Newsletter

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Foreign asset reporting: You may need to file two forms

Do you know where your money is? If some of it is offshore, you might have tax reporting responsibilities – and those responsibilities generally go further than checking the familiar box on the Schedule B you submit with your federal income tax return. Here are two.

1. **FBAR.** Foreign bank account reporting has been required since 1970, so you may be familiar with "Form TD F 90-22.1," commonly known as "FBAR." Unless you qualify for an exception, that's the form you fill out when you control assets in a foreign financial account and the total value of your account exceeds $10,000 at any time during the calendar year.

   The FBAR is an annual information form, filed separately from your federal income tax return. You may need to file it even if you receive no taxable income from your foreign account.

   The due date for the FBAR differs from Form 1040 as well. Your 2012 FBAR must be received by the Treasury Department no later than June 30, 2013. No extension is available. "Received by" means you'll need to mail the FBAR before June 30. Since that's a Sunday, your return must reach its destination by Friday, June 28.

   You can also file electronically.

2. **Form 8938.** The requirement to file "Form 8938 – Statement of Specified Foreign Financial Assets" began in 2011. Whether you have to complete Form 8938 depends on your federal income tax filing status, and if you're living in the U.S. or abroad.

   For example, say you're married filing a joint return, and live in the U.S. You may be required to file Form 8938 if the total value of your reportable foreign assets is more than $100,000 on December 31, or more than $150,000 at any time during the year.

   Reportable foreign assets include accounts at foreign banks and financial institutions, as well as certain stocks, bonds, and foreign investments. When determining if you meet the threshold for filing, consider the entire value of accounts you own jointly with someone other than your spouse, as well as assets owned by your dependent children.

   File Form 8938 with your federal income tax return. Depending on the amount and type of your foreign accounts and other assets, you might need to file both the FBAR and Form 8938.

Please call if you need details or assistance with your filing responsibilities and options.

Don’t overlook tax planning in a divorce

Tax rules are daunting at the best of times – and they’re more so at the worst of times, such as during a divorce, when you may feel too stressed to face decisions involving your taxes. Yet the choices you make will affect your future, both financially and personally. Here’s where to start.

■ ***Filing status.*** For tax purposes, the timing of your divorce matters. The date of your final decree determines your filing status, which in turn has an impact on what you’ll owe.

Will your divorce be final by the last day of your tax year (generally December 31)? If so, you’ll file your income tax return as single or head of household. You can also use one of those filing statuses if you were legally separated according to the laws of your state by the end of your tax year.

If your divorce is closed after the end of your tax year, you’re considered married for that year. In that case, you’ll choose between married filing jointly and married filing separately. Head of household status may be available in certain situations.

Tip: Remember to adjust the income tax withholding statements you have on file with your employer.

■ ***Exemptions.*** When you prepare your federal income tax return for 2013, you can deduct $3,900 for each qualified child or relative that you claim. In addition, you get the benefit of other credits and deductions related to your dependent, such as the child tax credit.

The general rule: You’re the custodial parent if you’re the one your child lives with for the majority of the year. You can release your claim to the exemption by filing a form with your return. The release will also allow your former spouse to claim the child tax credit.

Tip: Consider adjusted gross income and your exposure to the alternative minimum tax when discussing who will get dependency exemptions.

■ ***Asset transfers.*** In general, ex-spouses can make a tax-free transfer of assets within a year of the divorce. “Tax-free” means the initial transfer is considered a gift, so you’ll want to make sure you’re fully informed about the basis of assets you receive. Why? Because you get the same basis and holding period your ex-spouse had before the transfer. That will be important when you sell the assets later.

Another caveat: Some types of property, such as retirement plans, have extra rules to be aware of. For example, to remain tax-free, a transfer from your traditional IRA to your spouse must be mentioned in your divorce decree, and should take place post-divorce, via a direct transfer to the new account.

Splitting assets in your 401(k) or other qualified retirement plan requires a “qualified domestic relations order,” a document you must get from the court.

These are just a few of the taxing aspects of divorce. Contact us for planning and advice specific to your situation.

May 15 deadline for nonprofit organizations

Tax-exempt organizations are required to file annual reports with the IRS by the 15th day of the fifth month after their year-end. Those with gross receipts below $50,000 can file an E-postcard rather than a longer version of Form 990. For calendar-year organizations, the filing deadline for 2012 reports is May 15, 2013.