

This Month:

- Tips for Paying Estimated Taxes
- Do I Have to File a Gift Tax Return?
- Benefits of a Power of Attorney

Tips for Paying Estimated Taxes

Estimated tax is a method used to pay tax on income that isn't subject to withholding. You may need to pay estimated taxes during the year depending on your sources of income. For example, income from self-employment, interest, dividends, alimony, rent, gains from the sales of assets, prizes or awards, may require you pay estimated tax. For Sole Proprietors, Partners and S Corporation shareholders, you generally have to make estimated tax payments if you expect to owe \$1,000 or more in tax when you file your Form 1040 return.

As a general rule, individuals must pay estimated taxes for 2020 if both of these statements apply:

- You expect to owe at least \$1,000 of tax on your Form 1040, after subtracting your tax withholding (if you have any) and credits, and
- You expect your withholding and credits to be less than the smaller of 90% of your 2020 taxes or 100% of the tax on your 2019 return.

If you own a business, often calculating estimated tax on a quarterly basis is a better choice. We can help you determine the safest route to go.

Estimating income for 2020 may be more challenging than in the past. In these uncertain times, you need someone you can trust for timely and accurate advice. We are knowledgeable and available to help, so call us to schedule an appointment.

Estimated tax payments are generally due April 15, June 15, Sept. 15 and Jan. 15. The easiest way to pay estimated taxes is electronically through the EFTPS, however; you can also pay by check or money order using the Estimated Tax Payment Voucher or by credit or debit card.



Do I Have to File a Gift Tax Return?

Maybe, maybe not. If you gave any one person gifts in 2019 valued over \$15,000, Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return is required to be filed. Gifts include money and property, including the use of property without expecting to receive something of equal value in return. If you sell something for less than what it's worth or make an interest-free or reduced-interest loan, you may be making a gift. Gifts to your spouse don't count, nor do tuition or medical expenses paid directly to an educational or medical institution for someone's benefit.

If you're married, both you and your spouse can give separate gifts of up to the annual limit to the same person without making a taxable gift. In order to split what was originally a gift from a single spouse, you have to make an election on Form 709 (e.g., you give your daughter \$20,000 and want the gift to be made half by you and half by your spouse).

In some cases, you may have to pay tax on the gifts. Generally, gifts are never taxable to the recipient. Check with us to be sure on what is or isn't considered as a gift.

Benefits of a Power of Attorney



Only Certified Public Accountants (CPAs), enrolled agents (EAs) and attorneys may represent you in front of the IRS. In order for the IRS to discuss your tax issues with your tax preparer, a completed Form 2848, *Power of Attorney and Declaration of Representative*, must be on file to give the preparer power of attorney (POA). Checking the box on your tax return to let the IRS speak to the person who prepared the return gives limited authority to discuss IRS questions that arise in the processing of that return and this authorization automatically expires on the due date of the return for the following year.

Having a POA form on file with the IRS means both you and the preparer will be notified of any issues on your returns. This can be helpful if you travel, given IRS notices are usually time-sensitive. Also, if the notice concerns a mismatch of income your tax preparer may be able to resolve it easily, saving you work and anxiety. Lastly, a POA will remain in effect until either party revokes it. Therefore, if you have changed preparers, you should revoke your POA with your previous tax preparer and create a new one with your current preparer. For your convenience, tax preparers are now routinely asking clients to sign the POA form when they prepare a return. Contact us to learn more about the benefits of this form.

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Planning For Your Dreams