



Tax Tips - February 2013

By Robert Aceituno, CPA, MBA, MST
[Councilor, Buchanan & Mitchell, P.C.](#)



FICA refunds for severance pay?

Recently, the Sixth U.S. Court of Appeals ruled that severance payments made to employees in connection with the cessation of a business weren't subject to FICA payroll taxes. In theory, the decision should apply to all severance payments made to employees involuntarily terminated in connection with workforce reductions, plant shutdowns and other similar situations, although the answer will likely depend on additional court rulings.

If your business has made significant severance payments — or you have received severance payments — consider filing a protective refund claim pending further developments on this issue.

Watch out for fraudulent tax returns

In an increasingly common scam, identity thieves use victims' personal information to file fraudulent tax returns electronically and claim bogus refunds. When the real taxpayers file their returns, they're notified that they're attempting to file duplicate returns. It can take months to straighten things out, causing all sorts of headaches and delaying legitimate refunds.

If you have reason to believe that your identity has been stolen or may be stolen in the future (for instance, because you lost your wallet or documents containing personal information), consider participating in the IRS's Identity Protection Personal Identification Number (IP PIN) Program. After completing and submitting an Identity Theft Affidavit (Form 14039), you receive a six-digit IP PIN. Once the IP PIN is issued, you'll be unable to file electronically without it. And you'll be issued a new IP PIN each year until the threat has passed.

You can also reduce your likelihood of becoming a victim by filing your return as soon as possible after you receive your W-2 and 1099s. If you file first, it will be the thief who's filing the duplicate return, not you. And, of course, make every effort to protect your identity, such as by shredding documents with personal information and not giving out your personal information unless you're absolutely sure the request for such information is legitimate.

The annual exclusion gift: A powerful tool

Don't underestimate the tax-saving potential of an annual gifting program. For 2013, the annual gift tax exclusion has increased to \$14,000 per recipient (\$28,000 for gifts you split with your spouse). Consider this example: Dave and Susan decide that each year they'll make the

maximum annual exclusion gift to each of their five children and eight grandchildren. In just five years, they will have transferred \$1,820,000 ($5 \times \$28,000 \times 13$) free of gift tax and without using up any of their lifetime gift tax exemptions.

Robert Aceituno, CPA, MBA, MST is a tax manager at [CBM](#). He advises closely-held businesses and their owners on financial, [accounting](#), and [tax](#) matters. Robert serves a wide range of clients including [real estate developers and operators](#), [construction contractors](#), hotel and hospitality service entities, and retail and wholesale distribution companies. He is a frequent speaker to business and financial accounting and tax groups and chairs the Tax Committee of the [Greater Washington Society of CPAs](#). Contact Robert at raceutuno@cbmcpa.com or 301.986.0600.