehicles in year two are \$5,400, in year three \$3,250, and in each succeeding year \$1,975.

For details relating to your 2013 business vehicle purchases, contact our office.

A bank line of credit: Should your business have one?

Just exactly what is a bank line of credit and who should be using one? A bank line of credit is not a great deal different from a credit card. You make draws against your line of credit from time to time as you need cash. You pay interest only on the amount of the loan balance outstanding. You are expected to make payments and occasionally bring your outstanding balance to zero. Let's look at an example.

Let's say that your bank has arranged for you to have a \$100,000 line of credit. You are not obligated to draw any of it at any given time, and you will pay no interest until you actually make a draw (much as you do with a credit card).

Assume that you want to build up your inventory for the holiday shopping season and need \$30,000 to do so. After your inventory purchase, you still have \$70,000 available even if the \$30,000 is still outstanding, but you are only paying interest on the \$30,000. You may have several occasions during the year to borrow on your line of credit. Since your line of credit is intended for short-term cash needs, your banker expects your balance to be paid down as your cash flow improves.

Do not use a line of credit for capital purchases. If you need to expand your building or buy new equipment, arrange a term loan for that specific acquisition. You should not use a credit card for such an investment, and you should not use your line of credit for that either.

If your business has at least two years of making a profit, you may well qualify for a bank line of credit. Start by checking with your current bank. Your banker would like to keep your business, and if your financial statements support it, you will most likely be offered a loan. Lines of credit for small amounts may not require collateral. On larger loans, you may need to put up collateral, and you may need a co-signer.

A bank line of credit can make your operation more efficient. There is comfort in knowing that you have a reliable source of instant cash for your short-term needs.

Most banks are willing to make loans to businesses that have uneven income cycles. You may want to shop around for the best loan terms. Some banks may already have several customers in your industry and do not want more (perhaps a bank examiner's concern). Accordingly, their terms may be less favorable than some other bank or credit union.

Please contact us if you would like assistance in preparing a request for a bank line of credit.

Schedule midyear tax planning soon

As summertime approaches, tax planning is probably the last thing on your mind. The problem is that if you wait until December, there's little time for changes to take effect. But if you take the time to plan now, you still have six months for your actions to make a difference on your 2013 tax return.

Making time for 2013 tax planning now not only helps reduce your taxes, but also helps to put you in control of your entire financial situation. Tax planning should be a year-round process, but it's especially effective at midyear. Give us a call for guidance in implementing the best moves for your particular situation.