

January 19, 2015

Happy New Year!

Another lap around the sun. How fast it goes. Let's review the tax law changes in a format of FAQ, in no specific order:

**1) Automobile Mileage Rates**

	<u>2014</u>	<u>2015</u>
Business	56.0¢	57.5¢
Medical / Moving	23.5¢	23.0¢
Charitable	14.0¢	14.0¢

**2) Retirement Contribution Limits**

	Under age 50/50 and over	Under age 50/50 and over
IRA Accounts	\$5,500/\$6,500	\$5,500/\$6,500
SIMPLE Plans	\$12,000/\$14,500	\$12,500/\$15,500
401(k) Plans	\$17,500/\$23,000	\$18,000/\$24,000

**3) Gift Tax Exclusion**

<u>2014</u>	<u>2015</u>
\$14,000	\$14,000

**4) Estate Tax Exempt**

<u>2014</u>	<u>2015</u>
\$5.34 million	not announced

**5) Capital Gain Tax Rate** - Top rate - 20% for those in the highest tax brackets. There are two other rates of zero and 15% depending on income level.

**6) Tax Rate Range** - In the progressive tax system, there are seven layers of the tax rates. There is a zero % layer of all the way to 39.6%. The first taxable rate begin a 15%. Below is the range:

	<u>Taxable Income Over</u>	
	<u>15%</u>	<u>39.6%</u>
Single	\$9,075	\$406,750
Married filing joint	\$18,150	\$457,600

(To be brief, the two most common filing statuses are discussed in this letter. All other filing statuses, can be handled on a case-by-case basis).

**7) Itemized deduction** phase out & the personal exemption phase out are the same threshold.

	<u>2013</u>	<u>2014</u>
	<u>Threshold</u>	<u>Threshold</u>
Single	\$250,000	\$254,200
Married filing joint	\$300,000	\$305,050

Itemized deductions are reduced by the amount the above threshold (formula: itemized deductions are reduced by 3% of the amount by which adjusted gross income exceeds the threshold).

Exemptions are reduced for adjusted gross income above the threshold (formula: exemptions are reduced by 2% for each \$2,500 or portion thereof, by which adjusted gross income exceeds the threshold).

8) **Inherited IRA** - There have been several court cases in this area regarding an inherited IRA protected from bankruptcy. The final decision: Inherited IRA are not protected.

9) **Obama Care** - brought new form and calculation:

- **Form 8965 - Health Coverage Exemptions.** The IRS has issued Form 8965 which must be completed by taxpayers who want to claim an exemption from the individual shared responsibility penalty on their 2014 federal income tax return.
- **Individual Shared Responsibility Penalty.** The IRS has developed worksheets that taxpayers who did not have minimum essential coverage for some or all months in 2014 must complete to determine the amount of their shared responsibility penalty.
- **Form 8962 - Premium Tax Credit.** IRS has issued Form 8962 that taxpayers must complete to determine if they are eligible for a premium tax credit for 2014. Individuals who received advance payments of the premium tax credit also must use the form to reconcile the advance payments with the actual credit amount allowed for 2014.

10) **New My Retirement Account** "a.k.a. myRa Plans". This is similar to a Roth IRA, for contributions and withdrawal attributes, the investment is backed by the U.S. Treasury.

11) **NEW: IRS 1040 Direct Pay** - A web-based payment program. Unlike Electronic Fund Tax Payment System (EFTPS), it requires no advance registration.

12) **California College Access Tax Credit** - Taxpayers could receive a 60% credit for contributions to a specially designated college fund; the purpose of the fund is to provide additional Cal Grants.

13) **Fraudster imposing as the IRS** - Criminals have reached out to clients via phone or e-mail. This can be alarming and frightening. Please realize:

- The IRS never initiates contact by phone or email.
- The IRS never asks for a credit card, debit card, prepaid card information or account PINs over the telephone.
- The IRS never insists that taxpayers use a specific payment method to pay tax obligations.
- The IRS never requests immediate payment over the telephone.
- The IRS will not take enforcement action immediately following a phone conversation. Taxpayers usually receive prior written notification of IRS enforcement action involving IRS tax liens or levies.

To remind those that have not come in to our office in a few years, we moved down the hall way into our beautiful new office.

*This year again to save cost, we did not include a copy of the tax organizer. You can go to our website at [baicpa.com](http://baicpa.com), under News and Events and find the organizer to print.*

When are taxes due; when is the last day to drop off information without filing an extension?

Taxes are due: Wednesday, April 15, 2015

Last day to drop off tax information: Friday, April 3, 2015 noon

In closing, we appreciate your patronage over the years. Your referrals are always warmly accepted.

Sincerely,



Kevin G. Breard, CPA  
Managing Partner