

## ■ TAX TERM TIME: EXEMPTIONS AND DEPENDENTS

Sometimes it seems that accountants use a whole different language than the rest of us! To help bridge the language divide, we will be periodically spotlighting commonly used accounting terms. This month let's look at "exemptions" and "dependents" as defined by the Internal Revenue Service:

**Exemptions reduce taxable income.** There are two types of exemptions: personal exemptions and exemptions for dependents. You were able to deduct \$3,800 for each exemption you claimed on your 2012 tax return.



**Personal exemptions.** You may usually claim one exemption for yourself on your tax return. You can also claim an exemption for your spouse if you are married and file a joint return. If you and your spouse file separate returns, you may claim the exemption for your spouse only if he or she had no gross income, is not filing a joint return and was not the dependent of another taxpayer.

**Exemptions for dependents.** Generally, you can claim an exemption for each of your dependents. A dependent is either your qualifying child or qualifying relative. If you are married, you may not claim your spouse as your dependent. You must list the Social Security number of each dependent you claim on your return.

**Some people do not qualify as dependents.** While there are some exceptions, you generally may not claim a married person as a dependent if he or she files a joint return with a spouse. Other factors that must be considered in determining dependency status are relationship, age, gross income, support provided, and whether the person was a member of your household.

**Dependents may have to file.** If you can claim someone else as your dependent on your tax return, that person may still be required to file his or her own tax return. Whether he or she must file a return depends on several factors, including the amount of gross income (both earned and unearned income), marital status and any special taxes owed (such as self employment taxes.)

**Dependents can't claim a personal exemption.** If you can claim another person as a dependent on your tax return, that person may not claim a personal exemption on his or her own tax return. This is true even if you do not actually claim that person as your dependent on your tax return. The fact that you could claim that person disqualifies them from claiming a personal exemption.

See IRS Publication 501, Exemptions, Standard Deduction, and Filing Information, (<http://www.irs.gov/publications/p501/index.html>) for more specific information. As with most tax matters, the details do make a difference. We advise you to consult with your tax professional to determine how to address your personal situation.

## ■ SALES TAX HOLIDAY EXPANDED

The State of Florida has declared a tax holiday on August 2 – 4, 2013, for specific “back to school” items. During this period many school supplies costing less than \$15 will be exempt from state and local tax, as will backpacks, bags, clothing and shoes costing less than \$75. This year computers, tablets and computer accessories like monitors and keyboards costing less than \$750 will also be exempt.



Be sure to plan ahead for your purchases and take advantage of these tax savings!

## ■ WHAT'S SO GREAT ABOUT CPAs?



You may not have asked yourself that question in so many words, but you may have wondered what sets CPAs apart from other financial professionals. The answer is short: A lot.

We typically begin our careers with years of college and graduate education. We must take the demanding Uniform CPA Examination to become licensed. This 14 hour exam tests our knowledge on a wide range of business topics. In addition, we have to meet an experience requirement and then be licensed by the State of Florida. But it doesn't stop there. Once we become CPAs we must commit to a strict code of ethical standards and meet continuing education requirements (currently 80 hours every two years) to update our knowledge of new developments as well as commit to a strict code of ethical standards. Armed with this rigorous training, we are on the job year round, ready to help individuals, businesses and organizations address their own unique challenges.

If you want more information about our Firm and the services we provide, please don't hesitate to contact us or visit our website, [www.bayliscpas.com](http://www.bayliscpas.com).

## ■ WE ARE ON FACEBOOK

Do you enjoy spending time on Facebook? If so, be sure to check out and “like” Baylis & Company's Facebook page, <http://www.facebook.com/BaylisCompanyPa>. Hope to see you there!

## ■ CLOSING THOUGHTS

The recent renewed interest in F. Scott Fitzgerald's classic novel, *The Great Gatsby*, made this quote about summer particularly interesting to us this month:

And so with the sunshine and the great bursts of leaves growing on the trees, just as things grow in fast movies, I had that familiar conviction that life was beginning over again with the summer.



We hope you are having an enjoyable summer!

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53 Lake Morton Drive · Lakeland Florida 33801 · 863-688-8841

  
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