

# 2014 Tax Update



**ROBERT CORDASCO, CPA  
JANUARY, 2015**

**[WWW.CORDASCOCPA.COM](http://WWW.CORDASCOCPA.COM)**



**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants

**IF CON IS THE  
OPPOSITE OF PRO**



**THEN IS CONGRESS THE  
OPPOSITE OF PROGRESS?**



**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants

# *Major Tax Events of 2014*



- American Tax Relief Act of 2012 (ATRA)
- Patient Protection And Affordable Care Act (Health Care Act) Implementation
- Tax Increase Prevention Act of 2014 (TIPA)
- Some Noteworthy Court Cases and Regulations





**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants

# 2014 Individual Income Tax Rates



- ATRA continues the Bush-era 10% to 35% tax brackets with no sunset and adds an additional 39.6% tax bracket for higher income individuals.
  - In 2014, the new 39.6% bracket applies to *taxable income* of an individual *in excess of* the following thresholds:
    - **\$457,601** for married couples *filing joint returns* (\$228,801 if married filing separate returns);
    - **\$406,751** for *single filers*; and
    - **\$432,201** for *heads of households*.
  - These thresholds are adjusted for inflation after 2013.
  - Income above these levels will be taxed at a 39.6%



# 2014 Tax Rates



TAX BRACKETS FOR 2014				
Tax Rate	Single	Married Filing Jointly	Head of Household	Married Filing Separately
10%	Up to \$9,075	Up to \$18,150	Up to \$9,075	Up to \$12,950
15%	\$9,076 to \$36,900	\$18,151 to \$73,800	\$9,076 to \$36,900	\$12,951 to \$49,400
25%	\$36,901 to \$89,350	\$73,801 to \$148,850	\$36,901 to \$74,425	\$49,401 to \$127,550
28%	\$89,351 to \$186,350	\$148,851 to \$226,850	\$74,426 to \$113,425	\$127,551 to \$206,600
33%	\$186,351 to \$405,100	\$226,851 to \$405,100	\$113,426 to \$202,550	\$206,601 to \$405,100
35%	\$405,101 to \$406,750	\$405,101 to \$457,600	\$202,551 to \$228,800	\$405,101 to \$432,200
39.60%	\$406,751 or more	\$457,601 or more	\$228,801 or more	\$432,201 or more

Source: IRS



**CORDASCO**  
& COMPANY P.C.

Certified Public Accountants

# *Capital Gains/Dividends for 2014*



- Top tax rate for capital gains and dividends to 20 percent on amount over \$450k/\$400k threshold
- 15% and 0% capital gains & dividend rates remain in effect
- 3.8% Medicare Surtax in addition to new rates



# *Other Major Individual Provisions*



- AMT Permanently Patched and Indexed starting in 2012
- Phase-out of Personal Exemptions and Itemized Deductions starting in 2014 if AGI exceeds
  - \$254,200 for single taxpayers
  - \$305,050 for married taxpayers
  - \$279,650 for heads of households
  - Indexed for inflation after 2013
- American Opportunity Tax Credit to 2017





## *More Individual Tax Provisions*



- **New 3.8% Medicare Surtax On Net Investment Income**
  - \$250k if MFJ, \$200k single & \$125k MFS
  - Trusts & estate affected at highest income tax rate
  - Lesser of amount over threshold or net investment income
  - Net Investment Income
    - Interest, dividends, annuities
    - Rents, royalties
    - Gain from sale of property (i.e. short & long term cap gains)
    - Passive income from operating business(material participation)
  - Final Regs Issued
  - Renewed Scrutiny on Passive Income Classification

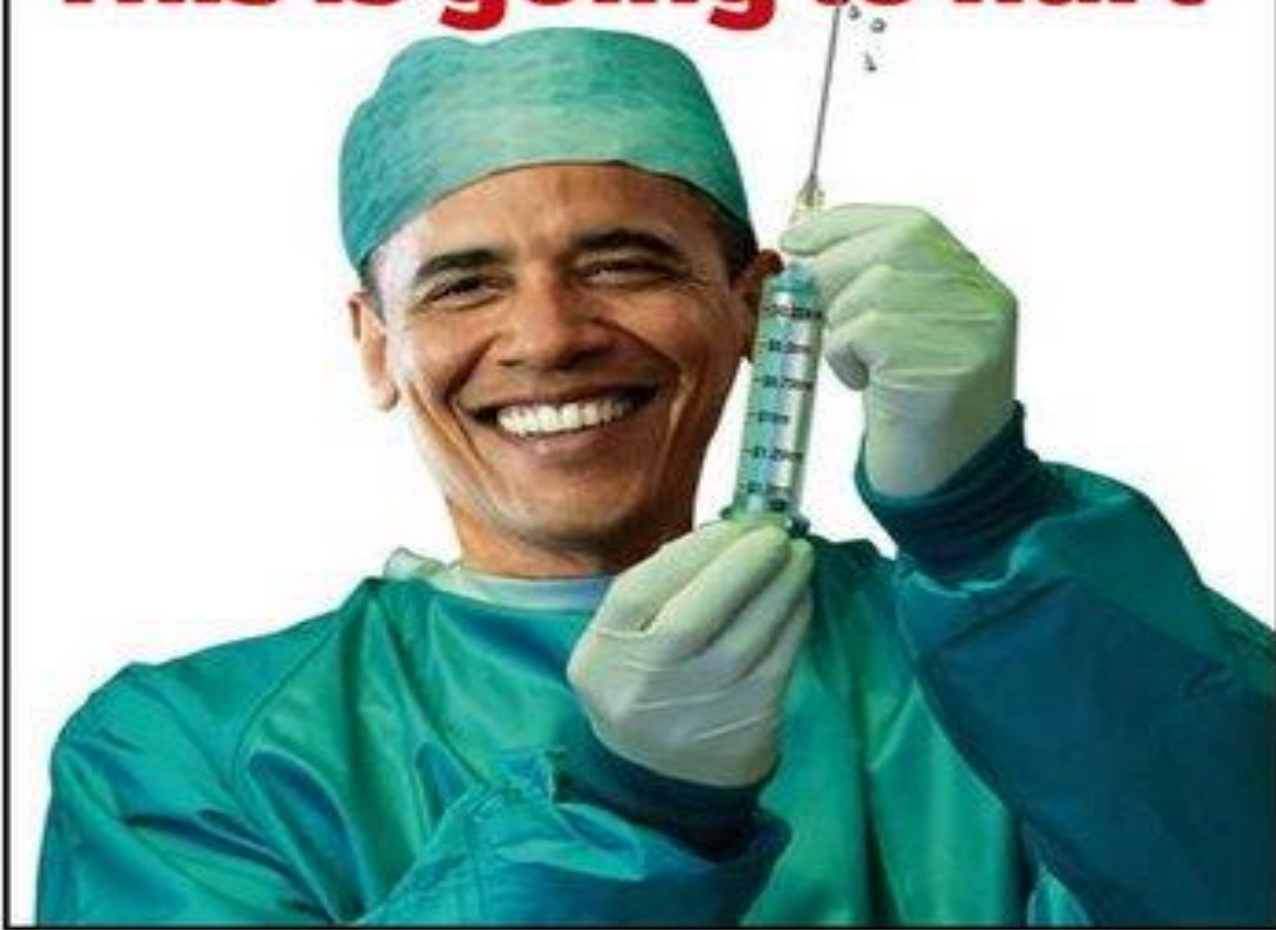
# *Other Individual Tax Provisions Extended Thru 2014*



- School Teacher's Deduction
- State & Local Sales Tax Deduction
- Deduction for Qualified Higher Education Expenses
- Expanded Limits for Conservation Easements
- Mortgage Insurance Premium Deduction
- IRA Transfers to Charities
- Exclusion for Discharge of Principal Residence Debt
- Residential Energy Credit



**This is going to hurt**



**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants

# *Shared Responsibility Tax*



- Everyone must be covered or exempt for each month of 2014
- The maximum amount for 2014 is the greater of:
  - \$95 per uninsured adult member of the household plus \$47.50 per uninsured member of the household under age 18, not to exceed \$285 OR
  - 1% of household income in excess of the income threshold required for filing a Form 1040. The SR Tax cannot exceed the national average premium for a “bronze” plan through the exchange.



# 2014

\$95  
PER ADULT

\$47<sup>50</sup>  
PER CHILD

UP TO \$285  
PER HOUSEHOLD



OR ↓

1%  
OF YEARLY  
HOUSEHOLD  
INCOME

FLAT \$ AMOUNT OR % OF INCOME  
(WHICHEVER IS GREATER)

**IN 2014**, individuals and families with income under approximately **\$28,500** will *pay a flat dollar penalty amount* if they fail to obtain minimum essential coverage. Individuals and families with income over **\$28,500** will *pay a penalty equal to 1 percent of their income*.

# 2015

\$325  
PER ADULT

\$162<sup>50</sup>  
PER CHILD

UP TO \$975  
PER HOUSEHOLD



OR ↓

2%  
OF YEARLY  
HOUSEHOLD  
INCOME

FLAT \$ AMOUNT OR % OF INCOME  
(WHICHEVER IS GREATER)

**IN 2015**, individuals and families with income under approximately **\$48,750** will *pay a flat dollar penalty amount* if they fail to obtain minimum essential coverage. Individuals and families with income over **\$48,750** will *pay a penalty equal to 2 percent of their income*.

# 2016

\$695  
PER ADULT

\$347<sup>50</sup>  
PER CHILD

UP TO \$2,085  
PER HOUSEHOLD



OR ↓

2.5%  
OF YEARLY  
HOUSEHOLD  
INCOME

FLAT \$ AMOUNT OR % OF INCOME  
(WHICHEVER IS GREATER)

**IN 2016**, individuals and families with income under approximately **\$83,400** will *pay a flat dollar penalty amount* if they fail to obtain minimum essential coverage. Individuals and families with income over **\$83,400** will *pay a penalty equal to 2.5 percent of their income*.



**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants



**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants

# *Who is Exempt?*



- Certain US Citizens living abroad
- Income below filing threshold
- Not covered for less than 3 months during the year
- Unaffordable (cost more than 8% of household income)
- “Hardship Exemption”
- Some require an Exemption Certificate
  - Application at [www.healthcare.gov](http://www.healthcare.gov)





**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants



# *Refundable Premium Tax Credit*



- Only available if purchasing through the Exchange
- Household income is at least 100% of the 2013 Federal Poverty Line and not more than 400%
- Income below filing threshold
- Reconciled on individual's tax return
- Most people opted for Advanced Payments  
Enrollment was based on projected 2014 income.  
Credit is based on actual results.
- If you received an Advanced Payment you are required to file a tax return



# How will the Requirement to buy Coverage under the Affordable Care Act Beginning 2014 Impact You??

Were you insured for the whole year through a combination of any of the following sources?

- ▶ A plan offered by an employer.
- ▶ Insurance bought on your own that is at least at the Bronze level.
- ▶ A grandfathered health plan in existence before the health reform law was enacted.
- ▶ Medicare.
- ▶ Medicaid or the Children's Health Insurance Program (CHIP).
- ▶ TRICARE (for service members, retirees and their families).
- ▶ The veteran's health program.

YES

The requirement to have health insurance has been satisfied and no penalty is assessed

Is your Income within FPL Guidelines?

Family Size Cap

- |   |                  |
|---|------------------|
| 1 | 15,282 - 45,960  |
| 2 | 20,628 - 62,040  |
| 3 | 25,975 - 78,210  |
| 4 | 31,322 - 94,220  |
| 5 | 36,668 - 110,280 |
| 6 | 42,015 - 126,360 |
| 7 | 47,361 - 142,440 |

NO

Premium Subsidy Most Likely Not Available.

You will most likely be responsible for paying 100% of the premium for your insurance policy.

YES

Premium Subsidy May Be Available!

You may receive a subsidy to purchase insurance. You will have to complete a subsidy application to determine eligibility.

There is a penalty for being without health insurance.

NO

Healthcare Penalty

2014

**\$95.00** per adult  
**\$47.50** per child  
(up to \$285 per family)  
or 1.0% of family income  
whichever is greater.

2015

**\$325.00** per adult and  
**\$162.50** per child  
(up to \$975 per family)  
or 2.0% of family income  
whichever is greater.

2016

**\$695.00** per adult and  
**\$347.50** per child  
(up to \$2,085 for a family)  
or 2.5% of family income  
whichever is greater.

The penalty is pro-rated by the number of months without coverage; there is no penalty for a single gap in coverage less than 3 months in a year.

This is for informational purposes only. Clients should consult an accountant and lawyer for final guidance. Please note information can change with no notice.

Your Premium Can be Capped at....

FPL Amount	Household Size					
	1			4		
	Monthly Premium Cap			Monthly Premium Cap		
133%-150%	\$38	to	\$57	\$78	to	\$117
150%-200%	\$57	to	\$120	\$117	to	\$247
200%-250%	\$120	to	\$190	\$247	to	\$394
250%-300%	\$190	to	\$272	\$394	to	\$559
300%-400%	\$272	to	\$363	\$559	to	\$745

For illustration purposes only. Based on 2013 FPL Levels. Final subsidy amount determined by IRS.



# TRIPLE FACEPALM

For when a double facepalm is just not enough to describe the epic fail....

[DIY.DESPAJR.COM](http://DIY.DESPAJR.COM)



**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants

# *TIPA 2014*



- 50% First-Year Bonus Depreciation thru 2014
  - 50% Bonus on new asset placed in between January 1, 2012 and December 31, 2014
  - Generally Qualified Property is New Property with a Depreciable Life for Tax Purposes of 20 Years or Less
    - Includes “Qualified Leasehold Improvements”
- Expired End Of 2014



# *TIPA 2014 (continued)*



- Increase § 179 Deduction for 2014
  - Deduction increased to \$500k
  - Phase out starts at \$2 million in acquisitions
  - Can “elect” to treat \$250k of “Qualified Real Property” as §179 Property
    - Any unused portion can not be carried over after 2014
  - Qualified Real Property (QRP) includes:
    - Qualified Leasehold Improvement Property
    - Qualified Retail Improvement Property
    - Qualified Restaurant Property
- After 2014 \$35k/\$200k



# *Other Business Tax Provisions Extended Thru 2014*



- 15-year depreciation period for qualified leasehold improvements, qualified restaurant property, & qualified retail improvement property
- Research & development credit
- 100% exclusion of the gain from the sale of “qualified small business stock”
- Work opportunity tax credit for qualified employees (except for veterans)
- Temporary reduction in the waiting period for an S corporation to avoid the built-in gains tax after electing “S” status from 10-years to 5-years





**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants



**CORDASCO  
& COMPANY P.C.**

Certified Public Accountants



# *Noteworthy Developments*



- New Capitalization Regulations
- One-Rollover-Per-Year Limitation
- Rigid Enforcement of Charitable Documentation
- “Late” Estate Returns to make Portability Election
- Timely Documentation on Shareholder Loans
- Shareholder vs. Corporation Goodwill
- Worker Classification Heating Up Again





**CORDASCO**  
& COMPANY P.C.

Certified Public Accountants