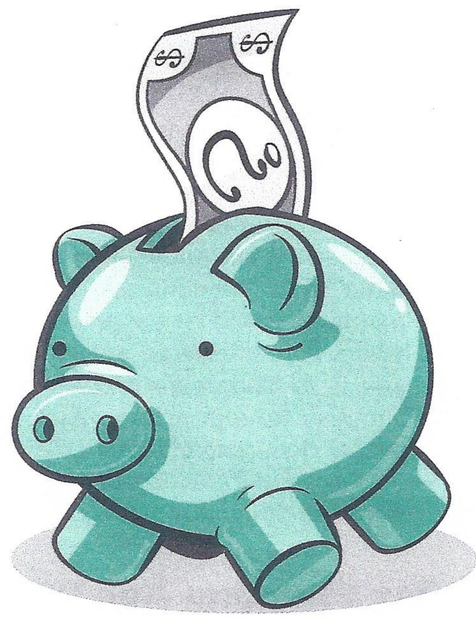
TaxUpdate

2015 MID-YEAR NEWSLETTER

SHUMAKER TAX CONSULTING
9450 SPRINGHOUSE DRIVE
CHESTERFIELD, VA 23832-3886
TEL (804) 790-9815 · FAX (866) 275-1933
thomas@shumakertaxes.com

Greetings! Did you see a tax surprise in 2014 related to the Affordable Care Act? Did you benefit from the extension of expired tax laws when filing your 2014 tax return? Perhaps a planning session is in order to reduce your potential tax liability. Please review this mid-year Tax Update for some tax planning tips and strategies for 2015.

Plan Now... Don't Pay Later



Now is the time to conduct a tax planning session. Here are some things to consider.

- **Review last year's tax return.** With last year's tax return still somewhat fresh, why not review it and make adjustments to minimize your tax burden next year. Pay special attention to tax laws that expired at the end of 2014.
- **Look at withholdings.** A big refund or a big tax bill indicate the need to adjust your withholdings to take the sting out of next year's tax filing.
- **Consider retirement plan funding.** Are you taking full advantage of retirement savings options? A quick adjustment here could reduce your taxable income.
- **Look at potential life events.** Retirement, wedding, divorce, birth, new job, and death are all life events that can have a big impact on the amount of money you owe on your tax return. This also includes changes that occurred last year as well, since change is what tends to create tax surprises.
- **Consider educational savings options.** If you have children, creating a plan to fund their education in a tax advantaged way cannot be started too soon.
- **Make necessary estimated payments.** If not enough money is withheld to pay your taxes, it can create a potential underpayment penalty. Consider reviewing your need to make quarterly estimated tax payments. This is especially important for small business owners.
- **Identify a few tax saving ideas.** Great tax planning can also result in ideas to legitimately lower your tax obligation. For example, consider creating a diary to better track charitable miles and charitable donations.
- **Expiring Tax Laws.** A number of tax provisions expired in 2014 and unless extended are no longer available to you.

Remember, now is the time to plan while there is still time to impact your tax situation.

Correcting Your Health-Care Tax Surprise

As part of tax planning for 2015, your health insurance situation may require a review. There are three key areas to consider.

- **Shared responsibility payment.** If you or any family member lacks health insurance coverage for 2015, this tax penalty will create an unpleasant surprise when you file your tax return next year. The fine can be the greater of $325 per adult and $162.50 per child or up to 2% of your household income.
- **Small business tax penalties.** If you own a business and have 50 or more employees you are required to offer a minimally acceptable health insurance benefit. If you do not, you could be subject to penalties per employee beginning this year.
- **The health insurance premium credit.** If you signed up for health insurance through the health insurance exchange, you may be receiving the health insurance premium credit to reduce your monthly premium cost. If your income or family situation changes during the year you could also be in for an unpleasant surprise at the end of the year.

If any of these situations applies to you, your business, or a family member, it is best to review your situation now.

The Extension Revolving Door Continues

A continual reminder of the congressional dysfunction in Washington D.C. is the annual extension of a number of tax benefits. Unfortunately, the extension of these benefits the past few years has been done AFTER the tax year is all but over. In fact, one such benefit was effectively only available to taxpayers for a couple of weeks in 2014. Here are some planning ideas to help you take maximum advantage of the more common tentative tax breaks.

Review your 2014 tax return for potential expiring benefits. Check your recently filed tax return to see if you took advantage of tax deductions that are not currently available in 2015. The most common are sales tax itemized deduction, educator expense deduction, direct charitable contributions from your retirement account, and the use of the Tuition and Fees deduction. If you are impacted by this you may need to increase your withholdings to account for the additional tax you will pay in 2015.

Save receipts of large purchases. Given the benefit of using a general sales tax deduction versus your state income tax as an itemized deduction, you may wish to save receipts of any large purchases made during the year. This may come in handy as you determine which deduction gives you the best tax benefit next year.

Teachers and educators save receipts or get charitable forms. The $250 deduction for qualified educators out-of-pocket classroom expenses is currently not available. Save your receipts as the tax provision could be extended once again. An alternative available to you is to donate your classroom supplies to your school. With the proper documentation you may be able to deduct your expenses as an itemized deduction.

Planning contributions from retirement accounts. If you are over the age of 70½, you had a real tax benefit by making direct contributions from your qualified retirement plan to a charity. These contributions could be made without reporting the direct contribution as income. Since this tax benefit is not currently available, your best bet may be to plan this type of contribution only after the tax law is extended. To do so, contact your plan administrator to determine the latest possible date to correctly make the contribution. Many plans cut off the direct contribution option prior to the end of the year.

Plan out educational benefits. The Tuition and Fees deduction is also expired. If you used this educational benefit in 2014 you may wish to conduct a tax forecast using some of the alternative tax benefits. The most common alternatives are the American Opportunity Tax Credit and the Lifetime Learning Credit.

There are other tax provisions that are caught in Washington's revolving door. Call if you wish a review of your situation.

Key Tax Planning Age Triggers

One reason our Federal Tax Code is so hard to follow is that different laws apply based on your or your dependents' age. To help you, here is a chart that outlines key ages and how it applies to your tax obligation.

Age	Tax Code	Impact
0+	New birth	Creates a new dependent and tax exemption.
13	Dependent Care Credit	This credit is gone for those age 13 and over.
17	Child Tax Credit	This popular credit is no longer available for those age 17 or over.
19	Earned Income Credit and some Education Credits	These credits disappear when your qualified dependent or taxpayer is 19 or older (but also see age 24).
24	(see age 19 limits)	But wait! If your qualified taxpayer is 19 or older, but still a qualified student, the extended age limit becomes younger than 24.
50+	Qualified Retirement Account Catch-up Contributions	You now have the ability to add to your annual contribution to select retirement accounts through this "catch up" provision. This includes: IRAs, 401(k)s, 402(b)s, Sep IRAs, SIMPLE and others.
55+	Health Savings Accounts Catch-up Contributions	Age at which you may donate additional funds to your HSA using a catch-up provision.
59 ½	Retirement Accounts	Age you may begin withdrawals from qualified retirement accounts without receiving a pre-payment penalty.
62+	Medicare and Social Security	Medicare sign-up. Social Security retirement benefits may begin depending on your date of birth.
70	Social Security	The age where Social Security retirement benefits are maximized if you delay starting Social Security Retirement benefits.
70 ½	Qualified Retirement Account Distributions	Minimum distributions are required from select retirement accounts like Traditional IRAs, 401(k), Sep IRA, SIMPLE IRAs and more.

Please note: In most cases the impacted year is the year you turn the age on this chart. This chart is not meant to be all-inclusive and there are exceptions to some of these age qualifications. Use this information to start a conversation with a qualified expert to organize and plan accordingly.