

Popkin & Associates P.C.

1215 Hightower Trail, Suite B-100

Atlanta, Georgia 30350

(770) 953-2400

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To our Clients:

If for whatever reason you have neglected to read my annual client letter in the past, I strongly encourage you to take a few minutes to read this year's letter. You may otherwise be in for quite a surprise when tax time comes around next Spring!

Many years ago, way back in the days of innocence and glory, there was a duo that graced the television airwaves on Monday nights during the football season (no, not Batman and Robin). Monday Night Football was a new concept back then and it quickly became popular in very short order. Its' popularity was not so much due to the football being played those Monday nights as it was to the announcers of the game, Howard Cosell and "Dandy" Don Meredith.

These guys made Monday Night Football seem larger than life. Long before Chris Berman was doing the halftime 2 minute review of the prior day's Pro action, it was Howard that we all waited up to see and hear during the halftime festivities. He was just so awesome to listen to as he recalled the highlights of each game from the day prior; most often with such emotion and clarity. There has been nobody like him since.

Now, if you were a fan of "MNF" back then, you will remember that about the time that the game was over (ie. the losing team had no chance of mounting what would have been considered a monumental comeback), "Dandy Don" would break out into his rendition of his favorite country tune, "Turn out the lights, the party's over". It was something I waited to hear each and every Monday night, as it meant that weekend of football was over and we could get on with the rest of the week.

Well folks, I am here to tell you that you can start singing; cause with regards to your income taxes in the future, the lights are deeming because the "party is over"!

Should you be one of the more fortunate of our country and have found a way to earn a significant amount of money for 2013 (in most cases that is somewhere around \$250k or more), you will be paying more taxes than you did last year. If you are part of what the government considers to be one of the "elite" income earners of our country (the top 1% that earn more than \$400-450k), you will be paying significantly higher taxes than before. Even if you don't earn what is considered a "high" income these days, you will likely be subject to additional taxes due to the erosion of individual exemptions and personal deductions, for 2013 and beyond. Not a pretty picture for most of us!

For the past decade or more, we have been basking in the light of lower tax rates (the Bush tax cuts). But that's all over now. Our President kept his promise and has begun to tax those who can more afford it more. I deem this to be no passing fancy, as we will likely continue to see these higher tax rates and the erosion of deductions in the future. At least until new tax reforming legislation can be fashioned, or our leaders in Washington learn to live within a budget.

So, for all of you that having been enjoying the lower tax rate "party" that we have been laboring under for the past decade or more, your time has come. Or should I say come back, as the case may be. It's back to the Clinton era of income taxes, with a supercharged "kicker" to boot. More about the kicker later.

Despite our government's failures to legislate or regulate on a timely or bi-partisan basis, our country's economy has surprised us all with its resilient nature. We have officially weathered the storm and have now moved beyond the recovery stages of our country's economy issues of the recent past. Even though things have improved significantly out there, it remains difficult for many to navigate thru these tricky times.

Unemployment rates have rebounded and for the most part are where they were when all of our financial problems started back in 2008. The stock market has leaped beyond its blistering high's of pre 2008, recently reaching new highs in the 16,000 range. The real estate markets (which seem to be the driving force behind our economy) have for the most part recovered and are back in full swing. And the foreclosure markets continue to work themselves out.

The residential real estate market, being a large factor in the overall condition of our economy, has seen significant improvements in the recent past. Inventories of available housing are at an all time low in certain areas of the country. This, coupled with an improvement in the unemployment numbers in recent months, will help maintain our economic growth and keep us from slipping back into a recession in the near future. We have a consumer driven economy, so it will take a steady increase in employment in order for us to see continued, sustainable growth to our country's financial future.

Unfortunately, our elected officials in Washington have continued to let us down and "kick the can" down the road, having failed to take responsibility for their past mistakes once again. Time and time again they have failed to put aside their differences and work together toward solutions for the common good. I will expect to see much of the same lack of action from our electorate until we (the American public) get fed up with this selfishness and elect new, better equipped leaders that will work for us and not for themselves and their special interests. With our present group of leaders in Washington having already proven to us their ineffectiveness in working thru our country's economic and social issues, change in leadership will be necessary to effectuate the new legislation we need to carry our country forward into the next generation.

Although Congress had done little towards changing the tax code prior to this year, there are many important changes for 2013 and thereafter that impact almost all taxpayers. Higher tax rates are but the beginning of what has become a much more detailed and rigorous process of completing your income tax filings for the coming year(s). Many of the changes made for 2013 were anticipated; **Capital Gains tax rates** on investments held for longer than one (1) year were increased from 15% to 20% for those taxpayers with AGI's over \$200-250k. Return of the dreaded **Marriage Penalty** tax and the **phase-out of Itemized Deductions** will likely affect many taxpayers for 2013, and beyond. The new **3.8% Medicare surcharge tax** ("The Kicker", as mentioned before) on all "Net Investment Income" for taxpayers with AGI's over \$200-250k goes into effect. **Healthcare expense deduction limitation** will increase from 7.5% to 10% for many taxpayers. And there will be an additional **0.9% Medicare Tax** charged to all taxpayers on wages and self-employed earnings greater than the \$200-250k.

There are many more changes to the tax code for 2013 and beyond not mentioned above that are unfortunately not exceptionally favorable to the America taxpaying public. With tax rates at a generational high, your failure to pay attention to your income taxes in the future could be the biggest mistake of your financial wellbeing. Consequently, tax planning is now more important than ever. Planning for future tax events, such as retirement or major assets sales should always be considered before you act. Whether you are considering harvesting stock losses before year-end, or making a Roth conversion of your IRA funds, you should attempt to take advantage of all that the tax code has to offer in order to reduce your tax burden in the future.

As many of you are aware, this past tax season (2012) was unquestionably the most difficult of my professional career. Between the IRS's shortening the season by delaying the filing process for weeks, Congresses' delay in enacting legislation causing the above delay, and the difficulty that the software vendors had dealing with the above delays, it was a very long and drawn out tax season, lasting well into late May before I got caught up. Unfortunately, I see no end in sight to this madness, as the IRS has recently announced a two (2) week delay to the start to the 2013 electronic filing season, due to the recent government shutdown. Once again we have the makings of a very difficult tax season ahead. One that will likely force some changes to be made in my practice to accommodate the difficulty I see ahead.

As has been the case for several years now, the IRS requires that all income tax preparers and professional preparing more than ten (10) returns per year be licensed with the IRS. Along with the new licensing requirements has come an enhanced level of responsibility placed on the tax preparer to properly review, audit and report your relevant information to the IRS. Although it may seem that you are providing much of the same information we have previously required in order to complete your returns in the past, due to the heightened responsibility and preparer liabilities now placed upon us by the IRS, we may require additional confirmation of certain items, as well as further discussion of certain issues regarding your returns in order to properly complete them under the "new" guidelines.

Over the thirty (30) plus years that I have been involved with the income tax preparation business, I have determined that most of our clients use our tax prep services because they have a complex tax return; one which they themselves do not feel comfortable preparing. Or they are facing a difficult decision or a change in their lives (retirement, employment change, complicated investment issues, etc.) and need advice in order to fully understand their particular situation. Consequently, the necessity to come visit our offices to obtain the necessary tax or financial advice, or specialized tax work, is very important in those situations. And with the many changes that are due to take place this coming year, this will be a year to consider such a visit. We may still be able to complete your work without such a visit, but a phone interview will likely be necessary, nevertheless.

In the past I have attempted to accommodate those clients with basic or simple return preparation service needs with a reasonable fee structure. Unfortunately, most income tax returns are no longer considered basic or simple. I will make every effort to hold the cost of your return preparation fees to a minimum, however, please understand that the government has increased the amount of time and effort it will take to complete even the simplest of returns based on the present due diligence requirements. Therefore, I anticipate that the fees to complete most income tax returns (even the simple ones) will be increasing this coming tax season.

As I mentioned in last year's letter, in an effort to get a handle on the compliance with the tax code, Congress passed tax laws several years ago that require all taxpayers to disclose all assets they may own outside the US. The FBAR rules (Foreign Bank Account Reporting) require all taxpayers with financial accounts outside the US, having a balance greater than \$10,000 at any time during the year, to disclose them to the IRS. The IRS also now requires all taxpayers to disclose the ownership of any asset valued greater than \$50,000, located outside the US. Although there is no tax due on the disclosure, there are severe penalties for not doing so. Please take serious consideration of these rules as you are preparing to complete your 2013 income tax returns.

Beyond the income tax services offered by the firm, I continue to offer services and advice regarding basic estate planning and estate probate areas of the law, as well as basic Corporate legal processes. I also continue to remain a source of counseling, advice and referral for all of your legal and personal needs, as I have been in the past. Having now spent 30 years in the legal and tax business, I have gained access to many of the top legal and financial professionals in the Atlanta area. Therefore, if you have questions, concerns or problems with other areas in your life in which you feel that I may be of help, please let me know if I can be of assistance to you in resolving them. That's what I'm here for!

The firm continues to maintain its' long-standing relationship and association with the financial retirement experts at Raymond James & Associates. Our local RJ representative, Glen Merritt, continues to provide superior performance in the financial retirement services area for our clients. Although R/J does handle all types of investments, the retirement investment arena is where they can likely assist you the most.

The firm also maintains a relationship with Merrill Lynch financial advisor, Daniel Kaufman. Daniel has been working for Merrill (now part of Bank of America) in their professional advisory program for approximately five (5) years. In that time, I have come to rely on Daniel for much of my personal efforts in the investment markets. I believe him to be a very impressive addition to the P&A financial resources team. Both Daniel and his firm (ML) bring many investment resources to our clients that were not previously available.

As I mentioned before, this past year was far and away the most challenging of my career. Most of the difficulty was caused by things far beyond my control. Too much work to complete, in too short a period of time. I am hopeful that the coming year will be less troublesome and that I can concentrate more on client concerns, and less on dealing with filing delays and software issues. Only time will tell. But with all of the changes and new taxes to report, I see no let up for me!

Otherwise, I have personally had a good year, filled with fun and joy. Fortunately, more good things to deal with than bad. Lots of travel, lots of golf, time spent with family and friends all kept me sane in what I consider to have been an insane year. As I grow older, I realize that it's now all about the quality time I have left, or "QTL" as I call it. And so in the future, my personal life will be focused on getting the most out of what quality time I believe that I have left. I would encourage you to consider the same.

On that note, it is my pleasure to remind you that it is once again time to start thinking about putting your tax information together for the 2013 tax year. If you are receiving this letter via e-mail, you will also find a PDF copy of our annual tax planner, "Tax Facts", attached to this same email. Should you be receiving this letter via regular mail service, a PDF copy of our annual tax planner, "Tax Facts" can be downloaded on your computer from the firm's web-site located at Popkinandassociates.com. If you do not have Internet access, please call the office and we will be happy to mail a copy directly to you.

Please note that my billing rate for both legal and tax preparation services will be increasing to \$400.00 per hour starting in 2014. It has been five (5) years since the last time I raised my hourly rate.

During the difficult times we have been facing, I have made every effort to hold down the cost of completing your income tax returns. However, please remember that the cost of preparing your tax work may differ from year to year based on changes to law and/or your filing requirements. The cost of your return may also be affected by the "new" compliance and licensing rules and regulations recently put in place by the IRS. Of course, the calculation of charges relating to your tax work is always based strictly on the amount of time, the complexity and the liability of work for your particular circumstances for that year. If you have any questions or concerns about any possible changes to your fee structure, please feel free to contact our offices prior to your interview. I'll be happy to speak with you regarding potential fees for your preparation service for the coming tax season.

Also please note that there is a minimum charge of \$400.00 (1 hour) for any office visit during the tax season (as has been the case in the past) regarding income tax preparation. If you choose not to visit the office when having your returns prepared, charges for preparation of your returns could otherwise cost less.

Please accept my apology for the lengthy letter (once again, I had a lot to say this year). As always, I wish to sincerely thank you for the opportunity to be of service to you and your family in the past. Your continued business is so very much appreciated. I look forward to seeing you during the coming tax season.

Please have a happy and safe Holiday Season and best wishes to you and yours throughout the coming New Year!

POPKIN & ASSOCIATES, P.C.
Mark J. Popkin
For the Firm