



In This Issue

Do you need to make estimated tax payments?

How to ease financial stress after a spouse's death

Reminder: Tax-exempts have filing requirement coming soon

Tax Planning Guide



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[Services](#)

[Contact Us](#)

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Do you need to make estimated tax payments?

Many taxpayers have income on which there is no withholding, such as interest, dividends, rental or royalty income, or business income. If this is your situation, you'll want to see if you're required to make estimated tax payments in 2014 in order to avoid the penalty for underpayment of your taxes.

The tax system is "pay as you go" by law. If you have income on which no taxes are withheld, it is up to you to prepay the proper amount of taxes. Generally, if you expect to owe at least \$1,000 in federal taxes and your withholding and tax credits are less than 90% of your 2014 tax liability (or less than 100% of your 2013 tax liability), estimated tax payments are required. You are essentially required to "estimate" your income and taxes, and make the appropriate payments. Additionally, your estimated tax payments must be computed to also pay for any self-employment (i.e. FICA) taxes on your net business and/or partnership income that you might also owe.

Recent tax changes affect withholding requirements

New rules, including higher tax rates, limits on itemized deductions, and two Medicare surtaxes, may also affect estimated tax calculations.

For example, say you and your spouse will be subject to the additional 0.9% Medicare surtax because your combined wages exceed the \$250,000 threshold. The two of you might be expecting your employers to withhold the additional amount.

However, employers are only required to withhold when your compensation exceeds \$200,000 – without taking into consideration how much your spouse makes or any income you may earn from another job.

That could mean you'll owe tax – and perhaps a penalty for underpaying the tax – on your 2014 return. Estimated payments can help cover the shortfall.

The 3.8% surtax on net investment income affects estimated payments too. Are you receiving income from capital gains, interest, or dividends? It's a good idea to estimate your income to determine if you're over the \$250,000 income threshold (\$200,000 when you're single).

Basic rules have not changed

The basic estimated tax rules have not changed. Generally, you can avoid penalties by paying in the same amount of tax for 2014 that you owed on your



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2013 return, or 90% of this year's tax, whichever is less. If your 2013 income is over \$150,000, you'll have to pay 110% of last year's tax or 90% of this year's.

Once you compute your estimated income and taxes, you pay them in four installments with due dates of April 15, June 15, September 15, and January 15 of the following year.

Think you may need to make or adjust your 2014 estimates? Give us a call. We're here to help.

How to ease financial stress after a spouse's death

The death of a spouse can be a devastating experience, both emotionally and financially. As the survivor, you'll have to make important decisions while you're in what could be the most vulnerable and distracted stage of your life. The suggestions that follow might at least help ease your financial stress.

- *Don't make major decisions right away.* Put off selling your house, moving in with your grown children, giving everything away, liquidating your investments, or buying new financial products.
- *Get professional help.* You'll need an attorney to help interpret and explain the will and/or applicable law and implement the estate settlement; your accountant to provide financial advice and prepare the necessary tax documents; one or more insurance brokers to help with filing and collecting death benefits; and a funeral director, who in addition to the obvious services, can obtain needed copies of the death certificate.
- *Gather and review any applicable documents,* such as the decedent's social security card and statements, insurance policies, loan and lease agreements, your spouse's birth certificate, the death certificate, investment paperwork, mortgage statements and agreements, deeds, retirement plans and related statements, credit cards and credit card statements, employment and/or partnership agreements, divorce agreements, funeral directives and/or contracts, safe deposit box information, and tax returns. (You'll need a dozen or more copies of the death certificate to provide to insurance companies, government agencies, creditors, credit card agencies, banks, and a host of others.)
- *Determine who must be paid, and when.* You'll need to notify your spouse's creditors (including joint creditors) and continue paying for mortgages, car loans, credit cards, utilities, and insurance premiums not specific to your spouse. Notify health insurance companies (including Medicare) that you'll no longer be paying your spouse's premiums, and cancel your spouse's memberships and subscriptions.
- *Alert the credit card agencies* (Experian, Equifax, and TransUnion). Request addition of a "deceased notice" and a "do not issue credit" statement to the decedent's file. Order credit reports, which will provide a complete record of your spouse's open credit cards.
- *Determine what payments are due to you,* such as insurance proceeds, social security or veteran's benefits, and pension payouts. File claims where needed.
- *Maintain your bank accounts* to facilitate paying your share of joint expenses.

Finally, call us and your attorney as soon as you can. We're always ready to advise and assist you, before or after life's tragic events.

Reminder: Tax-exempts have filing requirement coming soon

Tax-exempt organizations are required to file annual reports with the IRS. Those with gross receipts below \$50,000 can file an E-postcard rather than a longer version of Form 990.

The deadline for nonprofit filings is the 15th day of the fifth month after their year-end. For calendar-year organizations, the filing deadline for 2013 reports is May 15, 2014. Contact us if you need details or filing assistance.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

For tax or accounting related emails contact Dan at dngg@gillilandcpa.com.

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7700 Leesburg Pike #402B, Falls Church, VA 22043 | 703-448-9121 | f- 703-893-6485 www.gillilandcpa.com |
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