Gershon Biegeleisen & Co.

CERTIFIED PUBLIC ACCOUNTANTS
111 Madison Ave ● Lakewood, NJ 08701
Phone (732) 886-6311 ● (732) 577-8844
Fax (732) 886-9711

Newsletter

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It's tax filing deadline time

Monday, April 15, is the deadline for filing certain returns and taking certain tax-related actions. Here are the major deadlines.

- Filing 2012 income tax returns for individuals. If you cannot file your return by this deadline, be sure to file an extension request by April 15. The automatic extension (you don't need to explain to the IRS why you need more time) gives you until October 15, 2013, to file your return. An extension does not, generally, give you more time to pay taxes you still owe. To avoid penalty and interest charges, taxes must be paid by April 15.
- Filing 2012 partnership returns for calendar-year partnerships.
- Filing 2012 income tax returns for calendar-year trusts and estates.
- Filing 2012 annual gift tax returns.
- Making 2012 IRA contributions.
- Paying the first quarterly estimate of 2013 individual estimated tax.
- Amending 2009 individual tax returns (unless the 2009 return had a filing extension).
- Original filing of 2009 individual income tax return to claim a refund of taxes. Some taxpayers have tax refunds due them for prior years, and unless a return is filed to claim the refund by the three-year statute of limitations, the refund is lost forever.

You can't change your mind after you convert

Under the new tax law, it is now easier to convert your employer-sponsored retirement plan such as a 401(k), 403(b), or 457 into a Roth IRA account. This is similar to converting your traditional IRA into a Roth IRA, but with one very significant difference.

When you convert a traditional IRA into a Roth IRA, you can change your mind and undo this conversion (also known as a recharacterization) by October 15 of the following year. This may make sense when the value of the account has dropped since you did the conversion, because you do not want to pay tax on a higher value than the account currently has.

When you convert an employer-sponsored retirement plan, you do not have the option of undoing the conversion by October 15. Once you convert your employer-sponsored retirement plan into a Roth IRA, it cannot be undone.

If you decide to convert your entire 401(k) into a Roth IRA, the entire balance will be taxable in the year of the conversion.

If you want to take advantage of this new provision, please contact our office first because there are some very important tax planning consequences to consider. If done without proper tax counsel, you may be paying more taxes than you should. In light of the new tax law, there are now more variables that need to be considered in your tax planning.

Watch for hazards when buying a franchise

With a franchise, you don't have to start a company from scratch. Whether the business sells fast food, automotive services, gourmet coffee, or dry cleaning, successful franchises are usually based on a proven business idea and a recognized brand name. The best franchisors can jump start a business by providing staff training, location advice, and detailed operations manuals. And some have ongoing relationships with financial institutions, which can help when you're searching for start-up capital.

But buying into a franchise requires careful analysis and a healthy dose of skepticism. Before taking the plunge, watch for these hazards:

• **Unrealistic forecasts.** Sometimes predicted revenues do not materialize. That's because early entrants may have cornered the most profitable territories already. So be aware that rosy forecasts based on historical data do not always pan out. Get market research for the area you've staked out (preferably from several sources), and determine the least amount of revenue you'll need to cover costs and remain profitable.

• **Unanticipated costs.** In addition to an initial outlay for franchise rights, you'll incur numerous out-of-pocket costs. These might include advertising, inventory and supply expenses, additional fees for training staff, legal expenses, and so on. Generally, you'll also pay a continuing royalty on sales whether or not you make a profit. Failure to factor in these additional costs can sink a business before it gets started.

• **Undependable franchisors.** This is one area where research is vital. Contact other franchisees and ask about their experiences with the company. Have they been satisfied with the company's support, including training, the quality of goods delivered, and ongoing relationships? Take a hard look at the company's key management staff. How long have they been in business? What experience and education did they bring to the company? How many of their franchises have failed and why?

• **Unproven business model.** If you're considering a franchise that's not exactly a household word, use caution. Of course, jumping in during the initial stages of a fast-growing franchise can be especially lucrative. But there's no substitute for proven marketability. Often a great idea on paper needs to be tweaked (or overhauled) when a company enters the marketplace. Unless you can live with significant risk – including the potential loss of your investment – steer toward a franchise with a solid track record.

If franchises are on your mind, give us a call for help with your analysis.

Filing reminder for tax-exempts

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 2012 reports is May 15, 2013.

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.