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Marcia L. Campbell, CPA

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The Difference Between a Private and Professional Fiduciary

Benefits and Downfalls of Filing for a Tax Extension

Named in a private agreement or appointed by the court, a fiduciary is someone who assumes responsibility for someone else's financial affairs when they have died or become incapacitated. Often a family member or close friend will assume the role. However, if there is no one to take on such an important responsibility, the individual can hire a private or professional fiduciary. But some may wonder what exactly is the difference between a private and a professional fiduciary?

Is there a difference between a private and professional fiduciary?

The terms private fiduciary and professional fiduciary are often used interchangeably, which can cause some confusion. However, a private fiduciary and professional fiduciary are the same thing. A private or professional fiduciary is a professional (often an attorney or CPA) who is privately hired by an individual or their family to serve in a fiduciary capacity, such as an executor, trustee, or agent under a power of attorney.

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Did you know that you can request a tax filing extension from the IRS?

Well, you certainly can. Tax extensions are not just for people that have waited to file at the last minute either. There are several reasons why filing for a tax extension would be beneficial for anyone. Filing an extension is free, very easy to obtain, and the IRS will allow you up to 6 months to complete your taxes.

By accurately completing the IRS Tax Form 4868 (for personal tax returns) or IRS Tax Form 7004 (for business tax returns), you will be able to successfully file for your tax extension. You can apply for any reason at all and the IRS may automatically grant it to you.

Why Filing for a Tax Extension Can Benefit You

Sending a request for a tax filing extension can have many benefits. Here are some reasons you might want to consider applying for a tax extension this year:

1. Give Yourself Extra Time to Make Your Tax Filing Perfect

After the start of the New Year, tax season begins, and it can feel like everyone is rushing to file their taxes by the deadline. Getting an extension can not only relieve you of the stress to file in time, but it can also allow you to take your time getting your documents in order. You also get a chance to work with your accountant at a time when they can focus more on you and your needs as opposed to handling hundreds of clients, and trying to finish all taxes by a deadline. This is a great option for people who are self-employed.

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What Our Clients Say About Us

"We've enjoyed the tax services that Marcia has provided over the years. She is very patient and knowledgeable, and she makes tax season that much easier."

-TW

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Professional Fiduciary Credentials and Requirements

Professional fiduciaries are regulated by the Professional Fiduciaries Bureau. In the State of California, a professional fiduciary must be licensed by the state, with exceptions for licensed attorneys and CPAs. Before receiving their license, the individual must meet certain education or experience requirements, pass a criminal background check and credit check, participate in continuing education, pass an exam, make annual reports to the state regarding estates under management, and operate under a Professional Fiduciaries Code of Ethics.

However, serving as a fiduciary for someone doesn't always require a license. According to the Professional Fiduciaries Act of 2006, licensing requirements only apply to fiduciaries who provide fiduciary services to non-family members. Under the law, "you must be licensed if you are acting as a trustee or agent under durable power of attorney for health care or for finances for more than three people or more than three families at the same time who are not related to you."

Benefits of Hiring a Professional Fiduciary

Experienced professional fiduciaries have a much better understanding of estate laws than the typical family member or friend. They fully understand what the role of fiduciary entails and can perform all duties with confidence. They can usually refer you to other reputable professionals and service providers you may need, such as lawyers, appraisers, and real estate agents. Unfortunately, family members and caregivers are the most likely culprits of financial elder abuse. Professional fiduciaries operate under a code of ethics, and they are subjected to state regulations, making abuse and fraud less common.

Acting as a trustee or conservator is a big responsibility since mistakes have a major impact on everyone involved. Ensure every business and financial decision is objective and appropriate with a professional fiduciary.

Source: www.mcampbellcpa.com

Please contact our office for more information. †

2. Avoid the Hectic Tax Season

Having more time to file can improve the accuracy of your return. Accountants and taxpayers are both extremely busy during tax season, and it is possible for mistakes to be made. During the tax season rush, many accountants will be overwhelmed and may miss important deductions that could save you money. Filing for an extension can help you avoid the mad rush and will allow you to take your time and make sure your taxes are filed correctly.

Why You Shouldn't File for a Tax Extension

Although requesting a filing extension for some people may be a benefit, for others an extension may not actually be an option. Make sure if you are attempting to file an extension that you are aware of any downfalls.

1. Extra Time to File Doesn't Mean Extra Time to Pay

An extension will provide you with additional filing time, but if you owe taxes, it is still due by the original deadline. Although an extension can help reduce penalties and help you find more deductions, any outstanding balance will still be charged with a late payment penalty (0.5% per month) and interest (right now at 3% annually).

2. An Extension Won't Give Married Couples Extra Time to Switch from Joint to Separate Returns

Married taxpayers who filed jointly by the April deadline can, if they wish, amend their tax filing status to married-filing-separately. But, this status must be amended by the standard filing date.

3. Some People Aren't Eligible for Extensions

Some taxpayers who requested an "Offer in Compromise" during previous filing periods must file by the April deadline during their five-year probationary period. Failure to file by the April deadline can result in the IRS revoking the offer and re-instate the original amount that was owed.

Source: www.carsonthorncpa.com

Please contact our office for more information. †



"Success is most often achieved by those who don't know that failure is inevitable."

~Coco Chanel



You can e-mail us at Jessica@MCampbellCPA.com to receive your newsletter by e-mail!