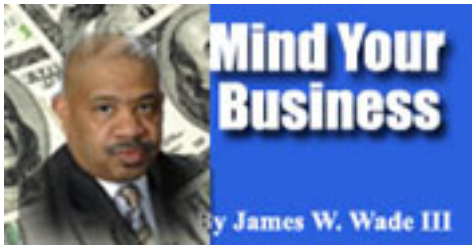

The gift tax is a tax on the transfer of property by one individual to another while receiving nothing, or less than full value, in return.

The home office deduction

Recently, the Internal Revenue Service (IRS) announced a new option for claiming a home office deduction
. Taxpayers have been given a chance to way in on this new option and your suggestions could help improve the change for tax year 2014 and later, the IRS says. The deadline for comment is, yes, April 15.

The IRS says that almost 3.4 million taxpayers claimed deductions for business use of a home in 2010, the most recent year for which data are available. But many people eligible for the deduction might not be doing so because it's too complicated to sort out, according to the National Association for the Self-Employed.

A study by the association found that 42 percent of the organization's members who qualify for the deduction don't take it. Tax season has always seemed to provide a benefit for people who have kids – they can claim them as a tax credit.

Currently, if you qualify for the home office deduction, you have to fill out a 43-line form that requires calculations of allocated expenses, depreciation and carryovers of unused deductions. Makes my head hurt just to think of it.

Under the new option, taxpayers can fill out a simpler form but the deduction is capped at $1,500 per year, based on $5 per square foot for as much as 300 square feet. The home office deduction is available for homeowners and renters. The requirement that a home office must be used, regularly and exclusively, for business purposes is not changing. The key words here are regular and exclusive.

That part has always been the gray area for me. You have to one make sure you have a room like a den, rec room, or spare bedroom in your home to conduct your business or trade or to meet with clients or customers. You do not meet the requirements of exclusive business use if the area of your home is also used for personal purposes.

Here’s an example from the IRS. Let’s say you’re an attorney who uses the den or family room to write legal briefs or prepare other documents for clients. The family also uses the room to play games or watch television. The room is therefore not exclusively used for business, so you can’t claim the deduction.

To find out what qualifies as a deductible business expense, go to www.irs.gov . Then search for Deducting Business Expenses and scroll down to the section on Business Use of Your Home. The deduction can be limited based on the income of your business or if your business is losing money.

The IRS is nothing to play with and, for years, has caused much grief to many. I remember one year waiting for one of my first tax returns so I could buy a CB that looked like a telephone for my car, man you couldn't tell me nothing. Not really getting a lot of money back being single and nothing to claim, it was free money to me.

I wish I could qualify my home office as a business deduction but that regularly part disqualifies me, laughing. I watch TV and play games in that same room. Trying to work within the guidelines of the IRS is something you have to be good at.

I would always suggest that a person who knows all the tax loop holes and laws to do your return. To help combat fraud by tax preparers, the Internal Revenue Service created the Registered Tax Return Preparer program. Then, just before the tax season got underway, the agency was told by a federal judge that it doesn't have the authority to regulate the hundreds of thousands of tax preparers covered under the program.

There are tax professionals like attorneys, certified public accountants, and enrolled agents who were exempt from the program but are licensed by state or federal authorities and are subject to censure, suspension, or disbarment from practice before the IRS in the event of wrongdoing. The ruling does not affect the regulatory requirements for these professionals.

The ruling now means tax return preparers who would have been covered by the program are not required to complete competency testing or secure continuing education, the IRS said. However, all paid preparers are still required to have a preparer tax identification number .

On the IRS website they offer this:

Return preparer fraud generally involves the preparation and filing of false income tax returns by preparers who claim inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. This includes inflated requests for the special one-time refund of the long-distance telephone tax. Preparers may also manipulate income figures to obtain tax credits, such as the Earned Income Tax Credit, fraudulently.

In some situations, the client (taxpayer) may not have knowledge of the false expenses, deductions, exemptions and/or credits shown on their tax returns. However, when the IRS detects the false return, the taxpayer not the return preparer must pay the additional taxes and interest and may be subject to penalties.

The IRS Return Preparer Program focuses on enhancing compliance in the return-preparer community by investigating and referring criminal activity by return preparers to the Department

of Justice for prosecution and/or asserting appropriate civil penalties against unscrupulous return preparers.

While most preparers provide excellent service to their clients, the IRS urges taxpayers to be very careful when choosing a tax preparer. Taxpayers should be as careful as they would be in choosing a doctor or a lawyer. It is important to know that even if someone else prepares a tax return, the taxpayer is ultimately responsible for all the information on the tax return.

Reputable preparers will ask to see your receipts and will ask you multiple questions to determine your qualifications for expenses, deductions and other items. By doing so, they are trying to help you avoid penalties, interest or additional taxes that could result from an IRS examination.

Last year, nearly 100 million taxpayers opted for the safest, fastest and easiest way to submit their individual tax returns IRS e-file. Since 1990, taxpayers have e-filed nearly 1 billion Form 1040 series tax returns safely and securely. E-file is the norm. And now, with Free File, everyone can file Form 1040 series tax returns for free.

Like I said earlier, find a tax professional you trust to prepare and e-file your return. Nearly all tax preparers use e-file now and many are now required by law to e-file. But it’s still a good idea to tell your tax preparer you want the advantages of e-file so you can receive your refund in half the time, or if you owe, be given more payment options.

Congress passed the Pension Protection Act in 2006, requiring most tax-exempt organizations to file an annual information return or notice with the IRS. Each month, the Internal Revenue Service updates the listing of organizations whose tax-exempt status has been automatically revoked because they have not filed as legally required for the past three years.

So make sure you are aware of all the possible deductions you can claim, if you have a new business, make sure you know what you can or cannot do. Look out for the gift you try to claim.

The gift tax is a tax on the transfer of property by one individual to another while receiving nothing, or less than full value, in return. The tax applies whether the donor intends the transfer to be a gift or not.

The gift tax applies to the transfer by gift of any property. You make a gift if you give property (including money), or the use of or income from property, without expecting to receive something of at least equal value in return. If you sell something at less than its full value or if you make an interest-free or reduced-interest loan, you may be making a gift.

If you want to comment on the simplified home deduction option, you can e-mail comments@irscounsel.treas.gov
. Put “Revenue Procedure 2013-13” in the subject line. Or you can mail your comments to the Internal Revenue Service, CC:PA:LPD:PR (Rev. Proc. 2013-13), Room 5203,P.O. Box 7604, Ben Franklin Station,Washington,D.C.20044.

Follow me on twitter @JimmyWadeIII

Write Wade at the Call & Post, 11800 Shaker Blvd., Cleveland, OH, 44120, or e-mail him at jwade@call-post.com.
Comments and questions are welcome but, because of the volume of mail, personal responses are not always possible. Please note that comments or questions may be used in a future column.