2014 Tax Update – The Good, the Bad, and the Ugly

The Hungerford Nichols Team
Personal Property Tax Update

Jon Sytsma, CPA, MST
The manufacturing and small parcel exemptions were approved at the August 2014 election.
SMALL PARCEL EXEMPTION
Small Parcel Exemption

• Exempt from personal property tax if personal property is worth $80,000 or less.
  – $80,000 test is per jurisdiction.
  – Applies to commercial and industrial personal property.

• Starts with 2014 tax year (assessment date 12/31/2013).
Determining Value

• Value of property is determined based on “true cash value”

• Includes property you, *or a related entity*, own, lease, or possess.

• True cash value:
  – The usual selling price at a private sale.

• True cash value ≠ taxable value
  – Taxable value = 50% of true cash value.
# True Cash Value

## Section A: Including Furniture and Fixtures

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
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<td>1999</td>
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<td>Prior</td>
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## Section B: Including Machinery and Equipment

<table>
<thead>
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<tr>
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<td>1999</td>
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<td>Prior</td>
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## Section C: Totals

<table>
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<tr>
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<tbody>
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<td>A1</td>
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## Section D: Including Office, Electronic, Video and Testing Equipment

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<td>1999</td>
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<td>Prior</td>
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## Section E: Totals

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<tr>
<th>Totals</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>D1</td>
<td></td>
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</tbody>
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## Section F: Including Computer Equipment

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>2012</td>
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<td>2007</td>
<td>.08</td>
</tr>
<tr>
<td>Prior</td>
<td>.08</td>
</tr>
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</table>

## Section G: Totals

<table>
<thead>
<tr>
<th>Totals</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td></td>
</tr>
</tbody>
</table>
“You or a Related Entity”

• “Related entity”
  – a person that directly or indirectly, controls, is controlled by or is under the common control with the person claiming the exemption.

• “Person”
  – an individual, partnership, corporation, association, limited liability company or other legal entity.
“You or a Related Entity”

• “Control, Controlled By and Under Common Control with”
  – the possession of the power to direct or cause the direction of the management and policies of a related entity, directly or indirectly, whether derived from a management position, official office, or corporate office held by an individual; by an ownership interest, beneficial interest, or equitable interest; or by contractual agreement or other similar arrangement.
  – There is a rebuttable presumption that control exists if any person, directly or indirectly, owns, controls, or holds the power to vote, directly or by proxy, 10% or more of the ownership interest of any other person or has contributed more than 10% of the capital of the other person.
  – Indirect ownership includes ownership through attribution or through one or more intermediary entities.
File Affidavit if value <= $80,000

• If true cash value of personal property is $80,000 or less, need to file affidavit no later than February 10, 2014 (postmarked).

• Form 5076 “Affidavit of Owner of Eligible Personal Property Claiming Exemption from Collection of Taxes”.

• Affidavit must be filed each year.
Form 5076, Affidavit...

- Certify that:
  - You are the owner of the personal property claimed as exempt.
  - The true cash value of all the personal property located within the city or township that is owned by, leased to, or in the possession of the owner or related entity is less than $80,000.
  - The true cash value was determined based on completing the 2014 Personal Property Tax Statement.
    - If another method was used, need to attach an explanation.
  - The determination of true cash value includes all assessable personal property located within the city or township that is owned by, leased to, or in the possession of the owner or related entity.
    - Includes “Trade Fixtures”
    - Includes “Leasehold Improvements” not assessed as real property.
Definitions

• “Trade Fixture”

  – Items of property that have been attached to real estate by a tenant to facilitate the tenant’s use of the property for business purposes and which are both capable of being removed and are removable by the tenant under the terms of the lease.

  – Examples of trade fixtures are certain costs related to telephone and security systems and most signs.
Definitions

• “Leasehold Improvements”
  – Land improvements, such as paving and landscaping, and improvements made by a tenant to structures owned by the landlord.
  – Leasehold improvements are characterized by the fact that they cannot be removed for use elsewhere because they will be destroyed by removal.
  – Leasehold improvements may be assessed as real property to the owner of the real property or may be assessed as personal property to the tenant.
• Determination of eligibility for the exemption is different than determination of tax liability.

• Determination of eligibility for the exemption includes items, such as leased personal property, which would not be used in the determination of tax liability.

• It is possible that a taxpayer may have under $80,000 true cash value for determination of tax liability and not be eligible for the exemption because of items they may lease or have in their possession but do not own.
• Must keep **records for four years** after filing an affidavit claiming exemption.

• Assessors may deny an exemption for the current year and the three immediately preceding calendar years.

• Property is **not eligible for the exemption** if the property is used by a person or related entity that previously owned the property.
MANUFACTURING EXEMPTION
Manufacturing Exemption

Eligible Manufacturing Personal Property will be exempt from taxation beginning 12/31/2015 (2016 tax year) if it has been subject to taxation for at least 10 years.
# Manufacturing Exemption

<table>
<thead>
<tr>
<th>Purchased by first owner:</th>
<th>Exemption goes into effect:</th>
</tr>
</thead>
<tbody>
<tr>
<td>During 2013 calendar year and after</td>
<td>12/31/2015 (2016 tax year)</td>
</tr>
<tr>
<td>During 2005 calendar year or prior</td>
<td>12/31/2015 (2016 tax year)</td>
</tr>
<tr>
<td>During 2006 calendar year</td>
<td>12/31/2016 (2017 tax year)</td>
</tr>
<tr>
<td>During 2007 calendar year</td>
<td>12/31/2017 (2018 tax year)</td>
</tr>
<tr>
<td>During 2008 calendar year</td>
<td>12/31/2018 (2019 tax year)</td>
</tr>
<tr>
<td>During 2009 calendar year</td>
<td>12/31/2019 (2020 tax year)</td>
</tr>
<tr>
<td>During 2010 calendar year</td>
<td>12/31/2020 (2021 tax year)</td>
</tr>
<tr>
<td>During 2011 calendar year</td>
<td>12/31/2021 (2022 tax year)</td>
</tr>
<tr>
<td>During 2012 calendar year</td>
<td>12/31/2022 (2023 tax year)</td>
</tr>
</tbody>
</table>
Manufacturing Exemption

• “Eligible manufacturing personal property”
  – All personal property located on a parcel of real property if used more than 50% of the time in industrial processing or in direct integrated support.
Manufacturing Exemption

• Determining “more than 50%”
  – Multiply the true cash value of each individual item of personal property located on that parcel of real property by its percentage of use in industrial processing or in direct integrated support.
  – Add up the result for all personal property located on that parcel of real property.
  – Divide result by the total true cash value of all personal property located on that parcel of real property.
Definitions

- “Industrial Processing”
  - Same definition as industrial processing exemption for Sales/Use tax
  - The conversion or conditioning of tangible personal property by changing the form, composition, quality, combination, or character of the property for ultimate sale at retail or for use in the manufacturing of a product to ultimately be sold at retail.
  - Industrial processing does not include the generation of electricity for sale.
Definitions

• “Direct Integrated Support”:
  – Research and development functions
  – Testing and quality control functions
  – Engineering functions
  – Warehousing facilities that directly support the owner or lessee engaging in industrial processing and that store tangible personal property owned by that owner or lessee
  – Sorting and distribution centers that optimize transportation and use just-in-time inventory management and material handling for inputs to industrial processing.
State Essential Services Assessment (SESA)

Starting January 1, 2016: A new state tax!

- The SESA tax will be used to replace revenues distributed to local governmental units to support the cost of police, fire, ambulance, and jail services.

- Imposed on “exempt” industrial personal property (as of 12/31/2015).
State Essential Services Assessment (SESA)

Tax is computed based on acquisition cost at the following millage rates:

<table>
<thead>
<tr>
<th>Property Age</th>
<th>Millage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 5 years</td>
<td>2.40</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>1.25</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>0.90</td>
</tr>
</tbody>
</table>
State Essential Services Assessment (SESA)

• New tax is roughly 10-20% of old personal property tax.
• SESA returns must be electronically filed.
• There will be a single filing for all property located in Michigan.
• Payment due by September 15 of each year.
• If fail to file and pay by November 1, taxpayer will lose the Industrial Personal Property Exemption.
Questions?

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Unclaimed Property

Brett Karhoff, CPA, MST
REPORTING UNCLAIMED PROPERTY
Unclaimed Property

- Property in your custody that belongs to someone else
- Unclaimed beyond the “dormancy period”

Examples:
- Uncashed payroll checks
- Inactive stocks, dividends, checking and savings accounts
Unclaimed Property

- Businesses and government entities are required to remit to the Michigan Department of Treasury:
  - Abandoned and unclaimed property
  - Owners last known address in Michigan
  - No known address for the owner
## Dormancy Period

<table>
<thead>
<tr>
<th>Yrs</th>
<th>Code</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>MS01</td>
<td>WAGES, PAYROLL, SALARY</td>
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<tr>
<td>1</td>
<td>MS02</td>
<td>COMMISSIONS</td>
</tr>
<tr>
<td>3</td>
<td>MS03</td>
<td>WORKERS' COMPENSATION BENEFITS</td>
</tr>
<tr>
<td>3</td>
<td>MS04</td>
<td>PAYMENT FOR GOODS &amp; SERVICES</td>
</tr>
<tr>
<td>3</td>
<td>MS05</td>
<td>CUSTOMER OVERPAYMENT</td>
</tr>
<tr>
<td>3</td>
<td>MS06</td>
<td>UNIDENTIFIED REMITTANCES</td>
</tr>
<tr>
<td>3</td>
<td>MS07</td>
<td>UNREFUNDED OVERCHARGES</td>
</tr>
<tr>
<td>3</td>
<td>MS08</td>
<td>ACCOUNTS PAYABLE</td>
</tr>
<tr>
<td>3</td>
<td>MS09</td>
<td>CREDIT BALANCES-ACCTS. REC.</td>
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<tr>
<td>3</td>
<td>MS10</td>
<td>DISCOUNTS DUE</td>
</tr>
<tr>
<td>3</td>
<td>MS11</td>
<td>REFUNDS DUE</td>
</tr>
<tr>
<td>3</td>
<td>MS12</td>
<td>UNREDEEMED GIFT CERTIFICATES</td>
</tr>
<tr>
<td>3</td>
<td>MS13</td>
<td>UNCLAIMED LOAN COLLATERAL</td>
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<tr>
<td>3</td>
<td>MS14</td>
<td>PENSION &amp; PROFIT SHARE PLANS (IRA, KEOGH)</td>
</tr>
<tr>
<td>1</td>
<td>MS15</td>
<td>DISSOLUTION OR LIQUIDATION</td>
</tr>
<tr>
<td>3</td>
<td>MS16</td>
<td>MISC. OUTSTANDING CHECKS</td>
</tr>
<tr>
<td>3</td>
<td>MS17</td>
<td>MISC. INTANGIBLE PROPERTY</td>
</tr>
<tr>
<td>3</td>
<td>MS18</td>
<td>SUSPENSE LIABILITIES</td>
</tr>
<tr>
<td>3</td>
<td>MS99</td>
<td>AGGREGATE MISC. PROPERTY UNDER $50.00</td>
</tr>
</tbody>
</table>
Reporting Requirements

- For property reaching its dormancy period as of March 31, 2015:
  - Unclaimed property annual report is due July 1, 2015.
  - No need to file a zero or negative report with the state (i.e. only need to file when there is unclaimed property to remit)
Due Diligence

- Michigan law requires written notice to owners at their last known address informing them that held property is subject to being turned over the State.

- Notice must be sent before filing the report
  - Not less than 60 days prior and
  - Not more than 365 days prior

- Copies of reports and supporting records must be kept for 10 years
Fines and Penalties

- Failure to file a report and remit unclaimed property puts your company at risk for fines and penalties:
  - **Interest** = 1% above prime rate, per year, per month on the value of the property from the date the property should have been delivered
  - **Civil penalty** for failure to report = $100 per day report is not filed, but not more than $5,000
Fines and Penalties (con’t)

- Failure to file a report and remit unclaimed property puts your company at risk for fines and penalties:
  - Civil penalty for failure to pay = 25% of the value of the property that should have been paid
  - Failure to pay after written demand is a misdemeanor
    - Not less than $500
    - Not more than $25,000
    - Imprisonment up to six months
# Recommended Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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</thead>
<tbody>
<tr>
<td>March 31</td>
<td>Identify properties that could be reportable as unclaimed property as of March 31.</td>
</tr>
<tr>
<td>April 15</td>
<td>Prepare and mail due diligence letters to those property owners identified as inactive.</td>
</tr>
<tr>
<td>May 15</td>
<td>Determine property owners with whom contact has not occurred (i.e., returned mail, no response, etc.).</td>
</tr>
<tr>
<td>June 1</td>
<td>Begin preparing the annual unclaimed property report using reporting software. A free version of the software may be downloaded at <a href="http://www.michigan.gov/unclaimedproperty">www.michigan.gov/unclaimedproperty</a> located in the Reporting Unclaimed Property section.</td>
</tr>
<tr>
<td>On or Before July 1</td>
<td>Mail the electronic media containing the annual unclaimed property report, <em>Michigan Holder Transmittal for Annual Report of Unclaimed Property</em> (Form 2011) and remittance to the Unclaimed Property Division. If your entity has no unclaimed property to report, you do not need to file anything.</td>
</tr>
</tbody>
</table>
CLAIMING UNCLAIMED PROPERTY
www.michigan.gov/treasury
www.michigan.gov/treasury

How to Claim Your Unclaimed Property

Michigan's Money Quest

- Search for Your Unclaimed Property in Michigan

National Association of Unclaimed Property Administrators

- Search for your Unclaimed Property in Specific States

MissingMoney.com

- Search for your Unclaimed Property in the U.S.
www.michigan.gov/treasury
Your search for "degage" found 2 matches.

If any of these appear to belong to you, please complete the Initial Inquiry form and mail it to us at the address on the form. This form requires Adobe Acrobat Reader 3.0 (or higher). If you have Reader 4.0, you can fill the form in on-line before printing. Be sure to write the Property Number on the form. If you are inquiring for an individual or business with various properties, you only need to complete one Initial Inquiry form and leave the property number blank on the form.

**DEGAGE MINISTRIES**  
Property Number: **8958157**  
GRAND RAPIDS, MI  
Transferred from: HERALD COMPANY INC

**DEGAGE MINISTRIES**  
Property Number: **9075452**  
GRAND RAPIDS, MI  
Transferred from: HERALD COMPANY INC

_Last Updated: 11/06/2014_

If you believe that any of these properties belong to you, you must complete and mail the Initial Inquiry Form.

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Search Suggestions

- Last name
  - Married name
  - Maiden name
  - Common misspellings (Carhoff vs. Karhoff)

- Search for yourself, family, friends

- Businesses, schools/clubs, churches, etc.

- Warning: The quest for free cash can be addictive!
Questions?

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Follow me on Twitter: @brettkarhoff
Stolen Identity
Tax Refund Scam

Jacquelyn Lightcap, CPA
Did you know?

• Nearly 3 Million Bogus Refunds were issued last year
  • $5.2 Billion Dollars
  • Florida is #1
  • Been around since 2008

www.HungerfordNichols.com
How ID Theft Works

• Social Security Number and Date of Birth

• File Fraudulent Returns Early

• Collect Refunds
Examples

- 60 Minutes Interview
- Filed 15 returns per day
- $3,000 refund per return
- 40% Success
- 7 day turnaround

www.HungerfordNichols.com
Examples

Fraud Pyramid Scheme

www.HungerfordNichols.com
Examples

• Surgeons and Dentists
  • 2014 Target
  • 300+ Dentists in Michigan
  • 7 Hungerford Nichols Clients

• Who will be the 2015 target?
How do you know you are a victim?

• Return is rejected because one was filed already

• Receive correspondence from IRS or State for return that has not been filed
Tax Fraud Resolution

• Contact CPA
• Fill out IRS paperwork for Identity Theft
• Wait up to 3 months
What is the IRS Doing About ID Theft?

- NOT ENOUGH
  - They do not match to W-2
  - System is outdated
  - Budget cuts

- 2015 Change
  - Increased Penalty
  - Limit deposits to same bank account

www.HungerfordNichols.com
How can you “try” to protect yourself

• Keep your Social Security Number Private!

• Take your birthdate off social media

• File Early!
Questions?

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Legislative Update
and
Year-End Planning Considerations

Aaron Sal, CPA, MSA
Federal
Legislative Update
Tax Extenders

- Package of expiring tax provisions temporarily extended by Congress.

- Temporarily extended for short periods of time (e.g., one or two years)

- Majority of expired extenders were revived as part of the American Taxpayer Relief Act of 2012.
Tax Extenders

• Some extenders that lapsed at the end of 2013:
  ▪ Research and experimentation credit
  ▪ Work opportunity credit
  ▪ §179 limits ($500,000 / $2,000,000)
  ▪ Bonus depreciation
  ▪ Reduction in S-Corporation recognition period for BIG tax
  ▪ AMT credit acceleration in lieu of additional first year depreciation
  ▪ 15-year cost recovery for qualified leasehold, restaurant, and retail improvements
  ▪ Enhanced charitable deduction for contributions of food inventory
  ▪ Credit for construction of energy efficient new homes
Tax Extenders

- Proposed enhancements:
  - R&D Credit
    - Creation of refundable credit for start ups
    - Increasing the alternative simplified credit from 14% to 20%
  - Expansion of 179D (energy efficient buildings)
    - Charities and Indian tribes to allocate tax benefits to designer
Tax Extenders

- Senate Finance Committee bill
  - 2 Year Extension (retroactive to January 1, 2014)

- House proposals to make permanent:
  - R&D Credit
  - §179 Expensing
  - Charitable IRA rollovers
Michigan
Legislative Update
Personal Property Tax

• Michigan voters overwhelmingly approved Proposal 1.

• While Proposal 1’s passage will significantly reduce or eliminate personal property taxes for many Michigan businesses, contrary to some articles, it will not eliminate Michigan personal property taxation.

• The program consists of a phase-out of the tax on certain industrial and industrial related personal property.

• In addition, there is an exemption for businesses with small amounts of personal property in a given locality.
Sales, Use & Withholding

- New Processing System
  - System will be up and running January 2015
  - Process returns for tax year 2015 and beyond
  - Replaces 30 year old legacy system
  - New self-service: Michigan Treasury Online (MTO)
Sales, Use & Withholding

• New Processing System

  – Michigan Treasury Online (MTO) available 24/7
  
  – Allows e-file and e-pay in one transaction
  
  – Taxpayer’s must sign up and create an MTO account
Sales, Use & Withholding

Complete These 5 Steps:
1. Create a login
2. Create a business profile
3. Register for all applicable taxes
4. Access your e-cabinet
5. Access MTO

With MTO - No More Forms!
You Can.....
- Update an address
- Add or delete a tax type
- Change months of business operation
- Discontinue a business
- Change a business name
- Add and/or delete a representative
Sales, Use & Withholding

• Communication Efforts
  – General letter mailed to all SUW taxpayers
  – Letter provides code to sign up for MTO
  – Website tutorials and additional explanatory information available at: www.michigan.gov/mtobusiness
Sales, Use & Withholding

• 2015 Filing Methods

  – Electronic filing using MTO

  – Electronic filing using commercial or proprietary software approved by the Department

  – Paper forms will be available on Treasury’s website (if eligible)

  – Department will no longer mail out forms
Individual Income Tax

- **Michigan Individual Income Tax**
  E-payments can be made for a 2013 Michigan Individual Income Tax Return (MI-1040) when tax is owed. Payment can also be made for 2013 Proposed Tax Due letters sent to you by the Michigan Department of Treasury.

- **Michigan Estimated Income Tax for Individuals**
  E-payments can be made for third and fourth quarter 2014 estimated payments. You will be able to choose which quarter the payment applies to by choosing the Payment Type from the drop-down list.

- **Michigan Individual Income Tax Extension**
  E-payments can be made for individual income tax extensions for the 2014 tax year.
Planning Considerations
For Businesses
Evaluate Entity Type

- Most overlooked opportunity in small businesses.
  - Why was the entity type for your Company selected?
  - When was the entity type for your Company selected?
  - Does this entity type still make sense for your business?
  - Have you performed an analysis of how state tax changes have impacted your business?
  - Has your small business outgrown the entity type you have selected?
Evaluate Entity Type

• The Common Entity Life Cycle
  – Hobby or Idea
  – Incorporation or LLC Election for Liability
  – Schedule C of Form 1040
  – Partnership or S-Election
  – C Corporation
  – Spin Off Entities and/or Tiered Multiple Entity Structure
Evaluate Entity Type

• **Examples:**

  – Real estate likely should not be owned by the operating entity.

  – Has the operating entity incurred significant losses?

  – Should equipment be owned by the operating entity?

  – Should transportation equipment be owned by the operating entity?

  – Is one line of business significantly more profitable or risky?
Succession Planning

• Typically need to start planning 5 – 10 years before retirement to successfully transition a business.

• Determine your strategy. Can you transition to current team members, future team members or do you think you might have to sell?

• Meet with a valuation expert to determine what factors will be used to calculate the value of your business so you can position your Company for maximum value.

• Evaluate your time frame for transition. Most transitions happen over time and may require you to stay involved afterward for a period of time.
Like-Kind Exchanges

• Typically when you sell business or investment property and you have a gain, you generally have to pay tax on the gain at the time of sale.

• IRC Section 1031 provides an exception and allows you to postpone paying tax on the gain if you reinvest the proceeds in similar property as part of a qualifying like-kind exchange.

• Gain deferred in a like-kind exchange under IRC Section 1031 is tax-deferred, but it is not tax-free.

• Real property and personal property can both qualify as exchange properties under Section 1031; but real property can never be like-kind to personal property.

• In personal property exchanges, the rules pertaining to what qualifies as like-kind are more restrictive than the rules pertaining to real property. As an example, cars are not like-kind to trucks.
Depreciation

• Section 179
  – 2014 limit is $25,000 on purchases up to $200,000. After that it is reduced dollar for dollar.
  – Limit may be increased in December or January.

• No Bonus Depreciation
  – The 50% bonus depreciation break expired at 12/31/13 unless Congress extends it yet in December or January.
Asset Capitalization

• All businesses need to draft a written policy governing the accounting treatment of repair, maintenance and capitalization of expenditures.

• Need to adopt this policy ASAP if not already been done.

• Need to make sure the policy is followed for every transaction.

• Need to review the policy annually to make sure it is still relevant.
Personal Property Tax

• Review your asset listing and remove items that are gone.

• Identify whether you have special tools, which are exempt from taxation.
  – “Special tool” means a finished or unfinished device such as a die, jig, fixture, mold, pattern, special gauge, or similar device, that is used, or is being prepared for use, to manufacture a product and that cannot be used to manufacture another product without substantial modification of the device.

• Determine if you are exempt for 2015. File Form 5076 instead.

• Does your local city or township offer Industrial Facilities Exemptions and can you qualify? This may still make sense for you.
Buy vs. Lease

• Economic, Business Operational and Tax Considerations

  – Option to lease or buy is often over simplified by not considering economic, business operational and tax considerations

  – What makes sense economically may not be the most advantageous for tax purposes.

  – Purchase of “luxury” automobiles subject to IRS limits

  – Bargain purchase options
Planning Considerations for Individuals
Manage New Medicare Tax

• Manage your Adjusted Gross Income since many new taxes and phase-outs are based on a certain level of AGI.

• Maximizing income from active trade or business and minimizing income from passive activities to minimize new Medicare taxes.

• Evaluating timing of itemized deductions to avoid new limitations.

• Evaluating investment portfolios to minimize passive income.
Estate Planning

• For 2014, the unified federal gift and estate tax exemption is a historically generous $5.34 million, and the federal estate tax rate is a historically reasonable 40%.

• Even if you already have an estate plan, it may need updating to reflect the current estate and gift tax rules.

• Also, you may need to make some changes for reasons that have nothing to do with taxes.

• Consider using up the full annual gift exclusion amount of $14,000 for those with potentially taxable estates.
Beware of AMT

• Alternative minimum tax was originally designed to prevent the very wealthy from avoiding paying income tax.

• The AMT has developed into a system that now taxes millions of unsuspecting individuals with higher income levels.

• AMT exemption for 2014 is $82,100 for MFJ and $52,800 for single filers.

• Issues that can trigger AMT:
  – Large state or local income tax, sales tax or property tax payments.
  – Large long-term capital gains or qualified dividends.
  – Large miscellaneous itemized deductions.
  – Large amount of dependents.
  – Tax-exempt income from private activity bonds.
Timing of Deductions

• Consider using a credit card to pay deductible expenses before the end of the year. Doing so will increase your 2014 deductions even if you don't pay your credit card bill until after the end of the year.

• You may be able to save taxes this year and next by applying a bunching strategy to “miscellaneous” itemized deductions (i.e., certain deductions that are allowed only to the extent they exceed 2% of adjusted gross income), medical expenses and other itemized deductions.

• The threshold for claiming an itemized deduction for unreimbursed medical expenses for regular tax purposes increased from 7.5% to 10%. Therefore, it may make sense to group medical expenses (when possible) into one year.
Donate Appreciated Stock

• If you have appreciated stock that you've held more than a year and you plan to make significant charitable contributions before year-end, keep your cash and donate the stock (or mutual fund shares) instead.

• You'll avoid paying tax on the appreciation, but will still be able to deduct the donated property's full value.

• However, if the stock is now worth less than when you acquired it, sell the stock, take the loss, and then give the cash to the charity.
Social Security

- Persons receiving Social Security benefits, need to determine what part of those benefits, if any, has to be included in gross income, if your modified adjusted gross income (AGI) is greater than $32,000 ($25,000 for single and head-of-household returns).

- If modified AGI is greater than $44,000 ($34,000 for single/head-of-household), the amount of social security benefits required to be included will be even more and could reach 85% of the total benefits.
Questions?

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