Newsletter

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Congress approves 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 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.

IRS announces 2015 mileage rates

The IRS has announced the mileage rates that are to be used for business, medical, moving, and charitable driving in 2015. The rate for business driving increases from last year's 56 cents a mile to 57.5 cents a mile. The rate for medical and moving mileage decreases from the prior year's 23.5 cents a mile to 23 cents a mile. The general rate for charitable driving remains at 14 cents a mile.

Do you owe the "nanny tax"?

A good domestic worker can help take care of your children, assist an elderly parent, or keep your household running smoothly. Unfortunately, domestic workers can also make your tax situation more complicated.

Domestic workers of all types generally fall under the "nanny tax" rules. First, you must determine whether your household helper is an "employee" or an "independent contractor." If you provide the place and tools for work and you also control how the work is done, your helper is probably an employee. For example, at one end of the spectrum, a live-in housekeeper is probably an employee. At the other end of the spectrum, a once-a-month gardening service may qualify as an independent contractor.

If your household worker is an employee, then you, as the employer, may be required to comply with various payroll tax requirements. For the years 2014 and 2015, the important threshold amount is $1,900. If you pay your employee $1,900 or more during either year, you are generally responsible for paying social security and Medicare taxes on your worker's wages. In addition to social security taxes, you may be required to pay federal and state unemployment taxes as well as other state taxes. With these taxes go various deposit and filing requirements, including the requirement that you provide your employee with an annual W-2 form that shows total wages and withholding. February 2, 2015, is the deadline for providing W-2 forms to workers to whom the nanny tax applies for 2014.

As you might expect, most people need assistance complying with the nanny tax rules. If you need details about the rules or help in dealing with them, contact our office.

Circle these tax dates on your 2015 calendar

It's tax return filing season once again. Among the tax deadlines you may be required to meet in the next few months are the following:

- **January 15** – Due date for the fourth quarterly installment of 2014 estimated taxes for individuals, unless you file your tax return and pay any taxes due by February 2.
- **February 2** – Employers must furnish 2014 W-2 statements to employees. Payers must furnish payees with Form 1099s for various payments made. (The deadline for providing Form 1099-B and consolidated statements is February 17.)
- **February 2** – Employers must generally file annual federal unemployment tax returns.
- **March 2** – Payers must file information returns, such as Form 1099s, with the IRS. This deadline is extended to March 31 for electronic filing.
- **March 2** – Employers must send Form W-2 copies to the Social Security Administration. This deadline is extended to March 31 for electronic filing.
- **March 2 –** Farmers and fishermen who did not make 2014 estimated tax payments must file 2014 tax returns and pay taxes in full.