



## **Online Advisor – February 2015**

### **Major Tax Deadlines For February 2015**

- \* February 2 - Employers must provide 2014 W-2 statements to employees.
- \* February 2 - Payers must provide 2014 Form 1099s to payees. (Brokers have until February 17 to provide Form 1099-B and consolidated statements to customers.)
- \* February 2 - Employers must generally file Form 941 for the fourth quarter of 2014 and pay any tax due.
- \* February 2 - Employers must generally file 2014 federal unemployment tax returns and pay any tax due.

#### Coming up in March

- \* March 2 - Payers must file 2014 information returns (such as 1099s) with the IRS. (Electronic filers have until March 31 to file.)
- \* March 2 - Employers must send 2014 W-2 copies to the Social Security Administration. (Electronic filers have until March 31 to file.)
- \* March 2 - Farmers and fishermen who did not make 2014 estimated tax payments must file 2014 tax returns and pay taxes in full.

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 generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of social security taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual liability is \$1,000 or less.

- \* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.



\* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

## What's New in Taxes

### Budget cuts to impact IRS service levels

The IRS has revealed that its level of service to U.S. taxpayers is expected to decline due to a combination of factors - increased workloads and cuts to the agency's 2015 budget.

The increased workloads are partly associated with new tax issues related to the Affordable Care Act. The budget cuts will impact how the IRS is able to respond to customer service telephone and written inquiries. Also notable, the budget cuts could result in taxpayers who file paper returns experiencing delays in receiving their refunds.

On top of all this is the expectation that the IRS will have fewer resources to conduct audits, thus resulting in less revenue collection. IRS Commissioner John Koskinen says the decreased service levels are "unacceptable" and looks forward to finding a resolution.

### Check the filing requirements for 2014 tax returns

Taxes are a frequent topic of conversation at this time of year, and a common question is, who has to file a tax return? The rules for filing 2014 tax returns are straightforward for most people.

\* Single taxpayers (including those who are divorced or legally separated): If you're under 65 and had gross income of at least \$10,150 in 2014, you must file. If you're 65 or older, the cutoff is \$11,700.

\* "Head of household" taxpayers (generally, unmarried people who provide a home to a child or other dependent): If you're under 65 and had income of at least \$13,050, you'll need to file. If you're 65 or older, the cutoff is \$14,600.

\* Married taxpayers filing jointly: Filing is required if both spouses are under 65 and income is at least \$20,300. If one spouse is 65 or older, the cutoff is \$21,500. If both spouses are 65 or older, gross



income must be at least \$22,700 to require filing. If you were married but not living with your spouse at the end of 2014, filing is required if you have income of \$3,950 or more, regardless of your age.

\* Married taxpayers filing separately: If you made at least \$3,950, you must file, regardless of your age.

Different IRS rules govern filing for certain widows and widowers, dependents, those who owe special taxes (e.g., self-employment tax), children under age 19, and aliens. If you have a refund coming, you will want to file regardless of your income level. If you qualify for certain tax credits, you may need to file a return to claim the credit even if you otherwise wouldn't be required to file.

It's worth looking into your filing requirements. This year you may not have to file at all. The IRS doesn't want people to file income tax returns that aren't necessary. The reason is simple: Processing tax returns takes time and money. The IRS doesn't want to use its resources handling returns that weren't required in the first place. If you need more information or assistance with tax filing, please call our office.

## **New Business**

### **Review your reimbursement of employees' health insurance premiums**

Employers who reimburse employees for their individual health insurance policies may find themselves in violation of the "market reform" restrictions in the ACA. The penalty for noncompliance with these restrictions is \$100 per day, per employee. It's important to note that these reimbursement rules apply to all employers, regardless of size, and for health care plans effective beginning on or after January 1, 2014.

Generally speaking, the ACA market reform requirements do not permit employers to subsidize or reimburse employees for individual health insurance policies on either a pre-tax or after-tax basis. It appears that employers may be allowed to increase an employee's taxable wages to provide funds that the employee may use to purchase an individual insurance policy. However, the employer may not require that the additional wages be used to pay for insurance; the employee must be allowed to decide whether to use the funds for that purpose or not.

Be aware that the IRS may issue further guidance on this issue. Because the penalties for noncompliance with the rules governing employer reimbursement arrangements are so severe, all employers should carefully review their situation to be sure they are meeting the new ACA requirements.



## How to ask for a business loan

There is no substitute for good preparation when asking for a business loan.

The lender has three main questions. How much do you want? For what will the money be used? How do you intend to repay the loan? There are several parts to the answers for each of these.

You will need a detailed list of what the money will go for. Are your expenditures reasonable in light of what you intend to accomplish? Will you be buying items which will improve your list of collateral to support the loan? The nature of what you are buying will help determine the payback period. The purchase of inventory will require a shorter payback schedule than, say, the purchase of machinery or a building addition.

Finally, how do you intend to repay the loan? Will repayment come from future projected profits? And if so, how will you repay if the profits are not forthcoming?

Here is a list of the written material you may be asked to submit:

- \* Income tax returns for the past three years.
- \* Company financial statements for the prior three years.
- \* Personal balance sheet with cost and fair market value of assets.
- \* Your personal resume including your business experience and educational background.
- \* A business plan with projected financial statements including cash flow statements.
- \* Collateral list showing cost and market value as well as any debt against the items.
- \* Contracts that concern income intended to be used for loan repayment.
- \* Franchise agreements, if any.
- \* Lease agreement for the business premises if you don't own the property.

While assembling your loan package, keep in mind the lender's overall concern: how much do you need, for what will you use it, how will you pay it back?



## What's New in Finances

"ABLE" accounts can be set up to help the disabled

The "Tax Increase Prevention Act of 2014" includes a section that authorizes tax-favored accounts for disabled individuals who can use the money in these accounts to pay for qualified expenses.

The "Achieving a Better Life Experience (ABLE)" accounts are designed around the tax framework of Section 529 college savings plans. The 2014 law authorizes these accounts beginning January 1, 2015.

Qualified distributions from the 529-ABLE, such as transportation and housing as well as education and medical expenses, will be tax-free. Nonqualified distributions will be subject to income tax, plus a 10% penalty.

Contact our office if you would like more details about ABLE accounts.

## Use caution when swapping vacation homes

If you're a vacationer considering alternatives to high-priced hotels - say you just want a place to hang your hat, prepare an inexpensive meal, and mingle with the locals - home swapping may be the ticket. For a few weeks you relinquish your house keys to another family and, in exchange, take up residence in their home -maybe in a different country, maybe elsewhere in the U.S.

Sound a little scary? True enough, home swapping is not for the faint of heart. But following a few simple precautions can help ensure that your house remains safe and secure during your absence. And by avoiding costly hotels in expensive tourist areas, you may even return with a few extra dollars in your bank account.

If you're contemplating a home swap, here are a few things to keep in mind:

\* Search for a suitable swap partner. Several websites - for example, "homexchange.com" - will let you list and post photos of your house and allow you to search thousands of available houses for trade. Before handing over fees to any agency, however, be sure to follow up with the Better Business Bureau and, if possible, contact others who have used the company.



\* Check insurance policies. Make sure your home policy covers house swaps and your car policy allows you to add a named driver (if you plan to let the swap partner use your vehicle).

\* Watch for extra charges. These might include fees for using the Internet or emergency repairs to the vacation home.

\* Ask about the neighborhood. Is it safe to take a walk at night? Are there grocery stores, retail shops, and parks nearby? You want a pleasant vacation, not an excursion to a combat zone.

\* Call, e-mail, Twitter - communicate! Build a relationship with your swap partner before trading homes. You'll gain a sense of the family who'll be staying in your house, and they'll build trust in you.

\* Check references. Don't take their word for it. If the family has swapped homes before, it's reasonable to contact previous swap partners to ask about their experiences.

\* Confirm all arrangements in writing. Written agreements should include exchange dates and an outline of expectations. If something goes awry, a written contract can prevent misunderstandings.

If you're pondering a new adventure or just looking for a low-cost vacation alternative, home swapping is worth considering. Just use caution.

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