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TAX NEWS & TIPS

YEAR END 2014

2014 Inflation Adjustments

Each year the IRS adjusts several tax items for inflation. Although these adjustments are small they will affect every taxpayer! Some of the items with inflationary increases are:

- The Standard Deduction
- The Personal Exemption
- Tax Brackets

These inflation adjustments will save the average married taxpayer about \$100 in their overall income tax.

Election, Tax Time Uncertainty Continues!

All efforts by the Senate to renew the 50 plus temporary two year tax laws continue to be delayed. These laws expired at the end of 2013 and hopefully will be renewed through 2015. With any luck, Congress could pass a big "extenders" bill in December.

Some of the specific big ticket business items that are on the table awaiting Congress to act are the Section 179 expensing, bonus depreciation and the research and development tax credit. Waiting for extension on the personal side are the deductions for charitable tax-free IRA distributions to charities, the \$4,000 tuition & fees deduction, energy savings tax credits for home improvements, the deduction for mortgage insurance premiums and many more.

At any rate, tax time is rapidly approaching and at this point we are forced to look at the laws as they exist today. Be prepared! Collect information on these and we will use them if the laws are extended.

Coming Up For This Tax Filing Season

I have already mentioned the uncertainty surrounding the many tax laws that congress has yet to act upon. The following are large items that are already set in law that you can count on for the up-coming tax filing season. Don't forget about income limitations and phase outs.

Child Credits.

Each qualifying child under age 17 knocks off up to \$1,000 from your tax bill.

College Education.

Two big credits are available. The American Opportunity Credit can reduce your tax bill by up to \$2,500 per eligible student or up to \$2,000 through the Lifetime Learning Credit.

0% Capital Gains Rate!

This capital gains rate is available to

all taxpayers in the 10% and 15% tax brackets. Married taxpayers qualify for the 0% rate if their taxable income is \$73,800 or less, for single taxpayers \$36,900 or less, and head of household is \$49,400.

Tax Free Gains on Home Sales.

Married couples can exclude up to \$500,000 in gain from their income on the sale of their home, for single taxpayer the maximum exclusion is \$250,000. Ownership and occupancy rules apply.

Energy Savings Credits.

You can claim a credit for up to 30% of the cost of buying and installing solar panels, solar water heaters, geothermal heat pumps and small wind energy systems.

Got It All?

Here is a list of frequently missed items. Check these against your list.

Refinances. I need to see the settlement statement. Collect all documents associated with a refinance if you are unsure.

Child Care Expenses. I need the full name, address, telephone number and tax ID number of your care providers.

Estimated Tax Payments. Find the date and amount for payments. Look at dates near payment due dates. April 15, 2014, June 15, 2014, September 15, 2014 and January 15, 2015. A January 2014 payment would have been claimed on your 2013 return.

Sales of Property. The most important thing is the settlement statement. Also gather all related documents.

Student Loans. Form 1098-T lists tuitions. I need these forms as well as details on the courses, all expenses and who the "student" was.

Sales of Stock. Form 1099-B shows sale price and lots of other confusing data. If this form does not show the

See "Got It All" on page 3

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Tips For You... Now!

Filing Delays Possible.

A couple of factors may cause delays in the "filing season". I have already mentioned that we could see late law changes. Delays have occurred in recent filing seasons. A few years ago the IRS didn't accept electronic returns until February 15 and last year saw a filing season that was delayed until January 31 due to the Federal shutdown in late 2013. Be prepared! We should plan on the worst considering the number of tax laws that could be "extended" and the days that are left until the filing season begins. Let's watch Congress closely to monitor their progress. There may be a delay in the filing season in 2015.

Roth IRA Conversions & Re-characterizations.

Conversions generally come at an immediate tax cost but could result in major tax-free gains over the years as distributions begin. Managing the tax impact of a Roth IRA conversion requires careful analysis. Ideally, we should review the transaction carefully. Higher-income filers have to deal with phase-outs on itemized deductions and personal exemptions which can make computing taxable income more complex.

There are also other things to consider. Your conversion must be completed by December 31. Estimating your taxable income may be tricky until you've received all your tax reporting documents, which typically aren't available until well after December 31. Consequently your income may end up being higher or lower than you anticipated. A solution: a re-characterization. It allows you to "undo" some, or all, of a conversion made the prior year. You have until October 15 of the year following

conversion to re-characterize. This may be a solution if the tax on your conversion ends up exceeding your estimate.

Rental Repairs.

The IRS recently adopted "repair regulations" that establish when an expense for a property is currently deductible as a repair or as an improvement that must be depreciated. The new regs identify repairs or routine maintenance as expenses that do not improve a unit of property. There are also safe harbor elections that can be made that will allow you to currently deduct the cost of an item without worrying whether it is a repair or improvement. One of the safe harbors is for routine maintenance. Routine maintenance will include inspections, cleaning, testing, replacing parts and other recurring costs that keep property in its ordinarily efficient operating condition. A second safe harbor is for taxpayers with average gross receipts for the last three years of \$10 million or less. These taxpayers may elect to not capitalize improvements to an eligible building property if the total paid during the year for repairs, maintenance and improvements does not exceed the lower of \$10,000 or 2% of the building's unadjusted basis. Repair regulations are very extensive and quite complex. The rules and calculations are more difficult than quantum physics! Please contact me to further discuss how these regulations may affect you.

Gift Tax Returns.

If you have given gifts that exceed \$14,000 (\$28,000 for a married couple) to any person in 2014 you are required to file a Gift Tax Return. The Return is due by April 15, 2015. You will not owe any gift tax unless you have exceeded

the lifetime gift-tax exemption of \$5.34 million. If you do exceed the lifetime exemption amount, you could end up owing gift tax of up to 40%. One reason to file the Return is to let the IRS know how much of the \$5.34 million tax-free amount you have used so far.

Realign Your Portfolio.

Many taxpayers have taken gains on investments up to this point in 2014 by rebalancing their portfolios. The markets have become increasingly volatile and by selling some losing investments to offset the gains you may also reduce your risk to further downturns in the markets. Remember, if you have more losses than gains the IRS will allow you to take up to \$3,000 of net losses to reduce your income.

Increase or Accelerate Your Charitable Contributions.

The joys of giving cannot only help those in need, but can also help you as your donations to charitable organizations may count as tax deductible expenses! Make sure that all contributions are made by December 31 and that a receipt of your gift is included in your tax documents.

Make State Tax Estimates By December 31, 2014.

Most of these estimated payments are not due until January 2015 but if you make the payment in 2014 you may get the deduction on your 2014 tax return. Get the deduction a year earlier by making the payment a few weeks earlier.

Other Deductions.

Medical expenses such as hospital bills, doctor's charges and prescriptions can create sizable itemized deductions. Look for any balances still owed on medical related bills and pay them before the end of 2014.

Happy New Year!

*May 2015 bring peace, health
and prosperity to both you and your family.*

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This publication has been sent to you by your tax advisor for informational purposes only. The tax opinions are generalizations and may not apply to all taxpayers.

April 15, 2015 Isn't Far Away...

Let's Get Ready Now!

Help me help you. Preparing your tax information is easy if you start early so that you have everything ready at the time we start to prepare your return.

Most tax records will show up in the mail in January. Keep all of these together in a special place. Collecting all of your tax related documents is important so that we report a complete and accurate return.

The IRS also gets copies of many of these documents... we don't want to miss any!

Let's review what you should be looking for...

W-2s. Read them carefully. Contact your employer if there is a problem or if you don't receive them by the end of January.

1099s. You get 1099-INT or 1099-DIV for any accounts that pay interest or dividends. Even tax-exempt interest will be reported. IMPORTANT: "Corrected" forms are always a possibility. Be alert for any announcements that warn you of these situations.

1045-A. This one is new! You will receive this 1045-A if you purchased Health Care through the Health Insurance Marketplace and had part of your premium offset by the new Premium Tax Credit. You may also receive Forms 1045-B from your insurance company and 1045-C from your employer. These forms do not have a filing requirement in 2014, but we will need the information to complete your return.

Other 1099s. Real estate sales are reported on 1099-S. Stock sales on 1099-B. Pension, 401K and IRA distributions are reflected on 1099-R. Pay special attention to forms 1099-A and 1099-C. These report foreclosures and debt consolidations... these may or may not result in taxable income. We need to see them to correctly prepare your return. Always look for "Important Tax Information Enclosed" on the envelope.

Form 1098. Reports mortgage interest paid to a bank, savings & loan or credit union. These forms may also report real estate taxes (if payments are

escrowed by the lender) and mortgage insurance premiums if applicable. 1098-T shows college tuitions. These forms are mailed to the student. Make sure the kiddos watch for these forms – you'll need them.

Other Income.

Look for reports of state tax refunds, unemployment income, prizes or gambling winnings, or rents that you collect. Read each one carefully and keep them with all of your other tax documents. We don't want to miss anything!

Your Records.

Check all of your records for income or deductions. Review everything that occurred during the past year. Check registers or calendars will help jog your memory. Look for medical related receipts as well as receipts for any taxes paid. If you recall paying a deductible expense but don't have a receipt, claim it. Charitable contributions are different – you *must* have receipts or your deduction could be challenged and denied! If you claim business miles make sure that you have your car's odometer reading at 12/31/14!

Start now. Make a list of any items that you are missing. Write down questions you might have for me.

You will be prepared if you take a few minutes each week to gather and review your documents and records. Short reviews help you remember items that you are missing or might have forgotten.

It's your money at stake here – *let's make sure that you protect it!*

"Affordable Care" from page 4

advance credit payments in any amount or if you plan to claim the premium tax credit, you must file a federal income tax return for that year.

• **If you choose to get it now:** When you file your tax return, you will subtract the total advance payments you received during the year from the amount of the premium tax credit calculated on your tax return. This option may cause your tax refund to be less than expected.

• **If you choose to get it later:** You will claim the full amount of the premium tax credit when you file your tax return. This option will cause your tax refund to be greater than expected.

"Got It All" from page 1

original purchase price you will need to find the original "buy" confirmation or ask your broker for the data.

Business Records. Be careful to separate purchases of major equipment from other supplies.

Employer Reimbursements. If employer reimburses an expense, we need records to be sure we claim only the excess. An example is reimbursement of business travel miles at less than the Federal reimbursement amount (56¢ per mile).

K-1 Form Information. Schedule K-1 from partnerships, LLCs, S-corps and trustees always seem to arrive late. Don't worry. We can do the rest of your return and be ready to finish when the K-1 arrives. Make special note here... we don't want to file your return only to find out we were still waiting for a Form K-1.

Social Security Benefits. Find Form 1099-SSA. We must report the gross amount and not just your net monthly benefit. Your Medicaid Premiums listed on the Form may also get you a medical deduction.

Special Accounts. Do you contribute to an IRA, Roth IRA or Health Savings Account? These and others can cut your taxes. Make sure that I have all of the information on contribution amounts and dates of the contribution.

Complex Transactions. Please call if you have an unusual or difficult transaction. Foreclosures, sales or exchanges of real estate, casualties and the like can cause a lot of extra work. We may need to schedule a special meeting and I may need extra time. Have all of the details... *help me help you!*

"Send 1099s" from page 4

their copy from you by February 28. You pay a penalty for not sending them! Call me to discuss these situations... we don't want to miss these filing deadlines.

Getting the Forms. The IRS can send you the forms. Start early. Let me know if you need my help. Call the IRS at 1-800-829-3676 for forms. You can see the forms on the IRS website at www.irs.gov but you will need the official paper forms for filing. You will need to use the proper Form 1099 and Form 1096 as a cover sheet.

Affordable Care Act, The Premium Tax Credit

Get it Now or Get it Later!

Starting in 2014, if you get your health insurance coverage through the Health Insurance Marketplace, you may be eligible for the premium tax credit. This tax credit can help make purchasing health insurance coverage more affordable for people with moderate incomes.

In general, you may be eligible for the credit if you meet all of the following:

- Buy health insurance through the Marketplace;
- Are ineligible for coverage through an employer or government plan;
- Are within certain income limits;
- Do not file a Married Filing

Separately tax return (unless you meet the criteria in section 1.36B-2T(b)(2) of the Temporary Income Tax Regulations, which allows certain victims of domestic abuse and spousal abandonment to claim the premium tax credit using the Married Filing Separately filing status); and

- Cannot be claimed as a dependent by another person.

If you are eligible for the credit, you can choose to:

- **Get It Now:** have some or all of the estimated credit paid in advance directly to your insurance company to lower what you pay out-of-pocket for

your monthly premiums; or

- **Get It Later:** wait to get all of the credit when you file your tax return.

During enrollment through the Marketplace, using information you provide about your projected income and family composition for the year, the Marketplace will estimate the amount of the premium tax credit you will be able to claim on your tax return.

You will then decide whether you want to have all, some or none of your estimated credit paid in advance directly to your insurance company.

For any tax year, if you receive

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RETURN SERVICE REQUESTED

Your Tax Calendar

Dec 31 A check mailed today counts for 2014. Last chance for deductions.

State estimated taxes paid today are deductible on your 2014 Federal Return.

Jan 15 4th Quarter estimated tax payments due.

Jan 31 Employer - Quarterly payroll & FUTA due
W-2s and 1099s due to recipients.

Feb 28 W-2s and 1099s due to IRS.

Apr 15 2014 Tax Returns due. Last day for 2014 IRA or Roth contributions.

Anytime you have any questions, don't hesitate to call me. I am here for you!

Need to Send 1099s?

You may need to send Form 1099 to someone else. Here are a few cases: **Businesses.** If you paid \$600 or more for services to any non-corporation during 2014 you may need to issue a form. Look at "business" expenses only.

Some bills show both labor and materials. If any of the payment is for service, report the total amount on Form 1099-MISC. Paying for merchandise alone doesn't count. Look for painters, consultants, builders and the like. If you are unsure... call me.

You will need name, address and tax ID number for these people. Call them or send Form W-9 to request the

information. If someone uses their own name, they should provide their Social Security Number (like 555-55-5555). If they give you a business name, you should use their Employer ID Number (like 55-5555555).

Nominees. If you get a payment in your name and then pay part or all to another you must file the form. You file the same 1099 as you received but you are filing as the "middle man". Usually these are Form 1099-INT or 1099-DIV.

You must send Form 1099 to the other party by January 31. IRS wants

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