

TAX INSIGHT

Important Tax Numbers



- For tax year 2013, the annual gift tax exclusion, the amount you can gift without filing Form 709, is \$14,000 to each person.
- For 2013, the contribution limit to a traditional or Roth IRA is \$5,500 (\$6,500 for taxpayers age 50 and over).

Spring Cleaning



When cleaning out your household files make sure you don't throw out items that you might need in the future!

The main reason to save tax records is to substantiate the information reported on your tax return. The statute of limitations, the time frame the IRS has to audit a tax return, for most federal returns is three years from the date the tax return was due and is extended to six years if income is understated by more than 25 percent. There is no time limit if the taxpayer doesn't file a return or files a fraudulent return to evade taxes.

Therefore, you should keep prior year returns a minimum of three years from the due date of the tax return. The conservative approach would be to keep tax returns for seven years or longer. Once the three-year period has passed, you can discard receipts/supporting documents that will not affect future transactions.

It is important to retain retirement plan (401k, IRA, etc.) and investment statements. Keep IRA contribution and distribution records indefinitely. Records of nondeductible contributions are particularly important. Retain year-end brokerage statements from the purchase of stocks, bonds and mutual funds for three years after you sell the investment. These statements show the reinvestment of dividends, the purchase of shares and the redemption of shares. These come in handy to determine basis when you have sold stock. Statements should be kept until the account is closed.

To protect your files and minimize the chance that an identity theft could occur, always store your documents in a secure location. Before getting rid of any documents, contact me to discuss their importance. I'll be able to tell you which ones to keep and which ones to shred.

Did You Know?

During the Civil War, the government placed taxes on all sorts of goods in order to generate revenue. Carriages, gold watches, musical instruments, pool tables and yachts were among the items taxed.

Quote Corner

Isn't it appropriate that the month of the tax begins with April Fool's Day and ends with cries of 'May Day!'

– Rob Knauerhase