

We hope you have had a wonderful holiday season and we wish you a prosperous New Year. We have been busy the last few months preparing for the new season keeping current with the last minute congressional changes that will affect your tax returns or business operations. The government has made last minute changes to the tax law just in time for them to leave for their holiday – the majority of which were just a temporary extension of prior laws, and they will expire on December 31, 2014 again, therefore we will all most likely be subject to the last minute changes again next year.

The office has made a few changes throughout the past year. We have upgraded our email and phone systems to better serve you. Our new phone system upgrade integrated individual mail boxes for everyone. Our web page was outdated and we expect to start the New Year with the launch of a fresh web page that will provide continual content change. We have also started a Facebook page to post alerts on a weekly and monthly basis. Please let us know if there are any topics or content you are interested in. We would like to welcome Debbie Diodato to our staff. She lives locally in Kingston and joined our firm with over 18 years of experience in the field of taxation.

As we all prepare for another tax season, there will be a few changes in processing of the returns. We would appreciate it if you are able to drop off the tax forms or email them in a PDF format prior to your appointment. This will allow for us to spend more time discussing your tax situation. We can also assist you in your preparation by providing an organizer as some have requested in the past. If you are interested in an organizer and haven't received one yet please call or email ellie@gagnoncpa.com. Please don't wait until the last minute to schedule appointments. For corporations that have a due date of March 15th we will need the information prior to March 5th to ensure timely filing. For individual returns we will need the information prior to April 6th and the last appointments will be on April 10th.

With the implementation of the Affordable Care Act (ACA) there will be changes to your tax return with the addition of health insurance reporting. We will need to know: who has been covered in the household, number of months covered, and if there were any exemptions that may apply. This information will be on the 1095-A, so if you receive one please bring it. Depending upon the situation a health care penalty may apply this year which will be collected when your tax return is filed. Please view [Affordable Care Act Informational Guide](#). With the additional reporting requirements to be in compliance with the ACA, we are expecting that fees will increase this year.

Tax Law Changes

There were no significant changes to the tax laws this past year but many items that expired were extended for yet another year, rates updated and ceilings raised as follows:

Individual Changes

- * The deduction for educator's classroom expenses has been renewed in the amount of \$250
- * Tuition deduction up to \$4,000 is available for money spent at an eligible institution for tuition and fees, are deductible whereas sports, nonacademic fees, insurance, books, supplies, and computer equipment are not
- * Energy Credits for Home improvements remains at 10% of purchase price, insulation, windows, doors, water heaters, heat pumps, central air, furnaces, hot water boilers, circulating fans. If you have taken the credit in the past it is a cumulative maximum of \$500 since 2005
- * Other energy credits not subject to the limits are solar credits at 30% of expenditure through 2016, the law includes heat pumps, small wind energy systems and fuel cells
- * Cancelled debt on primary residence up to \$2 million though bankruptcy, insolvency, qualifies under Mortgage Forgiveness Debt Relief Act. Other cancelled debt will be reported on a 1099-C and included as income
- * Deduction of mortgage interest insurance premiums, state and local sales taxes in lieu of income tax deduction have been extended for one more year
- * Charitable IRA distributions up to \$100,000 will expire again on Dec 31, 2014
- * Mass transit and highway commuter reimbursements free from tax increased to \$250/mo from \$130/mo

* IRS will not deposit more than three refunds into any one bank account – if you want to change the account for direct deposit we will need the bank routing number and the account number so please provide a cancelled check with any changes

* If an invalid taxpayer ID is given to a merchant service, such as Paypal, there will be a 28% back up withholding triggered on those payments made through that merchant service

* Mileage rates – Business - .56 per mile increases to .575 in 2015, Medical and Moving decreased from .235 to .23 and charitable remains the same at .14 per mile

Business Changes

* Bonus depreciation – 50% cost qualify property placed into service – used equipment not eligible

* Sec 179 – \$500,000 on new equipment with a cap of \$2 million

* Business may be subjected to a higher FUTA rate for 2014; New York is estimated to have a 1.2% credit cutback which could mean \$84 more in tax per employee

* Employers will have to file W-2s and 1099-MISCs by Feb. 15, the Jan. 31 date for employee's copies will remain the same

* W-2 & 1099's will have Social Security numbers masked out, except last 4 digits.

* S.S. Wage base increased to 118,500 from 117,000

* The IRS has published Form 1023-EZ which is a two page form for filing a request for tax exempt organizations. This is for organizations with less than \$ 200,000 in annual gross receipts and \$500,000 or less in assets

* Minimum wage has increased to \$8.75 an hour as of 12/31/2014

IRS Changes

The IRS is continually facing challenges of reduced budgets and manpower and now have the added burden of administering and collecting the revenue from the ACA. Currently the IRS timely resolution is less than 50% for any issue presented to them.

We are looking forward to serving your financial needs in the coming year. As always with any questions please give us a call. Enjoy the coming New Year!!