

TAX LAW CHANGES

There has been no major legislation affecting 2014 returns. In fact, the 113th Congress is on track to be the least productive Congress in the last 40 years. Nonetheless, the tax law remains a moving target, with new rules and regulations coming from the IRS and the courts. Here's a rundown of key tax changes for 2014 and a few changes coming in 2015.

Recognition of same-sex married couples. The Supreme Court decided to strike down the Defense of Marriage Act's prohibition on recognition of same-sex marriage under federal law. This was followed by the IRS's announcement that it will recognize all same-sex married couples as spouses for federal tax purposes. Although the tax change took effect in 2013, same-sex couples and their tax advisors are likely to be grappling with the implications in 2014 and beyond.

Tax Increase & Prevention Act of 2014

[H.R. 5771] — December 19, 2014

The *Tax Increase Prevention Act (TIPA)* contains two parts. Division A contains over 50 provisions that expired at the end of 2013 that are retroactively extended for one year. Division B, the *Achieving A Better Life Experience Act of 2014 (ABLE)* contains provisions for a new type of tax-advantage savings program to help in meeting the financial needs of disabled individuals and families raising children with disabilities.



Division B—Achieving a Better Life Experience Act of 2014

This new program allows certain individuals to establish a tax-exempt ABLE account to pay for qualified disability-related expenses. The account will operate similar to a Qualified Tuition Plan where contributions are made with after tax dollars and earnings accumulate on a tax-deferred basis.

Key Features of ABLE Accounts

- ◆ Established by individuals or families to support themselves or dependents.
- ◆ Accounts are established for eligible individuals who are:
 - ⇒ Blind or disabled before reaching age 26.
 - ⇒ Eligible for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI).
 - ⇒ Eligible after a disability certificate is filed with the IRS.
- ◆ Each eligible individual is limited to one ABLE account.
- ◆ Total annual contributions by all individuals are limited to the gift tax exclusion (\$14,000 for 2014 and 2015).
- ◆ Distributions are tax-free if used for the benefit of an individual with a disability and related to the disability. Expenses include: education; housing; transportation; employment support; health, prevention & wellness costs, and assistive technology and personal support services.
- ◆ The portion of non-qualified distributions attributable to earnings are subject to tax and 10% penalty.

Division A—Following are more notable extensions which expire after December 31, 2014.

Individuals

- ◆ \$250 above the line deduction for educator expenses.
- ◆ State and local sales tax deduction.
- ◆ \$4,000 above the line deduction for qualified tuition for fees for higher education.
- ◆ Mortgage insurance premium deduction.
- ◆ Charitable distributions from and IRA by individuals age 70 1/2 and older.
- ◆ \$2 million cancelled mortgage debt exclusion.
- ◆ Non-business residential energy property credit.

Businesses

- ◆ \$500,000 Sect. 179 expense deduction; \$2 million investment cap.
- ◆ Sect. 179 expense election may be revoked without IRS consent.
- ◆ \$250,000 expense deduction for qualified leasehold, retail improvements and restaurant property.
- ◆ 50% bonus depreciation on new property, \$8,000 cap on vehicles for a total \$11,160 (\$11,460 for trucks and vans).

Don't forget — Refer a friend and you both get a \$10.00 credit!

2015 Alternative Minimum Tax			
	Single	MFJ	MFS
Excess Taxable Income Above Which 28% Tax Rate Applies	\$185,400	\$185,400	\$92,700
Exemption Amount	\$53,600	\$83,400	\$41,700
Amounts Use Determine Phase-out of Exemption Amount	\$119,200	\$158,900	\$79,450

2015 Tax Table for Estates & Trusts	
If taxable income is . . .	Then, tax is . . .
Not over \$2,500	15% of taxable income
Over \$2,500 but not over \$5,900	\$375.00 + 25% of excess over \$2,500
Over \$5,900 but not over \$9,050	\$1,225.00 + 28% of excess over \$5,900
Over \$9,050 but not over \$12,300	\$2,107.00 + 33% of excess over \$9,050
Over \$12,300	\$3,179.50 + 39.6% of excess over \$12,300



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Taxing Topics

2014 — 2015 Edition

Letter to Clients

Well, this has already been a busy tax season. Everything crept up so fast, and personal circumstances put me behind schedule this year. So, needless to say, this annual mailing is getting out a little late. With the time constraints I was under, instead of including a separate cover letter to each client, I have summarized enclosure in this article. This year I have included:

- ◆ Income Tax Tables Insert—one side shows 2014 rates, while the other side shows 2015 rates.
- ◆ 2014 Income Tax Check List—will help in the preparation of your tax return and show you what documentation to gather before completing the return. Please use this form to let me know if any of your information has changed since last year.
- ◆ 2015 Annual Calendar—transparent dates are 2015 holidays and the background painting is compliments of my husband Keith and Lonesome Meadows Art Studio (www.lonesomemeadows.com). On the back side of this calendar is a perpetual calendar that will allow you to look up any date and see what day of the week it was.
- ◆ Customer Referral Coupons—there is space on the back of the coupon for you to write your name and phone number and the name and phone number of your referral. If you use both your coupons and have more referrals, simply have your referral mention the coupon and your name and you will both receive the credit. Although the actual coupon is very helpful to ensure all credits are applied, they are not necessary to receive the credit.

Again, I thank you for your support and for helping to make 2014 another successful year. I look forward to a continuing business relationship with you.

Cindy

Cindy L. Meadows—Owner/Accountant

2014 E-Filing Starts Tuesday January 20, 2015

Tax Deadlines & Extensions

The tax year 2014 regular filing deadline is April 15, 2015 and the extension deadline is October 15, 2014. If you provide me your return information 7 days or less before deadline, and you still want the return filed on time, then a rush fee of **\$45** will be assessed.

For the tax year 2013, I was very lenient on this and did not charge this fee to most clients. And, for those I did charge the fee, the tax information was received 4 days or less before the deadline. This year, I will be charging the fee for **ALL** clients not meeting the deadlines.

Payments For Tax Returns

ALL tax returns will have to be paid for at the time they are completed and before they are electronically filed, unless other arrangements have been made. **I can no longer allow clients to wait to pay until the refund is received.**

New York State E-Filing

New York is one of the only states that requires separate registration each year for e-file providers. I have completed my registration for the 2014 tax year and will be providing electronic filing of both Federal and State returns.

2014 & 2015 Key Information

I have chosen to use the same format as I did last year to present this information to you. The information is setup in tables with 2014 and 2015 figures side by side. This way, you can better see the changes from one year to the next. Although the 2014 figures are used to prepare your current return, the 2015 figures may help in making financial decisions in the coming year.

Itemized Deduction Limitations		
	2014	2015
Single	\$254,200	\$258,250
Head of Household	\$279,650	\$284,050
Married Filing Joint	\$305,050	\$309,900
Married Filing Separate	\$152,525	\$154,950
The limitation reduces the deduction by 3% of AGI which is over thresholds—maximum reduction of 80%. Itemized deductions for certain medical expenses, investment interest, casualty, theft, or gambling losses are exempt from phase-out.		

Standard Deductions		
	2014	2015
Single & Married Filing Separate	\$6,200	\$6,300
Head of Household	\$9,100	\$9,250
Married Filing Joint	\$12,400	\$12,600
Dependent of Another Taxpayer	Greater of \$1,000 OR \$350 + earned income	Greater of \$1,050 OR \$350 + earned income
Additional Deduction for the Aged or Blind	\$1,200 Married \$1,550 Single	\$1,250 Married \$1,550 Single

Personal Exemptions		
	2014	2015
Base Amount	\$3,950	\$4,000
Phase-Out Begins with AGI	\$254,200 Single \$279,650 HOH \$305,050 MFJ \$152,525 MFS	\$258,250 Single \$284,050 HOH \$309,900 MFJ \$154,950 MFS
Phase-Out Complete with AGI	\$376,700 Single \$402,150 HOH \$427,550 MFJ \$213,775 MFS	\$380,750 Single \$406,550 HOH \$432,400 MFJ \$216,200 MFS
The phase out is 2% for each \$2,500 (or fractional portion of \$2,500) (\$1,250 for MFS taxpayers) by which AGI for the year exceeds the threshold amounts above.		

Other Information		
	2014	2015
Child Tax Credit—Maximum	\$3,000	\$3,000
Foreign Earned Income Exclusion	\$99,200	\$100,800
Alternative Minimum Tax (AMT) Exemption Amounts	\$52,800 Single \$82,100 MFJ \$41,050 MFS	\$53,600 Single \$83,400 MFJ \$41,700 MFS
Kiddie Tax Threshold (amount child can make without paying tax)	\$1,000	\$1,050
Gift Tax Exclusion	\$14,000	\$14,000
Flexible Spending Account Contribution Limit	\$2,500	\$2,550
Student Loan Interest Deduction Max & Phase-out Limits	\$2,500 Max \$65,000— \$80,000 Single \$130,000— \$160,000 MFJ	\$2,500 Max \$65,000— \$80,000 Single \$130,000— \$160,000 MFJ
Retirement Savings Contribution Credit AGI Threshold	\$30,000 Single \$60,000 MFJ \$45,000 HOH	\$30,500 Single \$61,000 MFJ \$45,750 HOH
Social Security Wage Limit	\$117,000 \$7,254.00 Max	\$118,500 \$7,347.00 Max

Standard Mileage Rates (SMR)		
	2014	2015
Business	56¢	57.5¢
Medical/Moving	23.5¢	23¢
Charitable	14¢	14¢
You always have the option of using actual costs rather than the SMR. If you want to use the SMR, you must use it in the first year of vehicle business use. In later years, you can choose to use either the SMR or actual expense.		

Adoption Credit—For 2015, the credit allowed for an adoption of a child with special needs is \$13,400, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,400. Phase-outs do apply beginning at taxpayers with modified adjusted gross income (MAGI) in excess of \$201,010 and completed phased out for taxpayers with MAGI of \$241,010 or more.

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Save for Retirement & Save Taxes

The Treasury Department has announced inflation-adjusted figures for retirement account savings for 2015, and this year there's extra room for savings for wage and salary types and the self-employed. If you have a 401(k), a SEP-IRA, or a SIMPLE, pay attention to the chart below and, if you can swing it, bump up your contributions to the new max. For example, you can stuff \$18,000—\$24,000 (if you are 50 or older) into a 401(k).

Pension Plan Limitations								
	401(k), 403(b) & 457 Plans		Traditional IRA		Roth IRA		SIMPLE Accounts	
	2014	2015	2014	2015	2014	2015	2014	2015
Elective Deferral (Contribution) Limit	\$17,500	\$18,000	\$5,500	\$5,500	\$17,500	\$18,000	\$12,000	\$12,500
Catch-up Contribution Limit	\$5,500	\$6,000	\$1,000	\$1,000	\$5,500	\$6,000	\$2,500	\$3,000
Deduction Phase-Out for Single & HOH (covered by workplace retirement plan) with AGI between—			\$60,000- \$70,000	\$61,000- \$71,000	\$114,000- \$129,000	\$116,000- \$131,000		
Deduction Phase-Out for MFJ (covered by workplace retirement plan) with AGI between—			\$96,000- \$118,000	\$98,000- \$118,000	\$181,000- \$191,000	\$183,000- \$193,000		
SEP Accounts —For the self-employed and small business owners, the amount they can save in a SEP IRA or a solo 401(k) goes up from \$52,000 in 2014 to \$53,000 in 2015. That's based on the amount they can contribute as an employer, as a percentage of their salary; the new compensation limit used in the savings calculation is \$265,000, up from \$260,000.								

Earned Income Credit				
	0 Children	1 Child	2 Children	3+ Children
2 Earned Income Amount	\$6,480	\$9,720	\$13,650	\$13,650
0 Maximum Credit	\$496	\$3,305	\$5,460	\$6,143
1 Threshold Phase-out (Single or HOH)	\$8,110—\$14,590	\$17,830—\$38,511	\$17,830—\$43,756	\$17,830—\$46,997
4 Completed Phase-out (Married Filing Joint)	\$13,540—\$20,020	\$23,260—\$43,941	\$23,260—\$49,186	\$23,260—\$52,427
2 Earned Income Amount	\$6,580	\$9,880	\$13,870	\$13,870
0 Maximum Credit	\$503	\$3,359	\$5,548	\$6,242
1 Phase-out (Single or HOH)	\$8,240—\$14,820	\$18,110—\$39,131	\$18,110—\$44,454	\$18,110—\$47,747
5 Phase-out (Married Filing Joint)	\$13,750—\$20,330	\$23,630—\$44,651	\$23,630—\$49,974	\$23,630—\$53,267
Excessive Investment Income —For taxable years beginning in 2015, the earned income tax credit is not allowed if the aggregate amount of certain investment income exceeds \$3,400.				

2015 Education Credits

Hope Scholarship Credit (American Opportunity Tax Credit)—Credit will be an amount equal to 100% of qualified tuition and related expenses not in excess of \$2,000, plus 25% of expenses in excess of \$2,000, but not in excess of \$4,000. So, the maximum Hope Scholarship Credit allowable for 2015 is \$2,500. Income restrictions do apply and for 2015, those kick in for modified adjusted gross income (MAGI) in excess of \$80,000 (\$160,000 for a joint return).

Lifetime Learning Credit—For 2015, the income restrictions begin with taxpayers with modified adjusted gross income in excess of \$55,000 (\$110,000 for a joint return).

For taxable years beginning in 2015, the limitations regarding eligible long-term care premiums includible in the term "medical care," are as follows:

2015 Eligible Long-Term Care Premiums	
Attained Age Before Close of Year	Limitation Amount
40 or less	\$380
More than 40 but not more than 50	\$710
More than 50 but not more than 60	\$1,430
More than 60 but not more than 70	\$3,800
More than 70	\$4,750