

# TREBATCH LICHTENSTEIN AVRUTINE

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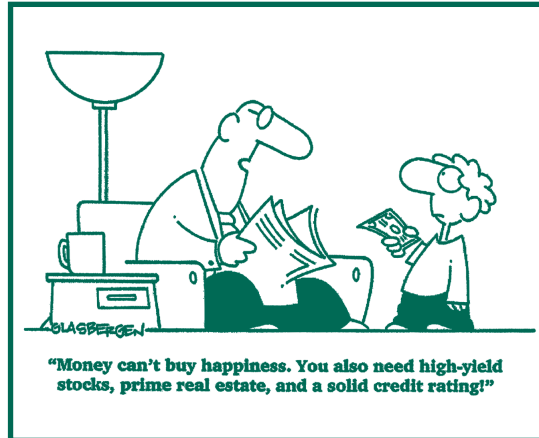
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2014

## GET READY FOR THE 2014 FILING SEASON

To prepare for your meeting with your accountant, you will need the following:

- W-2
- 1099's for interest and dividends
- 1099B for stock transactions
- 1098 for Mortgage Interest- if the bank pays your real estate taxes the amount paid out for 2014 will be included on this form
- Real Estate Taxes, if you do not have a mortgage you are definitely paying your real estate taxes directly to your town.
- Charity- calculate the amount of cash (checks) you gave; if you donated goods, we need to know the original cost, the name of the organization that received the donation as well as their address.
- K-1's- if you are in any partnerships and have received K-1's or a projection, please bring it with you.
- Rental Property- if you have a Rental property, please know the total rental income received in 2014, bring the mortgage interest Form 1098. We will need the insurance you paid for the year as well as the cost of Repairs, Association dues, and Maintenance of course, if you had any other expenses, we will need those as well.
- Child Care Credit- Please



know the total amount paid in 2014; the name of the person or school, the social security number or ID# of the school, and the address.

It is often one item that will hold up the completion of your tax return. Please be diligent! This will help us complete your returns timely.



## FLEX SPENDING

Do not forget to make the elections for flexible spending. Once again, the maximum amount is \$2500 for Medical care and \$5000 for Dependent care. These are "use it or lose it

plans"... so be careful about the amount you declare. If at the end of the year you find you have not used all of your flex spending, buy sunglasses or an extra pair of reading glasses. Did you know you can buy reading glasses in a department store, a drug store, or a supermarket? Yes, a purchase of reading glasses at any of these establishments qualify for reimbursement from your flex spending account. Also, you can pre-order a prescription.

Dependant Care is available for single parents and families where both parents are employed. The \$5,000 is a pre-tax deduction which will get added back to your income if not used for child care.



## WANT TO GIVE A GIFT?

Before year end, individuals can make a tax free gift of \$14,000 per recipient (unlimited in number). The news gets better. In January 2015 you can give the same individual another \$14,000. If you are a grandparent paying for college, make the check payable directly to the college or university. The best gift anyone can ever receive is a debt free education!

## DONATIONS

Last minute donations to qualified charitable organizations may also be a strategy to reduce an individual's 2014 tax liability. The IRS has strict substantiation rules for various types of donations, particularly for donations of automobiles. If you are donating your Auto, or Motorcycle, be sure to get the proper documentation from the organization!

Be sure your check is dated in 2014. If your donation exceeds \$250 to any charity, you should receive a letter acknowledging your gift.



## WHAT'S HAPPENING IN THE "MARKETPLACE"?

We have received many calls from our Sole Proprietorship clients who received notification that their Medical Insurance will not be renewed. Some of them formed partnerships in order to continue benefits. Yes, Insurance Companies will issue Medical Insurance to Partnerships but NOT to individuals. So, what to do? Shop the marketplace. Yes indeed, we have gotten positive feedback on the New York Marketplace Exchange. According to many, the plans are fairly priced relative to the benefits received.

Beginning 2014, an individual is penalized for not having medical coverage. The penalty is

the higher of \$95 or 1% of income. The penalty is capped at the National Average Premium for the Bronze Plan. It makes sense to get the least expensive plan available in lieu of paying a penalty. There are catastrophic plans available for anyone under 30 years of age.



## CONVERT YOUR IRA TO A ROTH IRA

Once again, we want to alert you that you may benefit by rolling over a part of your IRA to a Roth IRA. This decision is driven by your individual situation... and future needs. If your income is very low this year or if for some reason you have a net operating loss, you might want to take advantage of this opportunity to roll over all or a part of your IRA. Possibly you will pay zero taxes after this conversion. Call your accountant to discuss if you think your 2014 tax profile will make you eligible for this benefit. There is no minimum or maximum amount. The conversion for 2014 must be completed by December 31, 2014.

## ACCELERATE OR DEFER?

Many have an opportunity to defer or accelerate income. There is no formula for making the determination. If you have an

opportunity for either, call your advisor. Example: If 2015 will be a low income year for you, you may want to send your invoices in January instead of December. If 2014 is a high income year for you, you may want to ask your employer to defer a part or all of your bonus.

## HOW UGLY WAS 2013?

In last year's newsletter we reported our forecast for Obamacare. I believe we called it UGLY! Taxpayers read about it, had some questions and fully accepted it. Until... it came time to file their tax returns. Taxpayers felt they were paying additional taxes on several fronts... and they were. Firstly, under Obamacare, a new Additional Medicare Tax went into effect in 2013. The tax represents a 0.9% tax increase that applies to wages (including non cash wages such as fringe benefits) and self employment income that exceeds thresholds set by the IRS (\$250,000 for taxpayers who are married filing jointly; \$125,000 for taxpayers who are married filing separately); and \$200,000 for all other taxpayers (single Head of Household, or qualifying widow(er) with dependent child). To clarify, the 0.9% Additional Medicare Tax applies only to the income that exceeds the threshold for the individual's filing status. For example, a single filer whose income is \$220,000 would pay the 0.9% tax based on \$20,000- the amount of income that exceeds the \$200,000 threshold. Your employer must withhold Additional Medicare Tax on any wages paid to you in excess of \$200,000 in a calendar year- even if you are married filing jointly

and won't meet the \$250,000 threshold. You report the amount withheld on your tax return and it will be applied against all taxes on your return. Based on your earned income, this can be a significant amount. Secondly, a new 3.8% Medicare tax became effective in January 2013. This applies to the Net Investment Income (NII) of certain individuals, estates, and trusts. NII includes, but is not limited to:

- Capital Gains
- Dividends
- Gain on sale of primary residence in excess of exempted amounts
- Gain on the sale of investment property
- Gross income from a passive activity
- Income from trading partnerships
- Interest
- Rental Income

Like the 0.9% Additional Medicare Tax, the 3.8% tax on NII is assessed on investment income that exceeds specific thresholds.

So this is what happened:

- 1- The top tax bracket went from 35%- 39.6%
- 2- Dividend tax went from 15% to 20%, PLUS, Obama's famous NII, this adds an additional 3.8%
- 3- Long term capital gains which we look upon as oh so favorable are now taxed at 20% plus the 3.8%

There is a SLIGHT silver lining... the Obamatax of 3.8% is not a tax on income earned

in the ordinary course of an ACTIVE business. In addition, if you sell your business, the proceeds are not subject to the 3.8% tax. So what is being taxed? PAYROLL over a certain amount taxed at 0.9%, and all INVESTMENT INCOME taxed at 3.8%



### GET ANY SCAM CALLS?

Across America taxpayers have been receiving phone calls from people saying they are IRS agents. The IRS has issued a strong warning for consumers to guard against sophisticated and aggressive phone scams targeting taxpayers, including recent immigrants, as reported incidents of this crime continue to rise nationwide.

The IRS will always send taxpayers a written notification of any tax due via the U.S. Mail. The IRS never requests a credit card, debit card or prepaid card information over the telephone.

Potential victims may be told they are entitled to big refunds or that they owe money that must be paid immediately to the IRS. When unsuccessful the first time, sometimes phone scammers call back trying a new strategy.

- Scammers use fake names and IRS badge numbers.
- Scammers may be able to recite the last four digits of a victim's Social Security number.

- Scammers sometimes send bogus IRS emails to some victims to support their bogus calls.
- Victims hear background noise of other calls being conducted to mimic a call center.
- After threatening victims with jail time or driver's license revocation, scammers hang up and others soon call back pretending to be from the local police or DMV, and caller ID supports their claim. So...if you receive one of these calls, don't be alarmed... HANG UP!



### DID YOU GET A BILL FROM THE IRS?

If you receive a bill from the IRS or a State Agency, please call us. Many of our clients decide to pay the bill figuring it's a "small amount" and don't want to bother us.

Very often these small bills are incorrect. Please call us before you write the check. We are glad to help you!



TLA has always protected your right to privacy with professional standards more stringent than those required by law. We retain records required and as we see fit, with your professional and personal needs in mind. We have electronic and procedural safeguards in place to protect these records. Non-public personal information is never collected without your authorization. We do not disclose this information except as required by law or authorized by you. Your privacy is important to us. Please call us if you have any questions about this statement.

*This is an information letter, not tax advice.*