



CRAFT, NOBLE & COMPANY



Welcome to Craft, Noble and Company's e-news update. We hope that everyone enjoyed the holiday season. Now that tax season is upon us, here's the most current news. If you would prefer to receive a print copy of each quarterly e-newsletter, please call our office to place that request.

Be sure to like our new Facebook page and follow one of our partner's Jared Noble (@JaredNobleCPA) for more up-to-date news and information.

Likewise, if you know a friend or colleague who might be interested in receiving this e-newsletter, just click the "Forward to a Friend" button. Privacy and confidentiality is a hallmark of our business, so you can be assured your name or address will not be shared with anyone.

## Major Tax Deadlines for January & February

**January 15-** The final 2014 estimated tax payments are due, unless the 2014 tax return is filed and taxes are paid in full by February 2, 2015.

**February 2-** This is an important date for all businesses and individuals. Individuals should be prepared to receive these forms in the mail and if you are a business, contact us and let us help you get these forms out on time.

- Employers must provide 2014 W-2 statements to employees
- Payers must provide 2014 Form 1099s to payees. (Brokers have until February 17<sup>th</sup> to provide 1099-B and consolidated statements.)

**February 2-** Payroll tax returns are due on this date as well:

- Employers must file Form 941 payroll returns for the 4<sup>th</sup> quarter of 2014 and pay any tax due.
- Employers must file 2014 federal unemployment tax returns and pay any tax due.

**Note-** Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

**Payroll Tax Deposits-** Employers must make their deposits for the Form 941 payroll taxes (federal income tax withheld and the employee and employers share of the social security taxes). These deposits should be made either monthly or semiweekly depending on your deposit schedule. Exceptions apply if you owe \$100,000 or more on any day during the deposit period, if you owe \$2,500 or less for the calendar quarter, or if you estimated annual liability is \$1,000 or less.

**Monthly deposits-** These deposits are required to be paid within a calendar month by the fifteenth of the following month.

**Semiweekly deposits-** These deposits are required to be paid on Wednesdays or Fridays, depending on when wages are paid.

For any questions you may have on these deadlines, contact our office.

# Taxpayer Bill of Rights Announced

The IRS has issued a new "Taxpayer Bill of Rights" to highlight the agency's commitment to providing quality service to taxpayers.

The IRS has lost more than \$850 million in funding (about 7%) since 2010 and is finding it challenging to "properly serve taxpayers." The IRS Commissioner John Koskinen said the 10-item Bill of Rights is intended as a "cornerstone document" to give taxpayers a better understanding of their rights.

Included in the ten rights are the right to be informed, to quality service, to pay no more than the correct amount of tax, to challenge the IRS's position and be heard, to appeal an IRS decision, to finality, privacy, and confidentiality, to retain representation, and to a fair and just tax system.

## Self-employment Tax Breaks

When it comes to taxes, being self-employed has some advantages. Whether you work for yourself on a full-time basis or just do a little moonlighting on the side, the government has provided you with a variety of attractive tax breaks.

- **Save for Retirement:** When you're self-employed, you're allowed to set up a retirement plan for your business. Remember, contributing to a retirement plan is one of the best tax shelters available to you during your working years. Take a look at the SIMPLE IRA, SEP IRA, or Solo 401(k), and determine which plan works best for you.
- **Hire your Kids:** If your business is unincorporated, employing your child under the age of 18 might make sense. That's because your child's earnings are exempt from social security, Medicare, and federal unemployment taxes. This year, your son or daughter can earn as much as \$6,200 and owe no income taxes. You get to deduct the wages paid as a business expense.
- **Deduct Health Insurance:** Are you paying your own medical or dental insurance? How about long-term care insurance? As a self-employed individual, you may be able to deduct 100% of the cost of these premiums as an "above the line" deduction, subject to certain restrictions.
- **Take Business-use Deductions.** Self-employed individuals can also deduct "mixed-use" items directly against their business income. Use your car for business and you can deduct 56¢ per business mile driven. The business-use portion of your computer purchases, Internet access, and wireless phone bills is also allowable. And if you meet the strict requirements, claiming the home office deduction makes a portion of your home expenses tax-deductible.

## New Business? Do you need an EIN?

If you do any of the following, you will need an Employer Identification Number (EIN) from the IRS:

- If you operate your business as a corporation or partnership.
- If you file reports for employment taxes, excise tax, or alcohol, tobacco, and firearms.
- If you have even one employee.
- If you have a self-employed retirement plan.
- If you operate as any of several other entities.

Acquiring an EIN is very quick and simple. You do not need to complete the Form SS-4 unless you prefer to do so ([www.irs.gov](http://www.irs.gov)). Once there, use the search box and type in EIN online. You will be taken to the page that allows you to answer questions online and you will get your EIN upon validation of your answers. You will be able to download and print your confirmation notice.

If you need assistance, please contact our office. We are here to help you.

# IRS Announces Adjusted 2015 Tax Numbers

Each year the IRS adjusts certain tax numbers for inflation and tax law changes. Here are some of the adjusted numbers you'll need for your 2015 tax planning.

- **Mileage Rates:** The standard mileage rate for business driving increases to 57.5¢ a mile (up from 56¢ a mile in 2014). The rates for medical and moving mileage decreases to 23¢ a mile, while the rate for charitable driving remains at 14¢ a mile.
- **Taxable Social Security Wages:** The Social security taxable wage limit increases to \$118,500. Retirees under full retirement age can earn up to \$15,720 without losing benefits.
- **Kiddie Tax:** The Kiddie tax threshold increases to \$2,100 and applies up to age 19 (up to age 24 for full-time students).
- **Nanny Tax:** The Nanny tax threshold remains the same as last year at \$1,900.
- **HSA Contributions:** Health savings account (HSA) contribution limit increases to \$3,350 for individuals and to \$6,650 for families. An additional \$1,000 may be contributed by those 55 or older.
- **Estate Tax:** Estate tax top rate remains at 40%, and the exemption amount increases to \$5,430,000.
- **Gift Tax:** The annual gift tax exclusion remains at \$14,000.
- **Child Adoption Credit:** Tax credit for adopting a child is \$13,400 for 2015.
- **AMT Exception:** Alternative minimum tax exemption amounts increase to \$53,600 for single taxpayers and \$83,400 for married couples filing a joint return.

# Congress Approves Temporary Tax Extenders through 2014

In its final session of the year, Congress extended a long list of tax breaks that had expired, retroactive to the beginning of 2014. But the reprieve is only temporary. The extensions granted in the "Tax Increase Prevention Act of 2014" remain in effect through December 31, 2014. For these tax breaks to survive beyond that point, they must be renewed by Congress in 2015, setting up another lengthy debate.

Although certain extended tax breaks are industry-specific, others will appeal to a wide cross-section of individuals and businesses. Here are some of the most popular items.

- The new law retains the optional deduction for state sales taxes in lieu of deducting state and local income taxes. This is especially beneficial for anyone living in states with no income tax.
- The maximum \$500,000 Section 179 deduction for qualified business property, which was scheduled to drop to \$25,000, is preserved. The deduction is phased out above a \$2 million threshold, up from \$200,000.
- A 50% bonus depreciation for qualified business property is revived. The deduction may be claimed in conjunction with the Section 179 deduction.
- Parents may be able to claim a tuition-and-fees deduction for qualified expenses. The amount of the deduction is linked to adjusted gross income.
- An individual age 70½ and over could transfer up to \$100,000 tax-free from an IRA to a charity. The transfer counts as a required minimum distribution (RMD).
- Homeowners can exclude tax on mortgage debt cancellation or forgiveness of up to \$2 million. This tax break is only available for a principal residence.
- The new law preserves bigger tax benefits for mass transit passes. Employees may receive up to \$250 per month tax-free as opposed to only \$130 per month.
- A taxpayer is generally entitled to a credit of 10% of the cost of energy-saving improvements installed in the home. Other special limits may apply.

- Educators can deduct up to \$250 out of their out-of-pocket expenses. This deduction is claimed "above the line" so it is available to non-itemizers.

The remaining extenders range from enhanced deductions for donating land for conservation purposes to tax credits for research expenses and hiring veterans. Finally, the new law authorizes tax-free accounts for disabled individuals who use the money for qualified expenses like housing and transportation, as well as providing greater investment flexibility for Section 529 accounts used to pay for college.

## Retirement Contribution Limits Changes for 2015

Each year, the IRS must make inflation adjustments to certain tax numbers, as required by the tax law. The contribution limits for retirement plans and income phase-out thresholds for plan eligibility are among the numbers adjusted annually.

Here are the 2015 numbers you'll need to know.

- IRA contribution limit for those under age 50 remains at \$5,500. Those 50 or older can contribute up to \$6,500.
- 401(k) salary deferral limit for those under age 50 increases to \$18,000. Those 50 or older can defer up to \$24,000.
- SIMPLE deferral limit for those under age 50 increases to \$12,500. Those 50 or older can defer up to \$15,500.
- SEP annual contribution limit increases for 2015 to \$53,000, up from \$52,000 for 2014.
- Roth IRA eligibility phases out at the following income levels:
  - For singles and head of household - \$116,000 to \$131,000
  - For married filing joint - \$183,000 to \$193,000
- There is no income limit for rolling over a traditional IRA to a Roth IRA.
- If the taxpayer has a company pension plan, IRA deductibility phases out at the following income levels:
  - For singles and head of household - \$61,000 to \$71,000
  - For married filing joint - \$98,000 to \$118,000
  - When taxpayer's spouse has a company pension plan - \$183,000 to \$193,000

For more information on inflation adjustments made for 2015, please contact our office.