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Newsletter

AUGUST 2014

Taxes and disability issues: An overview

Do you live with a disability, or care for someone who does? If so, you may have disability-specific tax questions about income, deductions, and credits.

Here's an overview.

- **Income.** In general, all income is taxable on your federal tax return, unless specifically excluded. For instance, income you earn for services is typically taxable, even if you are disabled. Part of your social security disability benefits may also be taxable, depending on your total income (including tax-exempt interest). However, supplemental security income is not taxable.

Other nontaxable disability payments include VA benefits, workers' compensation when work-related and received under a workers' compensation act, and wage-loss benefits from no-fault car insurance policies.

- **Deductions and credits.** You already know you can deduct medical expenses related to your disability, subject to the 10%-of-adjusted-gross-income limitation (7.5% for those 65 or older).

But what about impairment-related work expenses? These are out-of-pocket costs you incur so you can work, such as attendant care, and you claim them as an employee business deduction. This is an itemized deduction, not subject to the 2% of adjusted gross income limit. When you're self-employed, impairment-related work expenses are deductible on your Schedule C, "Profit or Loss From Business."

If you work and must pay for disabled spouse or dependent care, you may qualify for a federal income tax credit of up to 35% of your expenses.

Depending on your disability and income, other exclusions and tax benefits may be available. Call if you would like more information.

Ask the right questions before you start a business

There are several questions you must answer before you even consider starting a new business.

Unfortunately, some would-be-entrepreneurs spend more time planning their summer vacation than they do the start of a new business. Most of these businesses will fall into the three out of five start-ups that fail in the first five years. The statistics vary from industry to industry, but about 30% of new business start-ups close down in the first year of operation. Another 30% will fail in the four years that follow.

How can you increase the chances of a business's survival? Here are a series of questions you should answer before launching a new business. Nothing can guarantee a new business will be a success, but being well armed with the right information can certainly help.

- The first question to be answered in your written business plan is what products and/or services you intend to provide. Are these products currently being offered in your local market? What is the price being charged for competing products? How do you propose to capture enough of the local market to make a profit?
- Who is your ideal customer, and what media will you use to promote your product or service? Do you have an adequate population of potential customers to provide the sales you need to make a profit?
- What will make your business stand out? What is unique about your product or service? Will you compete on price, location, product variety, or customer service?
- What size building do you need, and how many employees will it take to serve customers properly?
- How much money will it take to open the doors, and how much is needed for operating capital until you turn a profit? Is it likely that you will make a profit in the first year or two? Be sure to prepare conservative cash flow projections for the first five years showing your best estimates of sales and projected expenses.
- What is the source of funds from day one until you turn a profit? How much will you invest and how much is needed from outside sources such as banks or private investors?
- What legal entity will you use: a corporation, sole proprietorship, LLC, etc.? What government forms and licenses need to be filed? Do you have adequate insurance of the right type?

Every business person can benefit from the services of at least four other business advisors. You should engage the services of an accountant, an attorney, a banker, and an insurance agent before you launch the business. These advisors work with a variety of businesses and business solutions every day and can help improve your chances of succeeding in your new venture. It is imperative that you involve them early in the planning process.

Scams target seniors

Seniors are a favorite target of scam artists. According to one survey, seniors over the age of 60 have lost nearly \$3 billion a year to financial fraud. Here are a few of the tactics used to bilk seniors of their money.

- **Advanced fee to claim winnings.** The target victim is told he's won something and just needs to send money to cover fees, insurance, or whatever to claim the prize.
- **Computer virus scam.** The caller tells the senior that a virus has been detected on his/her computer. The victim is told to log into a website that lets the crook control the computer so the virus can be eliminated. But what happens is that the person's personal information is stolen.
- **Grandparent scam.** The caller claims to be a grandchild in a crisis situation. The imposter grandchild asks for money to be wired, pleading not to involve the parents.
- **Medical scam.** The caller claims to be running a special on some medical equipment and needs a deposit and your Medicare/Medicaid information to let you take advantage of the sale.

As people become familiar with each new scam, the con artists find yet another way to cheat people. The FBI gives this advice to avoid becoming a victim of a fraud: Be skeptical of offers that sound good but probably aren't, don't respond to e-mails from people or companies you don't know, and never, never give out any personal numbers or other information.