



Rankin & Associates, Ltd.
346 Oregon St.
Sturgeon Bay, WI 54235
920-743-4240

Net
Investment Income Tax
3.8% Surtax

Let us help you get through the storm. Contact us at www.taxnuts.net

2014 TAX PLANNING & TIPS

The tax laws continue to provide opportunities for the wise and traps for the unwary. Often, tax savings can be achieved by taking action before the year-end. The information and strategies discussed herein may or may not be appropriate for your situation. Remember to consult with your tax professional before implementing them.

Changes for 2014

Under the Affordable Care Act (ACA), the federal government, state governments, insurers, employers and individuals are given shared responsibility to reform and improve the availability, quality and affordability of health insurance coverage in the United States. Starting in 2014, the individual shared responsibility provision calls for each individual to have minimum essential health coverage for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return.

The provision applies to individuals of all ages, including children. The adult or married couple who can claim a child or another individual as a dependent for federal income tax purposes is

responsible for making the payment if the dependent does not have coverage or an exemption.

This may cause some issues for unmarried parents who may or may not share custody of their children. Be sure to discuss this with your children's other parent so that your children are properly covered.

Keep in mind, most individuals have qualified health coverage, a.k.a., minimum essential coverage (MEC) and will not need to do anything more than continue the coverage that they have.

New information returns. Any individual who obtained their health insurance through the marketplace will receive a **Form 1095-A** (Health Insurance Marketplace Statement) in the mail by January 31, 2015. This form will provide information on each individual enrolled in the qualified health plans. In addition, this form will include information such as the level of coverage, premium amounts, and if any advance premium credit payments were received. This information **must** be included on Form 8962 (Premium Tax Credit) as part of the calculation of the premium tax credit and included with the 2014 federal individual income tax return. **We will need this information to complete your 2014 tax return.**

Sponsors of self-funded health plans (not insured plans), regardless of size, must file an annual information return on **Form 1095-B** and provide a statement to each covered employee to report the months during which the employee was enrolled in the plan.

Large employers must provide a **Form 1095-C** or alternative form to each full-time employee. The form will indicate by code for each month whether the employer offered minimum essential coverage, minimum value (60 percent actuarial value) coverage, and/or affordable coverage, and whether the coverage was offered to the employee only or also to the employee's spouse or dependents.

Note: You may not receive a notice from your employer for this tax year, as compliance is voluntary until 2015. This means that the mandatory reporting for these forms (Form 1095-B, and Form 1095-C) is not required until the first quarter of 2016 for calendar year 2015. **With that in mind, it's important to save all information about health insurance coverage for yourself and your entire family and bring it in for your appointment.**

ACA Health Coverage Exemptions. The individual shared responsibility payment applies for each month in the calendar year in which the individual is without minimum essential health coverage or an exemption. To avoid the tax, the individual is only required to be covered for at least one day during a calendar month. For example, an individual who is newly hired on November 28, and becomes covered under his or her employer's health plan as of that date, will have no shared responsibility payment for November. Exemptions include the following:

1. Members of certain religious sects.
2. Short coverage gap (3 months or less).
3. Certain non-citizens.
4. Coverage is considered unaffordable – Cost of insurance coverage of at least bronze plan is more than 8% of household income.
5. Household income below the filing threshold.
6. Members of Federally recognized Indian Tribes.

7. Members of Health Care Sharing Ministries.
8. Incarceration.
9. Hardships.

The proposed regulations describe certain hardship exemptions, and provide that the Marketplace Exchange may certify on a case-by-case basis the availability of a hardship exemption for individuals who cannot obtain coverage because of other unexpected personal or financial circumstances. **If one of these exemptions fit your situation, you will need to get the certification from the Marketplace before we can complete your return. We advise you to contact the Marketplace for this certification as soon as possible, to avoid a delay in filing your returns.**

Hardship exemptions include the following:

1. Homeless.
2. Eviction or foreclosure in last 6 months.
3. Utilities shut-off.
4. Victim of domestic violence.
5. Death of close family member.
6. Fire, Flood or other natural or human-caused disaster that caused substantial damage to your property.
7. Bankruptcy filed in last 6 months.
8. Medical expenses you could not pay in last 24 months.
9. Unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member.
10. You expect to claim child as dependent who has been denied Medicaid and CHIP and someone else has court order to provide medical support to child.
11. As a result of an eligibility appeals decision, you are eligible for enrollment in a qualified health plan through Marketplace, lower costs on your monthly premiums, or cost sharing reductions for a time period you were not enrolled in a qualified plan.
12. You were determined ineligible for Medicaid because your state didn't expand eligibility for Medicaid under ACA.

13. Individual insurance plan was cancelled and you believe other Marketplace plans are unaffordable.
14. You experienced another hardship in obtaining health insurance.

High-Income-Earners

3.8% surtax on investment income. The net investment income tax (NIIT) was new in 2013. The NIIT applies to certain individuals, estates, and trusts. For an individual, the tax is 3.8% of the lesser of either (1) net investment income or (2) the excess of modified adjusted gross income (MAGI) over the threshold amount.

For a joint return or surviving spouse the threshold amount is, \$250,000, for a married individual filing a separate return, \$125,000 and \$200,000 for all others.

For an estate or trust, the Medicare contribution tax is 3.8% of the lesser of either (1) the undistributed net investment income or (2) the excess of AGI over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins (\$12,150 for 2014). Thus, the surtax applies to a much lower amount for trusts and estates than for individuals.

Please remember that the thresholds for the 3.8% surtax and net investment income tax are too high for the majority of taxpayers in our area. If your income does fall into these categories, we are here to help you through it.

Additional Information

Standard mileage rate. Taxpayers can use the standard mileage rate (in lieu of actual expenses) in computing the deductible costs of operating automobiles owned or leased by them (including vans, pickups or panel trucks) for business purposes. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for business travel.

The following rates are applicable for the **2014** tax year:

Business	\$.56
Medical	.235
Moving	.235
Charitable	.14

If you are an employee with unreimbursed travel, you may deduct an amount computed using the standard mileage rate only as a miscellaneous itemized deduction, subject to the 2% floor of adjusted gross income.

2015 Pension plan limitations. The Internal Revenue Service recently announced cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2015.

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from \$17,500 to \$18,000.
- The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan will also increase from \$5,500 to \$6,000 in 2015.

IRA contribution limits. For 2014, IRA contributions generally can be made up to the lesser of (1) \$5,500 (\$6,500 if age 50 or older by the end of 2014) or (2) 100% of the individual's taxable compensation. For married couples, IRA contributions up to \$5,500 (\$6,500 if age 50 or older by the end of 2014) can be made for each spouse if the combined compensation of both spouses is at least equal to the contributed amount and they file a joint return

For single individuals who are active participants in an employer sponsored retirement plan, the deductibility of an IRA contribution is phased-out if adjusted gross income (AGI) is \$60,000 or more for 2014. The phase-out occurs over a \$10,000 AGI

window. Thus, if a single taxpayer's AGI is over \$70,000 or more, none of the contribution is deductible.

For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$96,000 to \$116,000. If one spouse is an active participant but the other is not, then the AGI phase-out window for the non-participant spouse is \$181,000 to \$191,000.

Year-End Planning

Year-end planning is always complicated by the uncertainty of what the following year may bring, but this year presents an even bigger challenge. A combination of events – including a number of tax provisions that have expired at the end of 2013 and more provisions that are scheduled to expire at the end of 2014 make it even more difficult to plan for the future.

With that in mind, here are a few steps that you might consider to save you tax dollars if you act before the end of the year. Many of these moves may benefit you regardless of what Congress does with their so-called lame-duck session. Also note that all actions may not apply in your situation.

- You may be able to save taxes this year and next year by applying a bunching strategy to “miscellaneous” itemized deductions, medical expenses and other itemized deductions.
- Consider using a credit card to pay deductible expenses before the end of the year. Doing so will increase your 2014 deductions even if you don't pay your credit card bill until after the end of the year. Of course, store credit cards don't apply.
- Postpone income until 2015 and accelerate deductions into 2014 to lower your 2014 tax bill. This strategy may enable you to claim larger deductions, credits, and other tax breaks for 2014 that are phased-out over varying levels of adjusted gross income (AGI). **HOWEVER, this does NOT mean you can postpone depositing**

income until 2015 in order to delay reporting income. If it was received in 2014, you have constructive receipt and must count this as 2014 income whether it was deposited before the end of the year or not.

- If you expect to owe state and local income taxes when you file your return next year, consider asking your employer to increase withholding of state and local taxes (or pay estimated tax payments of state and local taxes) before year-end to pull the deduction of those taxes into 2014 if doing so won't create an alternative minimum tax (AMT) problem.
- Realize losses on stock while substantially preserving your investment position. For example, you can sell the original securities and then buy back the same securities at least **31** days later.
- Make gifts sheltered by the annual gift tax exclusion before the end of the year and thereby save gift and estate taxes. You can give \$14,000 in 2014 to each of an unlimited number of individuals. The transfers also may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax.

NEW WEBSITE

By the time you get this newsletter we will be rolling out our revamped website. The location is the same: www.taxnuts.net but there is so much more. Check out the tabs at the top and special listings on the side to find all kinds of new features.

If you thought all we did was taxes, check out our “**Services**” section to see all that we have to offer. You may forget about us after tax season but we are here all year long and you may be surprised what we can help you with.

Where is your refund? you ask. Click on the link that will connect you directly to the IRS site after you answer a few questions.

Need an IRS form? Click the link for IRS Forms and it will lead you right to the site.

If we hear it once, we hear it 100 times each tax season... **What should I bring to my tax appointment?** Find the Tax Appointment Checklist under Resources and it is all there for you.

Want to do some financial planning on your own or are you just curious? Check out some of the financial calculators:

- *How much vehicle can I afford?
- *What is my net worth?
- *How much savings do I need to have to retire?
- *How much do I need to save for college?

And those are just a few.

Also new, will be an encrypted client portal. This will be a safe place for you to send sensitive information to us and vice versa. We can also post your completed tax return there (after full payment has been received) so that you can print out a copy any time. This could come in handy when you are at the bank for that refinancing or home equity loan.

So check it out. See what it can do for you. We think you will enjoy all of the new features.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.

OFFICE NEWS

For those of you who did not meet her last year, we have a new accountant on staff. Annette Ziemer joined us in January of 2014. You can see her profile on our new website.

Susan has “semi” retired and moved to Lac du Flambeau, Wisconsin in July, 2014. She has been back to the office several times since then and has also been working remotely when needed. She has been and will continue to consult with Debbie regularly. You will still see her in the office during the upcoming tax season.

Debbie is holding down the fort while Susan plays at “semi” retirement. This has meant more hours during the off season and having to learn more of the IT side of things. In January Debbie will begin her 33rd year preparing income tax returns. Experience like that you just can’t beat.

There have indeed been some adjustments, as there always are when changes are made. However, we are moving forward and appreciate your continued patronage. Contact Rankin & Associates for all of your accounting needs.

HOLIDAY HOURS

Christmas

Closed: December 24, 25 and 26

New Years

Closed: January 1 & 2

