January 2015 Newsletter

News From Silver Bridge CPAs

W-2's and 1099's Due:

Just a reminder that W-2's and 1099's are due to recipients soon. They must be postmarked by **February 2, 2015** to be considered timely, so don't miss the deadline!

2014 Business Tax Returns:

Tax season is gearing up! It's time to start bringing in the information for your business's tax return. Corporate returns are due **March 16th**. Partnerships are due **April 15th**. If you're ready to get started on your business return, contact our office. We'll be happy to set you up with a list of the information we'll need and an appointment if you'd like one.

Tax Season Office Hours:

Our office hours during tax season are **Monday through Friday from 8:00 am to 5:00 pm**.

IRS Warns About Scam Phone Calls

We have heard from several clients who have received threatening phone calls purported to be from the IRS. We thought we'd take this opportunity to point out that **these phone calls are a scam** and the IRS is warning taxpayers to beware these impostors. Don't be taken in! The IRS will **never**:

1. Call to demand immediate payment, nor will they call about taxes owed without first having mailed you a bill.
2. Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
3. Require you to use a specific payment method for your taxes, such as a prepaid debit card.
4. Ask for credit or debit card numbers over the phone.
5. Threaten to bring in local police or other law-enforcement groups to have you arrested for not paying.

You can read more about these phone call scams here.

BUSINESS TIPS & TRICKS

Could you be required to file a 1099-MISC?

The IRS uses Form 1099-MISC to track self-employed income, placing the burden of reporting transactions on the businesspeople making the payments. Many small business owners are unaware of the requirement to file these forms and consequently risk penalties. In addition, business income tax forms now include questions about whether any payments subject to 1099-MISC filing requirements have been made, so **failure to file these forms** can also subject taxpayers and tax professionals to **penalties** for accuracy on income tax returns. It's important to make sure you are familiar with the rules so you don't get hit with tax penalties!

Who needs to file these forms? Anyone making nonexempt payments in the course of a trade or business. Even if you have a small Schedule C or Schedule E, you are subject to the reporting rules for payments made in the course of your business or rental activities. Personal payments are not reportable.

Who do I have to file them for? Even if you don't regularly use someone for contract work, you could have to file a Form 1099-MISC for their services. Payments of $600 or more in a calendar year are subject to 1099-MISC reporting. Payments to corporations or for merchandise, telephone, freight, or storage are exempt from the filing requirement.

When are they due? Form 1099-MISC is due to the contractor by **February 2, 2015**. Copies must also be filed with the IRS and the state by **March 2, 2015**.

What is the penalty if I don't file these forms? The penalty is $30 per form for forms filed up to 30 days late, $60 per form for forms filed before August 1st, and $100 per form for forms filed later (or never filed). Some exceptions may apply, so see your CPA if you are faced with a penalty for late filing or for failure to file.

If you would like to read more about Form 1099-MISC and whether you need to file it, you can access the IRS instructions here or contact us for assistance.

TAX TIPS & TRICKS FROM DAVE RAMSEY

3 Goals That Will Change Your Life This Year

1. **Pay off debt or reach your savings goal.** You can't be surprised that we'd suggest paying off debt and saving money will change your life. There's a lot of hard work involved, but once the debt is gone, or you've finally built up your emergency fund, you can focus on your future and changing your family tree.

- Make mini-goals.
- Make it automatic.
- If you mess up, don't give up!

2. **Compile your legacy drawer.** It's no fun to imagine what your family would go through if something happened to you, but we've got to be grown-ups, right? No one wants to leave their family in a confused mess, searching for bank account information, insurance policies and wills. The Legacy Drawer is one file that contains all the information your family will need to pick up where you left off. Your drawer should include:

- Your will and estate plan
- All financial account information
- Funeral instructions (for you and your spouse)
- Insurance policies
- Your budget
- Tax returns
- Passwords

3. **Seek wise counsel.** When you need to address more complicated financial tasks like taxes, investing, or insurance, it's wise to consult experts who can save you time and money with their expertise. It's also important to find experts you can trust, who will answer your questions so you can make your own decisions with confidence.

Excerpted from an article on Dave Ramsey's blog. Want to read more? Check out the full article here.

TAX NEWS

Top 10 tax developments of 2014 with impact on 2015

2014 was a notable year for tax developments on a number of fronts. Selecting the "top ten" tax developments for 2014 necessarily requires judgment calls based upon uniqueness, taxpayers affected, and forward-looking impact on 2015 and beyond. The following "top ten" list of 2014 tax developments is such a prioritization. Nevertheless, other 2014 developments may prove more significant to any particular client, depending upon circumstances. Please feel free to contact this office for a more customized look at the impact of 2014 developments upon your unique tax situation.

Passage of the Extenders Package

2014 was not a year for major tax legislation in Congress. In fact, Congress even failed to pass its usual two-year Extenders package, instead settling on a one-year retroactive extension to January 1, 2014. As one Senator put it, "This tax bill doesn't have the shelf life of a carton of eggs," referring to the fact that the 50-plus extenders provisions, signed by the President on December 19, 2014, expired again on January 1, 2015. Instead, it has been left to the 114th Congress to debate the extension of these tax breaks in 2015 and beyond, and for taxpayers to guess what expenses in 2015 will again be entitled to a tax break.

Affordable Care Act

In many ways, 2014 was a transition year for the Affordable Care Act. One of the most far-reaching requirements, the individual shared responsibility provision, took effect on January 1, 2014. Another key provision, the employer shared responsibility, was delayed (in 2013) to 2015. However, employer reporting under Code Sec. 6605 was not delayed. The IRS also issued guidance on the Code Sec. 36B premium assistance tax credit and other provisions of the Affordable Care Act. Meanwhile, the Supreme Court announced it would review a decision by

the Fourth Circuit Court of Appeals upholding IRS regulations on the Code Sec. 36B premium assistance tax credit, a critical component to making the Affordable Care Act viable nationwide.

International Compliance

The IRS and Treasury increased their focus on requirements that U.S. taxpayers report foreign income and assets. The government took the final steps to implement the requirements for U.S. taxpayers and foreign financial institutions to report foreign assets under the Foreign Account Tax Compliance Act (FATCA). The government also tweaked its programs to induce U.S. taxpayers to report undisclosed income and assets from prior past years. At the same time, the IRS and the Department of Justice went to court to seek civil and criminal penalties, including jail time, against willful tax evaders.

Repair Regulations

In 2014, the IRS finished issuing the necessary guidance on the treatment of costs for tangible property under the sweeping so-called “repair” regulations, which impact most businesses. The most important development was the issuance of final regulations on the treatment of dispositions of tangible property under MACRS and under Code Sec. 168, including the identification of assets, the treatment of dispositions, and the computation of gain and loss, particularly in the context of general asset accounts (TD 9689). The IRS also issued several revenue procedures that granted automatic consent for taxpayers to change to the accounting methods allowed by the final regulations (including Rev. Proc. 2014-16 & 54).

IRS Operations

IRS Commissioner John Koskinen predicted a complex and challenging filing season due to cuts in the Service’s funding. Koskinen highlighted the Service’s having to do more with less because of reduced funding. In addition, the IRS is funded at $10.9 billion for FY 2015, which is $1.5 billion below the amount requested by the White House. The FY 2015 budget reduction "undercuts our ability to enforce the Tax Code," Koskinen said. "We will do everything we can to protect the integrity of the filing season." More budget cuts could cause "the wheels to start to fall off," he noted.

Net Investment Income (NII) Tax

Many higher-income individuals were surprised to learn the full impact of the net investment income (NII) tax on their overall tax liability only during the 2014 filing season when their 2013 returns were filed. Starting in 2013, taxpayers with qualifying income have been liable for the 3.8 percent net investment income (NII) tax. The threshold amounts for the NII tax are: $250,000 in the case of joint returns or a surviving spouse, $125,000 in the case of a married taxpayer filing a separate return, and $200,000 in any other case. Recent run ups in the financial markets, and the fact that the NII thresholds are not adjusted for inflation, have increased the need to implement strategies that can avoid or minimize the NII tax. Issues persist that reduce certainty surrounding NII tax liability, in particular determining how a taxpayer "materially participates" in an activity to the extent it is exempt from the NII tax.

Retirement Planning

A number of changes have been made during 2014 affecting IRAs and other qualified plans which, cumulatively, rise to the level of a "top tax development" for 2014:

- Notice 2014-54 now permits a distribution from a 401(k), 403(b) or 457(b) account to have the taxable and non-taxable portions of the distribution directed to separate accounts.
- TD 9673 now permits IRA holders and defined contribution plan participants to obtain a "longevity" annuity to help insure that they will not outlive their required minimum distributions (RMDs).
- Notice 2014-66 now permits 401(k) plans to offer deferred annuities through target date funds (TDFs).
- *Bobrow*, TC Memo. 2014-21, held that, in contrast to the IRS guidance in Publication 590, a taxpayer is limited to one 60-day rollover per year for all IRA accounts under the tax code rather than one 60-day rollover per year for each IRA account. The IRS in Announcement 2014-32 stated that the new interpretation of the rollover rules would be applied to rollover distributions received on or after January 1, 2015.
- *Clark v. Rameker,* a 2014 Supreme Court decision, found that inherited IRA accounts were not retirement assets and therefore not subject to creditor protection under the Bankruptcy Code.

Identity Theft

Although clearly not confined to the area of federal tax, identity theft has been a major issue for both the IRS and taxpayers. In 2014, the IRS put new filters in place and took other measures to curb tax-related identity theft. The agency also worked with software developers, financial institutions and the prepaid debit card industry to combat identity theft. "We rejected 5.7 million suspicious returns last year that may have been tied to identity theft," IRS Commissioner Koskinen said. Nevertheless, few believe that the IRS has yet turned the tide.

Same-sex Marriage

After the Supreme Court struck down Section 3 of the *Defense of Marriage Act* in *Windsor,* the IRS issued guidance in 2013 adopting a place of celebration approach to recognizing same-sex marriage. The IRS followed-up with additional guidance in 2014 that required employers to take note of *Windsor* with regard to workplace tax benefits. Notably, the IRS focused on what changes needed to be made to retirement plan benefits in light of *Windsor.*

Tax Reform

Although 2014 was clearly not the year for tax reform (despite some 2013 forecasts that it would be), the foundations for serious tax reform discussions were laid in 2013 and 2014, when Congressional hearings and studies took place. Looking ahead to 2015 and beyond, there is optimism that Congress will complete some form of tax reform in 2015 or 2016.

The major difference of opinion, however, surrounds whether or not the reform would only address corporate tax provisions or also include individual provisions. Corporate reform has been pushed into the spotlight lately both by the controversy surrounding corporate inversions in changing foreign headquarters and by the general concern that American international business competitiveness is lessened by high U.S. corporate tax rates. House Ways and Means Committee Chairman Dave Camp, R-Mich., on the other hand has called for tackling comprehensive tax reform on both the business and individual side. His Tax Reform Bill of 2014 (HR 1) would make the Code "more effective and efficient," according to Camp, by getting rid of narrowly targeted provisions to lower tax rates across the board. "This will enable small and large businesses alike to expand operations, hire new workers, and increase benefits and take-home pay," he said.

Close

FAQ: What is the business standard mileage rate for 2015?

The IRS has announced an increase in the optional business standard mileage reimbursement rate for 2015. The business standard mileage rate increased by one and a half cents, to 57.5 cents (up from 56 cents for 2014). The 2015 standard mileage rate for medical and moving expenses decreased slightly to 23 cents (down from 23.5 cents for 2014). The charitable mileage rate, however, is set by statute at a flat 14 cents per mile without inflation adjustment each year. The revised rates apply to deductible transportation expenses paid or incurred for business or medical/moving expenditures, or qualified charitable miles driven, on or after January 1, 2015.

The IRS works with an independent contractor to establish the business, medical and moving expense standard rates. The IRS and the independent contractor take into account the fixed and variable costs of operating an automobile, such as fuel costs and maintenance expenses. The decline in fuel prices during 2014, however, was not reflected in the business standard mileage rate for 2015. Some practitioners have speculated this could indicate that the IRS does not expect the low gas prices to last. Alternatively, if prices continue to decline, the IRS could issue a mid-year adjustment of the rate during 2015.

Some background

The standard mileage rates for business use, medical and moving expenses, and charitable usage, may be used by an employee or self-employed taxpayer to compute the allowable deduction attributable to his or her business use of a car. Taxpayers also have the option of calculating the actual cost of operating a vehicle for business and deducting that amount, but using the standard mileage rate is the simplest method of computing automobile expenses because it simplifies the amount of required recordkeeping. This is because business standard mileage rate is designed to take into account costs such as maintenance and repairs, gas and oil, depreciation, insurance, and license and registration fees. For example, the depreciation component of the business standard mileage rate for 2015 will be 24 cents-per-mile, a two-cent increase from the 22-cents-per-mile rate that was effective for 2014.

Because depreciation and other costs are already factored into the standard rate, taxpayers using the standard mileage rate may not deduct depreciation, maintenance and fees, gasoline,

insurance, or vehicle registration costs. The plus side is that standard mileage rate taxpayers do not need to maintain detailed records on these costs.

The taxpayer using the standard mileage rate need only keep a log of his or her business miles. To calculate the deduction, the taxpayer will multiply the standard mileage rate by the number of business miles traveled. Taxpayers using the standard rate may also deduct any business-related parking fees and tolls.

Requirements

Taxpayers must meet several requirements before they may use the business standard mileage rate. First, they must be either self-employed or an employee who has incurred automobile costs for business that were not reimbursed by the employer. The taxpayer must either own or lease the car. Additional requirements are listed in IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses.

Certain types of travel are not considered deductible, however. For example the cost of commuting from the taxpayer's home to his or her place of business is considered nondeductible. In general, deductible transportation expenses are deemed ordinary and necessary costs of:

- Traveling from one workplace to another in the course of your business;
- Visiting clients or customers;
- Attending a business meeting away from your regular workplace; or
- Traveling from your home to a temporary workplace when a taxpayer has one or more regular places of work.

Fixed and variable rate (FAVR) allowance

Taxpayers may also use the fixed and variable rate allowance to substantiate automobile expenses. Under the FAVR method, an employer reimburses the employee's expenses with a mileage allowance using a flat rate or stated schedule that combines periodic fixed and variable payments.

For purposes of computing the allowance under a FAVR plan, the standard automobile cost may not exceed $28,200 for automobiles; but the rate increases to $30,800 for trucks and vans (up from $30,400 for 2014).

Please contact this office if you have any questions regarding how your business or how you as an employee can qualify for use of the standard mileage rate (and whether you might be better off using the actual cost method for claiming a deduction for vehicle use).

IR-2014-114, Notice 2014-79