

Debra Alexander's Personal Tax Service
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TaxTips

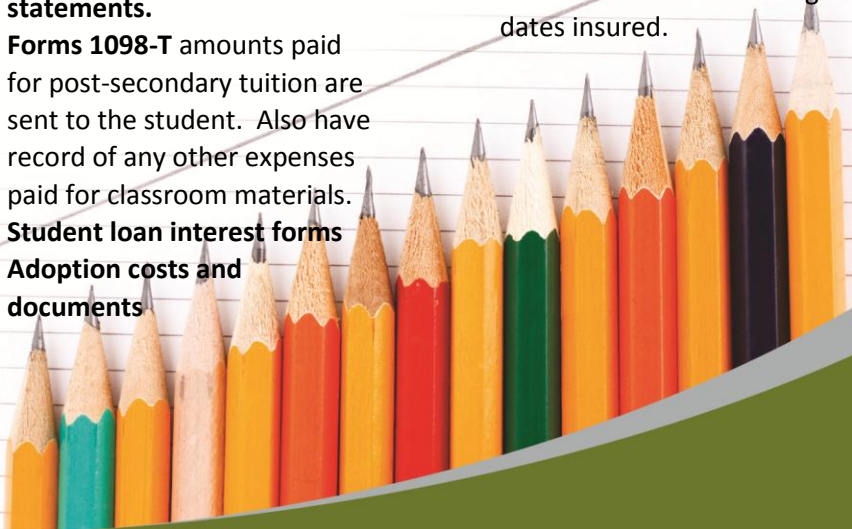
taxprepbyDebra@gmail.com

Happy New Year everyone! If you would like a tax organizer mailed to you just give me a call @ (317)733-1918. I have a new e-mail taxprepbyDebra@gmail.com so please make note of it. My fax number is (317)873-2078 and check out my website: www.dalexandertaxservice.com You can even upload tax documents to me securely.

Time to get organized

The following checklist will help you collect the documents you'll need to file your tax return.

- **Your last 3 years' tax returns (new clients).** Maybe we can amend and save money!
- **Copy of Social Security cards** for all members of the family along with dates of birth.
- **W-2's**
- **Your last paycheck stub of the year** is full of information that may be needed.
- **1099 Forms for interest, dividends, retirement, Social Security, State refund and Unemployment** need to be entered correctly to comply with IRS matching program.
- **Property tax statements** contain important information.
- **Forms 1098 for Mortgage Interest** needed to be entered as printed. The IRS cross checks.
- **Year End Statements, 1099-B from mutual funds** showing the transaction detail for the year. *Remember some of you will receive this in February but will received a final statement in the middle of March with corrections.*
- **Purchase and sale information** including dates
 - related to anything sold.
 - **Child care provider information** (name, address, SS# or EIN and amount paid) is needed for the child care credit *(even if you are reimbursed at work).*
 - **Bankruptcy or divorce papers**
 - **If you paid an individual person \$600 or more for services rendered in connection with your business**, please provide their name, address and tax ID number.
 - **Records showing income and expenses for any small business or rental property you own.**
 - **If you have an investment in a Partnership, S Corporation, Estate or Trust you will need Form K-1.**
 - **Bring all other statements of income** whether you think they are taxable or not.
 - **Bring IRA year end statements.**
 - **Forms 1098-T** amounts paid for post-secondary tuition are sent to the student. Also have record of any other expenses paid for classroom materials.
 - **Student loan interest forms**
 - **Adoption costs and documents**
 - **Form 1098-C for donations of automobiles or boats.**
 - **Details on all noncash donations greater than \$500.** Include date, place, fair market value and original cost.
 - **If purchased a new fuel cell or electric plug in vehicle**, need the year, make and purchase date info.
 - **If your mortgage was forgiven due to foreclosure or other canceled debt bring forms 1099-C or 1099-A**
 - **Noncustodial parents claiming children** need a signed IRS Form 8332 to claim child.
 - **If you bought a new home bring the closing papers.**
 - **Information on energy saving home improvements** might get you a tax credit.
 - **Bring your records of estimated taxes paid.**
 - **Proof of health insurance is needed** such as an insurance card or document showing dates insured.



NEW FOR 2015

Direct Deposit Limits

In an effort to combat fraud and identity theft, the IRS announced new procedures effective January 2015 that limits to three the number of refunds electronically deposited into a single financial account or pre-paid debit card. The fourth and subsequent refunds automatically will convert to a paper refund check, which will be mailed to the taxpayer listed on the tax return. The direct deposit limit will prevent criminals from easily obtaining multiple refunds.

These new procedures will affect your family if multiple family members deposit their tax refund into the same bank account. If this affects you, please let me know at your tax season appointment.

Moving?

Why you need to notify the IRS and the USPS separately

Moving can be stressful; but not receiving a payment or notice from the IRS will only add to that stress. The IRS only initiates contact with taxpayers by mail, so it's important that they have your correct address.

Just because you submit a change of address with the U.S. Postal Service (USPS) doesn't mean all of your mail will get forwarded automatically. Unfortunately, not all post offices forward all government mail. The good news is that the USPS will update the National Change of Address (NCOA) database when you file an address change.

Interestingly, in order to improve

address quality and obtain postal discounts, the IRS utilizes the NCOA to update taxpayer addresses. The IRS systems perform a series of strict matching routines after which a taxpayer's address is updated in the IRS's computer systems. On occasion, a taxpayer's address is not automatically updated through the use of NCOA. This may occur if the information shared between the NCOA and IRS databases don't match. That's why it's important to notify the IRS of your change of address.

There are a couple of simple methods of notifying the IRS:

- (1) Use Form 8822, *Change of Address*;
- (2) Mail a written statement to the address where you filed your last return with your full name, old address, new address and social security number; or
- (3) Call the IRS or go to your local office.

New IRA Rollover Limit

Court case changes the rules

Generally, when a distribution from an IRA is repaid within 60 days, it isn't included in gross income. An individual is permitted to make only one such rollover during any one-year period.

At the beginning of the year, IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, stated that this limitation is applied on an IRA-by-IRA basis. However, in March 2014, the Tax Court determined that the limitation applies on an aggregate basis, meaning that an individual could not make an IRA-to-IRA rollover if he or she had made such a rollover involving any of the individual's IRAs during the

preceding one-year period.

Because of this Tax Court opinion, the IRS changed Publication 590. Starting January 1, 2015, you can make only one rollover from a traditional IRA to another (or the same) traditional IRA in any 12-month period, regardless of the number of IRAs you own. A similar limitation will apply to rollovers between Roth IRAs. You can, however, continue to make as many trustee-to-trustee transfers between IRAs as you want. Amounts transferred between traditional IRAs, either by rollover or trustee-to-trustee transfer, are excluded from your gross income.

2014 Standard Mileage Rates

Beginning on January 1, 2014, the standard mileage rates for the use of a vehicle are:

- 56 cents per mile driven for business purposes (22 cents for depreciation).
- 23.5 cents per mile driven for medical or moving purposes.
- 14 cents per mile driven in service of a charitable organization.



WHAT'S NEW FOR 2014?

Taxpayer's have a new Bill of Rights

Your rights include:

The right to be informed

The right to quality service

The right to pay no more than the correct amount of tax

The right to challenge the IRS position and be heard

The right to appeal to the IRS in an independent forum

The right to finality

The right to privacy

The right to confidentially

The right to retain representation

The right to a fair and just tax system

Keep this list in mind in your IRS dealings. This should make you feel a little more powerful.

The IRS is understaffed

The IRS budget was slashed by 1 billion since 2010 and 10,000 employees have been laid off.

Audits are lower than any year since 2005. One out of every 104 returns.

The IRS is behind answering correspondence. At the end of 2013 it had a backlog of about 1.1 million letters. If you are waiting for an answer to your letter, just wait.

If you have amended a tax return, you will probably have to wait at least 12 weeks for a response. After 3 weeks you can now check the status online.

There is no more free walk-in tax preparation assistance at IRS offices, and tax law questions are directed to the IRS website.

Applications for Employer Identification numbers are no longer taken by telephone. You can apply online or by fax.

Tax Tip

Wanting to give to charity but not sure where to start on evaluating cost? Try charitynavigator.org for guidance.

Renewed Tax

Provisions For 2014

- The \$250 above-the-line deduction for certain expenses of elementary and secondary school teachers, also referred to as the eligible educator deduction.
- The deduction for state and local general sales tax as an itemized deduction, instead of deducting state and local income tax.
- The above-the-line deduction for qualified tuition and related expenses.
- The itemized deduction for mortgage insurance premiums as qualified residence interest.
- The exclusion of debt discharge income from gross income known as the qualified principal residence indebtedness exclusion.
- The provision for tax-free distributions from an IRA if distributed to a qualified charitable organization.

Also, taxes on the same income as last year are lower due to indexing. It doesn't get any better than that.

2014 Extended Business Provisions:

50% bonus depreciation.

Increased dollar limit to \$500K for 179 expensing.

\$250K qualified real property 179 expense limit.

15-year recovery period for qualified leasehold improvements, restaurant and retail property.





ALL TAXPAYERS ARE REQUIRED TO HAVE HEALTH INSURANCE

The Individual Shared Responsibility Provision

What this means for you and your family

Under the *Affordable Care Act*, the Federal government, State governments, insurers, employers, and individuals share the responsibility for health insurance coverage beginning in 2014. Many people already have qualifying health insurance coverage (called minimum essential coverage) and do not need to do anything more than maintain that coverage.

The individual shared responsibility provision requires you and each member of your family to either:

- Have minimum essential coverage; or
- Have an exemption from the responsibility to have minimum essential coverage; or
- Make a shared responsibility payment when you file your 2014 federal income tax return in 2015.

You'll report minimum essential coverage, report exemptions, or make

any individual shared responsibility payment when you file your 2014 federal income tax return in 2015.

Minimum Essential Coverage

If you and your family need to acquire minimum essential coverage, you have several options. They include:

- Health insurance provided by your employer;
- Health insurance purchased through the Health Insurance Marketplace;
- Coverage provided under a government-sponsored program (including Medicare, Medicaid, and health care programs for veterans);
- Health insurance purchased from an insurance company; and
- Other health insurance coverage that is recognized by the Department of Health & Human Services.

Exemptions

You may be exempt from the requirement to maintain minimum essential coverage and won't have to make a shared responsibility payment when you file your 2014 federal income tax return as long as you meet any of the following criteria:

- You have no affordable coverage options because the minimum amount you must pay for the annual premiums is more than eight percent of your household income;
- You have a gap in coverage for less than three consecutive months; or
- You qualify for one of several

exemptions for hardship or belong to a group explicitly exempt from the requirement.

Shared Responsibility Payment

If you or any of your dependents aren't exempt and don't have minimum essential coverage, you'll need to make a shared responsibility payment on your tax return.

The shared responsibility payment (or penalty) for 2014 is the greater of:

- 1% of your yearly household income exceeding the filing threshold (\$10,150 for an individual). The maximum penalty is the national average premium for a bronze plan (\$208/month).
- \$95 per person for the year (\$47.50 per child under 18). The maximum penalty per family using this method is \$285.

The percentages and flat dollar amounts will drastically increase over the next three years. In 2015, the income percentage increases to 2% of household income and the flat dollar amount increases to \$325 per adult (\$162.50 per child under 18). In 2016, these figures increase to 2.5% of household income and \$695 per adult (\$347.50 per child under 18). After 2016, these figures increase with inflation. It's important to remember that choosing to make the individual shared responsibility payment instead of purchasing minimum essential coverage means you'll also have to pay the entire cost of all your medical care. You won't be protected from high medical bills, which could lead to bankruptcy.