



February 2013 Tax Updates

IRS Announces Tax Season Begins and Details Forms Still Subject to Delayed Filing

The IRS has announced that the 2013 filing season has opened on January 30, and on its website detailed the forms that cannot be filed until a later date.

In IR News Release 2013-2, the IRS announced that it would delay the 2013 filing season and only begin processing individual income tax returns on Jan. 30, 2013. The delayed start was due to the enactment of the American Taxpayer Relief Act of 2012 on Jan. 2, 2013, which among other changes, retroactively restored many deductions and credits. The IRS said that it could begin accepting tax returns only after updating forms and completing programming and testing of its processing systems to reflect these retroactive changes.

In IR News Release 2013-14, the IRS announced that it began accepting and processing most individual tax returns on January 30 after updating forms and completing programming and testing of its processing systems to reflect the 2012 Taxpayer Relief Act. The vast majority of taxpayers can file now, but the IRS is continuing to update its systems for some tax filers. The IRS will begin accepting tax returns from people claiming education credits on Form 8863 and depreciation deductions on form 4562 in mid-February, while taxpayers claiming energy credits and many business credits will not be able to file until early March.

On its website (www.irs.gov), the IRS has provided a list of forms that Form 1040 filers can begin filing in late February or early March 2013. A specific date will be announced in the near future.

IRS Releases Official Inflation Adjusted Items for 2013

The IRS has issued Revenue Procedure 2013-15, which contains inflation adjusted items for 2013, as well as the new income tax rate tables now in effect as a result of the American Taxpayer Relief Act of 2012.

Among the inflation adjusted amounts that have increased are:

	2012	2013
Personal exemption	\$3,800	\$3,900
Standard Deduction (single)	\$5,950	\$6,100
Standard Deduction (joint)	\$11,900	\$12,200

The revenue procedure also contains the inflation adjusted unified credit against the estate tax, which is \$5.25 million for 2013. This also sets the gift tax exemption and GST exemption at \$5.25 million for 2013.



The AMT exemption amount for 2013 is \$80,800 for married taxpayers filing joint returns and \$51,900 for single taxpayers. The American Taxpayer Relief Act set the 2012 exemption amount at \$78,750 for married taxpayers filing jointly and \$50,600 for single filers and indexed the numbers for inflation, so Congress will no longer have to pass an annual AMT patch.

The revenue procedure also provides the beginning income levels for the limitation on certain itemized deductions and the beginning income levels for the phase-out of personal exemptions, which were reinstated by the American Taxpayer Relief Act. It also includes many other amounts and thresholds for 2013, such as the child tax credit; the Hope scholarship, American opportunity and lifetime learning credits; the earned income credit; and the phase-out limits for interest paid on qualified education loans.

Safe Harbor Provides Simplified Option for Claiming Home Office Deduction

In Revenue Procedure 2013-13, the IRS has provided an optional safe harbor method that individuals can use to determine the amount of their deductible home office expenses, effective for tax years beginning on or after Jan 1, 2013. The safe harbor - \$5 per square foot for up to 300 square feet – provides an alternative to the calculation, allocation, and substantiation of actual expenses required under Code Sec. 280A.

To reduce the administrative, recordkeeping and compliance burdens of determining the allowable deduction for the qualified business use of a residence, Rev Proc 2013-13 provides a safe harbor method under which an individual determines his allowable deduction for the qualified business use of a home by multiplying a prescribed rate of \$5 by the square footage of the part of the residence that is used for business purposes, not to exceed 300 square feet, for a maximum deduction of \$1,500. The qualified business use rules under Code Section 280A must still be met in order to take the safe harbor deduction (i.e. the deduction can still only be claimed for a part of the home used exclusively on a regular basis for business purposes). However the safe harbor will substantially reduce a taxpayer's recordkeeping burden.

An additional side benefit of using the safe harbor is that claiming a home office deduction will likely be less of an audit flag for taxpayers. With the issues that arise in calculating, allocating and substantiating deductible expenses being resolved by the safe harbor's formula, there are fewer issues that might prompt an IRS examination.