CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Major Tax Deadlines For January 2015

* January 15 - Final 2014 individual estimated tax payment is due, unless 2014 tax return is filed and taxes are paid in full by February 2, 2015.

Coming up in February

* 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.

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

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 2014 tax planning.

* Standard mileage rate for business driving increases to 57.5¢ a mile. Rate for medical and moving mileage decreases to 23¢ a mile. Rate for charitable driving remains at 14¢ a mile.

* 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 threshold increases to $2,100 and applies up to age 19 (up to age 24 for full-time students).

* Nanny tax threshold remains at $1,900.

* 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 top rate remains at 40%, and the exemption amount increases to $5,430,000.

* The annual gift tax exclusion remains at $14,000.

* Tax credit for adopting a child is $13,400 for 2015.

* 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 an optional deduction for state sales taxes in lieu of deducting state and local income taxes. This is especially beneficial for residents of 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 Section 179.

* 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.

New Business

IRS increases business mileage rate for 2015

The IRS recently announced that the mileage rate for business driving in 2015 will be 57.5¢ a mile, a slight increase from the 2014 rate of 56¢ per mile. The rate can be used for cars, vans, pickups, and panel trucks.

Companies that don't want to keep track of the actual costs of using a vehicle for business purposes may use this standard mileage rate instead. An annual study of the fixed and variable costs of operating an automobile is used to determine what the standard mileage rate will be for a given year.

In addition to the mileage rate, a separate deduction may be claimed for parking fees, tolls, interest relating to the purchase of the automobile, and state and local personal property taxes.

The standard business mileage rate can't be used for automobiles used for hire (e.g., taxicabs) or for fleets of automobiles used simultaneously by the taxpayer. Nor can the standard rate be used if the vehicle was previously depreciated by other than the straight-line method, including using bonus depreciation or the Section 179 deduction.

When the business mileage rate is used in 2015, depreciation will be considered to have been allowed at a rate of 24¢ a mile. This depreciation reduces the taxpayer's cost basis in the vehicle.

Inform your employees about their total pay package

At this time of year, you're probably putting together your business budget for 2015. As you work on the payroll numbers, it's always surprising how much the cost of fringe benefits adds to base wages. And if you offer health insurance to your employees, that number has probably been increasing even faster.

What's disappointing is that most employees have no idea how much the company pays on their behalf. That's why you should consider preparing a personalized statement for each employee, showing the value of their company-provided fringe benefits.

Although it may sound complicated, your accounting system should allow you to produce the numbers quickly and easily.

* Begin with premiums you pay for health, life, and disability insurance. Include costs you pay for any other benefits, such as parking or transit passes.

* Add in any dollars you contribute for the employer match in your 401(k) plan. Or if you offer a profit-sharing plan, include those contributions.

* Include the company's share of Medicare and social security taxes paid for each employee. Employees would have to pay that themselves if they were self-employed. You can also include costs for unemployment and workers' compensation insurance if you want to be really precise.

* Conclude the statement by listing the hours of paid vacation or sick leave that you grant.

The end result is likely to be an impressive total for each employee. The statement should give your employees a new appreciation for their overall salary package. It's also a useful tool when you discuss salaries.

What's New in Finances

Some retirement contribution limits change 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.

Should you treat your home as an investment?

For many people, a home is more than a place to live, eat, and sleep. It may be viewed as a valuable investment, an asset you can borrow against, and a source of tax deductions. But a home can also be a drain on resources and a financial albatross. Let's look at both sides of the ledger.

* On the plus side

Older people often champion the benefits of owning real estate, especially a home, because homes generally appreciate in value through good times and bad. With each mortgage payment, you build up equity, as opposed to simply paying rent. In fact, renting is sometimes equated with "wasting" money while home ownership is considered to be putting money to good use.

The equity can come in handy if you're stuck in a financial pinch or don't have better borrowing options. If you're a qualified homeowner, you may obtain a loan or line of credit that can sustain you through emergencies or fuel other investments. Furthermore, you can generally claim deductions for mortgage interest and property taxes on your federal tax return, and tax benefits may be available on the state level. In comparison, rental payments provide little or no income tax punch. Although it can't be quantified, home ownership can give you a sense of security and stability, as well as freedom from typical rental concerns. For instance, if you live in a separate structure, you don't have to worry about noisy upstairs neighbors or restrictions against pets. You call the shots.

* On the minus side

Some experts argue that the financial benefits of home ownership aren't as great as they are perceived to be. While most homes have appreciated over the last 20 years, the days of buying a place for $50,000 and selling it for $250,000 are probably gone. Also, borrowing against your home can lead to financial trouble and even ruin. Remember the millions of overextended homeowners who walked away from their investment in the last decade.

Don't discount the costs of home ownership, including maintenance, property taxes, mortgage interest, and unexpected expenses like fixing a ruptured water line. As a renter, these costs are the landlord's responsibility, so you can rest easy. Finally, if you're viewing your home as an investment - probably your biggest one - compare it to others. Could you have prospered more by putting the money into, say, stocks? When you consider the costs of home ownership and the current real estate marketplace, other options may be more appealing.

Regardless of whether you treat your home as an investment or not, it's wise to examine the financial aspects and determine if home ownership is right for you.

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