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ACCOUNTANTS + ADVISORS

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RRBB Announcements

Achievement Award

We at RRBB would like to congratulate our long-time friend and client **Anthony Dimun** on his induction into the Rider University Accounting Hall of Fame and his Lifetime Achievement Award. Tony's induction was a part of the Rider University annual Accounting Hall of Fame Dinner on May 8th.

Tony has had successful careers in both public and corporate accounting, and as an entrepreneur in the medical devices industry. Since 2001, Tony has served as chairman of Nascent Enterprises, LLC, a medical device venture advisory firm. Prior to his work with Nascent, he was managing director and chief executive officer of Strategic Concepts, Inc., a financial advisory company with a specific focus on venture capital and acquisition transactions. Tony has also served as executive vice president and chief financial officer of Vital Signs, Inc., a publicly held anesthesia and respiratory medical device company, as senior executive at American Express Business Advisors, as senior vice president at First Atlantic International Merchant Bank and as senior manager at Ernst & Young.

Tony is involved with Rider University as a member of the President's Advisory Council and as an Executive-in-Residence for Rider Applied Leadership Institute for Science Professionals. He also serves as a member of the Board of Trustees of the New Jersey Center for Biomaterials, a non-profit collaboration of the three leading New Jersey universities, and as a board member at MELA Sciences.

Inaugural Charity

RRBB Accountants and Advisors announces their sponsorship of a golf outing to support "Save a Child's Heart Foundation." Our friends at Lucosky Brookman LLP will host its inaugural charity golf outing on June 9, 2014, at the prestigious Trump National Golf Club in Colts Neck, New Jersey, and plans to raise $100,000 for the cause. For further information, please visit www.lucbrogolf.com.

For its inaugural year, the firm hopes to raise over $100,000 for the Save A Child's Heart Foundation ("SACH"; www.saveachildsheart.org), an international humanitarian project whose mission is to improve the quality of pediatric cardiac care for children from developing countries who suffer from heart disease. SACH is dedicated to the idea that every child deserves the best medical treatment available, regardless of nationality, religion, color, gender or financial situation.

We at RRBB are happy to be a part of efforts to support such a great cause. We also commend our friends at Luckosy Brookman for taking up the torch and coordinating this event.

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Reap Rewards from 10 Midyear Tax Moves

Ideas for individuals and business owners

The middle of the year is often a good time to "make hay" for income tax purposes. Here are 10 popular strategies that may appeal to individuals and small-business owners.

1. Offset capital gains and losses. Currently, the maximum tax rate for long-term capital gains is 15% for most taxpayers and 20% for those in the top regular income tax bracket. For 2014, the top bracket is 39.6%. Also, a 3.8% surtax applies to certain upper-income investors, so the top effective federal tax rate on long-term gains is 23.8% (43.4% on ordinary income). **Upshot**: Now is a good time to review your situation. Depending on the results, you might harvest tax losses in the next few months to offset gains or vice versa. Remember that capital losses for the year offset capital gains plus up to $3,000 of ordinary income. Any remaining loss is carried over to the next year.

2. Dust off charitable donations. As a general rule, you can deduct the fair market value (FMV) of property you donate to a qualified charitable organization if you have owned the property for more than a year. For example, if you decide to clean out the basement, attic or garage during the warm weather, you might give used clothing and furniture to charity and then claim a deduction. **Caveat**: The property must be in good condition to qualify. Many organizations provide guidelines for establishing FMV of used property.

3. Assess business property purchases. Under Section 179 of the tax code, you can currently deduct the cost of qualified business property placed in service during the year. The maximum deduction allowed for 2013 was $500,000, subject to a phaseout for acquisitions above $2 million; plus, you might have claimed a 50% bonus depreciation deduction for the same property. However, if Congress does not act again, the maximum deduction allowed for property placed in service in 2014 is only $25,000, subject to a $200,000 phaseout limit, and bonus depreciation generally is not available. At this point, it seems best to adopt a "wait-and-see" attitude until the limits are firmly established.

4. Schedule summer business trips. When you travel away from home on business, you may deduct your travel expenses—including airfare, lodging and 50% of the cost of meals—if the primary purpose of the trip is business-related. But the number of days spent on business vs pleasure is crucial, so be careful as to how you allocate your time. **Note:** If your spouse accompanies you on the trip, his or her expenses are generally not deductible, but you can still deduct what it would have cost you to travel alone if that is more than half the cost.

5. Enjoy some business entertainment. Although country club dues are not deductible, a small-business owner who entertains clients on the golf course or on the tennis courts may still claim top-dollar write-offs for certain expenses. For instance, if you treat a client to a round of golf before or after a "substantial business discussion," you can deduct 50% of the fees, club rentals, and your meals and drinks afterwards. **Note**: If the client is from out-of-town, the business discussion can take place either the day before or after the golf outing.

6. Give generous gifts to "grads and dads." If your child graduated from college this year, you may still be entitled to a $3,950 dependency exemption for the child if you provide more than half of his or her support in 2014. Figure out how much more support you must give to push you over the halfway mark, and give it as a gift. This is likely the last time you will qualify for the exemption. For an elderly relative such as Mom or Dad, you may claim the exemption only if the parent does not have more than $3,950 in gross income, as well as having to pass the half-support test.

7. Sell real estate on installment sale basis. Generally, you can defer tax on the sale of real estate if you receive payments over a period of two years or longer. Not only do you stretch out the tax liability over time but you might also reduce the effective tax rate if you stay below the thresholds for capital gains and the 3.8% surtax (see number 1). Finally, you are more likely to consummate the deal if you do not insist on receiving full payment up-front.

8. Contribute to retirement plans. You might reduce your 2014 tax liability by systematically increasing contributions to a 401(k) plan at your place of business. For 2014, you can elect to defer as much as $17,500 to your account or $23,000 if you are age 50 or older. Another idea is to contribute to a Roth IRA where qualified distributions will be tax-free. If you convert funds in a traditional IRA to a Roth, the transfer is currently taxable, but the future benefits may be worth it. Consult your tax and financial advisers.

9. Split income with the family. When it otherwise makes sense, you can transfer income-producing property such as securities or real estate from the highly taxed older generation to the lower-taxed younger generation. This not only reduces the regular income tax bill but it might avoid or reduce the 3.8% surtax for investors. Furthermore, taxpayers in the lowest two income tax brackets of 10% and 15% can benefit from a 0% tax rate on long-term capital gains. **Caveat**: Watch out for the "kiddie tax" that may apply if the unearned income of certain dependent children exceeds $2,000 in 2014.

10. Sidestep estimated tax problems. To avoid penalties for tax underpayments, you must pay enough tax during the year through any combination of withholding and quarterly estimated tax payments. The tax law provides two popular safe harbor methods: You will not be assessed a penalty if you pay at least 90% of your current tax liability or 100% of the previous year's tax liability (110% if your adjusted gross income was more than $150,000). Another safe harbor method is based on "annualized income" for seasonal employees. Based on a midyear analysis, you might increase withholding to qualify under one of the safe harbor methods.

These are just several tax-saving ideas to contemplate around the middle of the year. Others are available for the taking. Arrange a meeting with your tax advisers to work out the details of a plan that is appropriate for your particular situation.

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Watch Out for Wash Sale Rule

Generally, you can use a capital loss from securities sales to offset a capital gain, plus up to $3,000 of ordinary income. But you cannot deduct a loss stemming from a "wash sale."

How it works: If you acquire substantially identical securities within 30 days of a sale, you do not realize any current tax benefit. Instead, the amount of the disallowed loss is added to your basis in the new securities.

Fortunately, there is still plenty of time left in the year to maneuver around the wash sale rule. One possible midyear move is to wait at least 31 days to buy back the same or similar securities. Alternatively, you might buy the securities and then wait at least 31 days to sell the original shares at a loss.

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Pros and Cons of Telecommuting

Factors for employees and employers

Are you spending more time working from home? Does your employer give you this option? Have you moved your business operation to your home full-time or started a new stay-at-home job? You are not alone.

Telecommuting is on the upswing. According to the U.S. Census Bureau, an estimated 20 to 30 million Americans are now working at home for at least one day a week, and the number of telecommuters continues to grow unabated. Certainly, advances in technology have helped fuel the trend. Wireless devices, Web applications and other online tools, such as meeting software, make it easier to interact with colleagues when you work from a remote site.

Is telecommuting "better" or "worse" for workers and employers? There are several potential pros and cons to consider.

Pros of telecommuting: Here are some of the reasons why you or your employer might prefer to work from home instead of in a traditional office or other workplace setting.

- You do not have to spend time commuting back and forth from work.
- It is easier to focus without the usual workplace distractions.
- There are no transportation costs.
- It can provide a better balance of work and personal pursuits.
- Employers may save money on real estate and other overhead expenses.
- It has been shown to be more productive for many employees.

- People can work at their own pace without pressure.

Cons of telecommuting: Conversely, telecommuting is not beneficial for everyone concerned. Here are several negative aspects to consider.

- The employee has less personal contact with managers and coworkers, hindering communication.
- It can be more difficult for managers to supervise someone working from home.
- The worker may have more disruptions at home, resulting in reduced productivity.
- You might miss the social aspect of working with peers.
- Having a remote workplace could jeopardize security for the company.

Nevertheless, there are some steps to take that may minimize the cons on this list. For example:

1. **Come into the office occasionally.** Even if you work from home full-time, some regular face-to-face interaction can be helpful. Go out of your way to attend important scheduled meetings.
2. **Establish the rights and responsibilities.** Know when you are expected to be on-site. Become familiar with the company's policy on telecommuting and adhere to it.
3. **Make sure you remain accessible.** Let other people at work know how to reach you during business hours. Use the new technology to your advantage.
4. **Keep track of your work flow.** This can enable employers and employees alike to assess the productivity of working from home.

Finally, try to remain flexible. If you are relatively new at working from home, or you just started working from home on a full-time basis, you may encounter a few glitches in the system. Make the necessary adjustments that are appropriate under the circumstances.

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Target Savings for Retirement

There is a retirement saving crisis in this country. People are not setting aside enough money for their golden years. But that triggers a question: How much do you need to save?

No one bull's-eye exists. Every situation is different, depending on variables such as age, intended retirement date, life expectancy, risk tolerance, inflation and health. As a rule of thumb, the target should be able to provide 80% to 90% of your preretirement income.

Use an online calculator to establish a goal. Then map out a plan tailored to your needs.

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Facts and Figures

Timely points of particular interest

Business Education—Generally, you can deduct the cost of business education if the courses maintain or improve skills needed in your current job. But you cannot deduct any expenses if the education qualifies you for a new trade or business. In a new case, the Tax Court said a taxpayer who claimed to work in pharmaceutical sales could not deduct the cost of an MBA program. **Reason**: He was not established in a business before enrolling in the program, so the MBA degree qualified him for a new line of work.

Online Handbooks—Has your employee handbook turned into a massive tome? Take it online. By publishing the manual in electronic form, you can save the company money on printing and related expenses, make it easier to update on a regular basis and provide employees with even greater access. But you must be careful to ensure that all the necessary information is properly transferred. Finally, maintain several hard copies for the files.

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Seeking Tax Shelter for Home Improvements

When you qualify for medical deductions

Can you claim a tax deduction for a home improvement? It is not as crazy as it sounds. It may be possible to write off part of the cost of a home improvement needed for medical reasons. However, be forewarned that there are significant tax obstacles to overcome.

Background: Under current law, your annual deduction for medical and dental expenses is limited to the amount of unreimbursed qualified expenses exceeding 10% of your adjusted gross income (AGI). Prior to 2013, the limit was 7.5% of your AGI for all taxpayers, but the 7.5%-of-AGI threshold has been retained through 2016 only for individuals age 65 or older. Regardless of your age, it is critical to count every last medical expense that may help you clear the return.

To qualify as a deductible medical expense, the cost must be incurred primarily for the prevention or alleviation of a physical or mental defect or illness. Conversely, an expense that is merely beneficial to your general health or well-being is not deductible. For example, if you build an inground pool in your backyard for your children's pleasure, no deduction is allowed—even though it provides a location for valuable exercise.

On the other hand, you can deduct a portion of the cost attributable to a swimming pool if you or your spouse will be using the pool to alleviate arthritis or some other specific illness. For a medically necessary improvement made by a homeowner, the deductible amount is equal to the cost above the resulting increase in the home's value. In addition, annual maintenance costs qualify for the deduction. The full cost of any qualified improvements, plus maintenance costs, is deductible by tenants.

Some other common examples of home improvements that may be deductible as medical expenses are air conditioning installed to alleviate a child's asthma, an elevator constructed for an adult with a heart condition and special modifications for a disabled person.

It is generally recommended that you obtain a written appraisal from an independent real estate expert establishing the increase in your home's value due to the home improvement. Also, if a physician prescribes a home improvement to alleviate a medical condition, be sure to retain a written copy of the statement.

This is only a general overview of a potential medical deduction for home improvements. Tax benefits may be realized in certain other respects. Consult your tax adviser concerning your personal situation.

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