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# TaxScriptions

*"A Prescription For Tax Relief"*



Volume VI Issue I

## Featured Articles

2014 Year End Tax Planning

3.8% and .9% Surtaxes

Identity Theft

Affordable Care Act (ACA)

Question #4 Paid Sick Time

2014 & 2015 Tax Numbers

### Looking to Cut Expenses?

**Have you had your credit card merchant fees analyzed and is the processor aware of the new HIPPA rules relating to credit cards?**

Rosen & Associates, LLP has been able to save our clients thousands of dollars in merchant fees by having them analyzed. Are your rates as low as possible?

For more information email us at [info@rosencpagroup.com](mailto:info@rosencpagroup.com)

### Looking to Save Time?

## UPCOMING EVENTS

### YANKEE DENTAL CONGRESS

January 28th - February 1, 2015

Please come by and see us at **Booth 815** to say hello and pick up the latest **"See How You Compare"** booklet (and a candy bar).

Mark Rosen, CPA, CFP®, will be speaking Thursday, January 29, 2015 from 8am until 10am on "How Practice Ownership Can Launch You Over Your Financial Hurdles", with John Wlodarek of Bank of America. He will also be speaking about "Preparing for Practice Ownership" with Wells Fargo Bank on Saturday, January 31, 2015, from 1 pm until 3 pm.

## Comments from the Corner Office

Year-end tax planning is especially challenging this year because Congress has yet to act on a host of tax breaks that expired at the end of 2013. Some of these tax breaks may be retroactively reinstated and extended, but Congress may not decide the fate of these tax breaks until the very end of this year (and, possibly, not until next year).

These breaks include:

**Individuals:** The option to deduct state and local sales and use taxes instead of state and local income taxes; the above-the-line-deduction for qualified higher education expenses; and tax-free IRA distributions for charitable purposes by those age 70-1/2 or older.

**Businesses:** Tax breaks that expired at the end of last year and may be retroactively reinstated and extended include: 50%

- **Streamline your Front Desk**
- **More time for your Office Manager to concentrate on collections**
- **Less Staff Complaints**

With all the new payroll laws changes, a switch to a payroll company to take over the payroll reporting may make sense for your Practice.

For more information please contact your Account Manager.

bonus first year depreciation for most new machinery, equipment and software; the \$500,000 annual expensing limitation; (Section 179 currently at \$25,000) the research tax credit; and the 15-year write-off for qualified leasehold improvement property.

We have compiled some tax planning items that may help you save on taxes if you act before December 31<sup>st</sup>. Not all items will apply to your particular situation, but you (or a family member) will likely benefit from many of them.

Please feel free to call us if you have any questions or would like to discuss your tax planning strategies.

Larry

Managing Partner of Rosen & Associates, LLP

## **Important Tax Dates & Deadlines:**

### **December 31, 2014**

#### **Individuals:**

4th quarter state estimated tax payment due (if not subject to AMT)

### **January 15, 2015**

#### **Individuals:**

4th quarter estimated tax payments due for federal and state (if subject to AMT)

### **February 2, 2015**

#### **Businesses:**

4th quarter payroll returns due (Forms 940 and 941) W-2s need to be distributed to employees

1099 MISC furnished to recipients

### **February 17, 2015**

#### **Businesses:**

Last day for filing W-4 by employees who wish to claim exemption from withholding's

## **2014 Year End Tax Planning**

#### **Individuals:**

- Maximize Retirement!
- Consider selling capital assets in 2014 that will yield capital losses to offset 2014 capital gains. Depending on your AGI in 2014 gains may be subject to the extra **3.8% Surtax on Unearned Income**.
- To reduce or eliminate estimated tax penalties - increase your withholdings from wages or an eligible rollover distribution from a qualified retirement plan
- Possibly convert your traditional IRA into a Roth IRA if doing so is expected to produce better long-term tax results for you and your beneficiaries but be aware that it could push your AGI above the threshold for the 3.8% tax on unearned income
- Take required minimum distributions (RMD) from your IRA or 401(k) plan (or other employer-sponsored retirement plan) if you have reached age 70 1/2. **Failure to take a required withdrawal can result in a penalty of 50% of the amount not withdrawn**
- Make annual exclusion gifts before year end to save gift tax. You can give \$14,000 in 2014 to an unlimited number of individuals free of gift tax
- Gift appreciated stock to charity

#### **Businesses:**

- Businesses should buy machinery and equipment before year end and, under the generally applicable "half-year

## March 2, 2015

### Businesses:

File W-2's with Social Security Administration

File Annual 1099's with IRS

## March 17, 2015

### Businesses:

File Corporate Income Tax Return (Forms 1120, 1120s or 1120-A) OR Corporate Extension Due (Form 7004)

File your Annual Report

## April 15, 2015

### Individuals:

File Individual Income Tax Returns (Forms 1040, 1040A or 1040-EZ) OR Individual Extension Due (Form 4868)

First Installment of Individual Estimated Tax Due (Form 1040-ES)

### Estates and Trusts:

File Fiduciary Tax Return (Form 1041) OR Fiduciary Extension Due (Form 7004)

### Businesses:

File Partnership Income Tax Return (Form 1065) OR Partnership Extension Due (Form 7004)

File your Annual Report

## April 30, 2015

### Businesses:

1st quarter payroll returns due (Form 941)

1st quarter sales tax

convention," thereby secure a half-year's worth of depreciation for the first ownership year.

- Although the business property expensing option is greatly reduced in 2014 (unless legislation changes this option for 2014), don't neglect to make expenditures that qualify for this option. For tax years beginning in 2014, the expensing limit (Section 179) is \$25,000, and the investment-based reduction in the dollar limitation starts to take effect when property placed in service in the tax year exceeds \$200,000.
- Set up a self-employed retirement plan if you are self-employed and haven't done so yet
- If you are in the market for a heavy SUV (GVW > 6,000 lbs) consider purchasing before 12/31/14, due to a combination of favorable depreciation and expensing rules you may be able to write off a significant amount of the cost of the SUV
- Consider putting your children on the payroll
- Consider using a credit card to prepay business expenses that can generate deductions for this year.

These are just some of the year-end steps that can be taken to save taxes. Contact us, we will tailor a plan that will work best for you.

## 3.8% Surtax on Unearned Income and .9% Surtax on Earned Income

Higher-income taxpayers have continuing concerns to address for this year end tax planning, they will face 3.8% surtax on their investment income and capital gains.

For 2014, (just like for 2013) there is an additional .9% surtax for Medicare on earned income for taxpayers with wages of more than \$200,000 for single filers and \$250,000 for joint filers. For these individuals the Medicare tax paid by the employee will increase from 1.45% to 2.35%. There is no additional .9% surtax for employers.

For the full article please click on the following link: "[\*\*3.8 Surtax on Unearned Income and .9% Surtax on Earned Income\*\*](#)"

For more information on the Additional .9% Medicare Tax please click on the following link: "[\*\*IRS Q&A for Additional Medicare Tax\*\*](#)"

returns due

### 2014 Auto/Truck Depreciation Limits

#### Qualified Passenger Autos

<u>Tax Year</u>	<u>Amounts</u>
1st Tax Year	\$3,160
2nd Tax Year	\$5,100
3rd Tax Year	\$3,050
Thereafter	\$1,875

#### Qualified Trucks and Vans

<u>Tax Year</u>	<u>Amounts</u>
1st Tax Year	\$3,460
2nd Tax Year	\$5,500
3rd Tax Year	\$3,350
Thereafter	\$1,975



Have you ever asked the question, "How much is my practice worth?" Contact Maria G. Melone, CPA, CVA of MORR Dental Solutions, LLC ("MORR"), an affiliate of Rosen & Associates, LLP, for a complimentary practice valuation and assessment.

Maria is the only Certified Valuation Analyst in New England with a focus in valuing dental businesses. In addition, MORR offers full service brokerage, buyer representation and many other transition related services. MORR's seasoned team has years of experience advising dentists.

MORR information contact Maria at (508) 475 - 3830 or [mmelone@morrd.com](mailto:mmelone@morrd.com). Visit our Website [www.morrd.com](http://www.morrd.com).

We hope you will stop by and see us at the **Yankee Dental Congress, Booth 817**.

## Tips For A Faster Individual Tax Return

Complete the Tax Organizer **before March 1st** and send all of the following documents:

- Bank & Brokerage 1099s
- Settlement Stmts for purchased or sold house
- Cost basis & date purchased for securities sold
- Mortgage 1098s
- Real Estate & Personal Property Taxes Paid
- Charitable Donations paid
- Form 1099-HC (MA Residents)

### Frequently Asked Questions?

**What is the standard**

## Identity Theft

Identity theft remains a top priority for the Internal Revenue Service in 2014. Identity theft is one of the fastest growing crimes nationwide, and refund fraud caused by identity theft is one of the biggest challenges facing the IRS. This year, the IRS continues to take new steps and strong actions to protect taxpayers and help victims of identity theft and refund fraud.

Tips for Taxpayers click on the following link: [IRS - Tips for Taxpayers, Victims about Identity Theft and Tax Return.](#)

## Phishing Schemes

Phishing is the act of sending an unsolicited e-mail to a user falsely claiming to be a legitimate enterprise in an attempt to scam the user into providing personal and financial information that could be used for identity theft. In addition to scam e-mails, there are illegitimate websites or a pop-messages that will ask for your private information to steal your identity. **Legitimate companies including the Internal Revenue Service do not ask for this type of information via e-mail.** If you are concerned about your account, contact the organization in the e-mail by using a telephone number you know or open a new Internet browser session and type in the company's correct Web address yourself.

**If you receive an e-mail claiming to be from the IRS that contains a request for personal information: IRS DOES NOT COMMUNICATE VIA E-MAIL!**

- Do not reply
- Do not open any attachments. Attachments may contain a malicious virus that will infect your computer
- Do not click on any links

## business mileage rate for 2014?

56 cents per mile

- Forward the e-mail as is, to the IRS at [phishing@irs.gov](mailto:phishing@irs.gov)
- After you forward the e-mail delete the original e-mail message you received

## What is the medical care mileage rate for 2014?

23.5 cents per mile

### ***If you discover a website on the Internet that claims to be the IRS and you find it to be suspicious:***

- Send the URL of the suspicious site to [phishing@irs.gov](mailto:phishing@irs.gov)

## What is the long-term capital gain rate for 2014?

15% and 20%

### ***If you receive an unsolicited fax claiming to be the IRS, requesting personal information:***

- Contact the IRS to determine if the fax is from the IRS
- If you learn the fax is not from the IRS please send the IRS the information via e-mail at [phishing@irs.gov](mailto:phishing@irs.gov)
- After you forward the e-mail delete the original e-mail message you received

## Quick Links

### Latest News & Events at Rosen & Associates, LLP

#### IRS

#### Massachusetts Department of Revenue

#### Connecticut Department of Revenue Services

#### New Hampshire Department of Revenue Administration

#### Rhode Island Division of Taxation

#### Maine Revenue Services

#### Vermont Department of Taxes

#### New York State Department of Taxation and Finance

#### Academy of Dental

For important information and examples of identity theft and phishing click on the following links:

#### **"Suspicious e-Mails and Identity Theft"**

#### **"Sample of Phishing e-mail"**

#### **"Sample of Fax Scam"**

## Affordable Care Act (ACA) Tax Provisions

Under the Affordable Care Act (ACA) the Individual Shared Responsibility Provision requires you and each member of your family to have qualifying health insurance (called minimum essential coverage), have an exemption, or make a shared responsibility payment when you file your federal income tax return. Please click on the following IRS website link which will further explain the breakdown of the ACA Tax Provisions for Individuals & Families, Employers and Other Organizations. ["Affordable Care Act \(ACA\)"](#)

Please click on the following link for the Exemptions to the ACA Individual Mandate that requires all individuals to have minimal health insurance coverage as of 2014 or to be penalized ["Health Coverage Exemptions"](#)

Under the ACA, small businesses (less than 50 full time employees) may be eligible for credit and other benefits. Many of our clients are no longer offering group health plans to their employees but are looking for ways to reimburse their employees who obtain individual health policies.

**Beginning in 2014, an employer can no longer reimburse an employee for his or her individual health insurance.** Reimbursing an employee for health insurance obtained outside the employer group plan creates additional taxable income for the employee. For example, if your employee obtains an individual health insurance policy, you can no longer reimburse this on a tax-free basis.

Given this change, we want to share with you some options available that allow for the employer to pay for some of the employee health costs, deduct these expenses and create non-taxable reimbursement to the employee. An employer can sponsor a health savings account

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 info@rpgllp.com

(HSA), a health reimbursement arrangement (HRA), or a flexible spending account (FSA) in order to help employees get some pre-tax reimbursement of medical premiums or expenses. In order to use an HSA or an HRA, the employee must be participating in a high deductible health plan (HDHP). Each employer/employee situation is unique.

Be aware that if your employee does obtain health insurance outside of your office, the employee may be eligible for a federal tax credit to subsidize the cost of insurance. The availability of this credit depends on the level of the employee's income, and the insurance must be purchased through a state individual Health Insurance Marketplace. With the credit, the employee might find a lower cost insurance plan than what is being offered through the employer group plan.

The IRS has created YouTube video's to help with the understanding of the provisions of the ACA that will affect people's tax returns next year when they file their 2014 individual tax returns. ["New YouTube Videos Provide Tips on Health Care, Tax Returns"](#)

Link to the YouTube Video of the ["IRS Commissioner answering questions about the Premium Tax Credit"](#)

**Question #4 Mandated Paid Sick Time Law**  
**\*\*Not effective until July 1, 2015\*\***

On November 4th Massachusetts voters approved Question #4 on the ballot which mandates Employers with 11 or more workers to provide 40 hours of paid sick time. Companies with less than 11 employees are required to provide 40 hours of unpaid sick time.

The Secretary of the Commonwealth and the Legislature still need to certify this law before it can take effect on July 1st, 2015.

If you would like to read more about the law the [Secretary of the Commonwealth's](#) page can give you the exact question that was on the ballot.

Further information will be provided once it is certified by the Secretary of the Commonwealth and the Legislature.

**Paid Sick Leave**  
 Entitles certain employees to  
 earn and utilize paid sick days

  
**59.4%**  
 1,252,197

  
**40.6%**  
 856,280

## 2014 & 2015 Tax Numbers

	<u>2014</u>	<u>2015</u>
Annual Def. Contribution Plan Part. Dollar Limit	52,000	53,000
Annual Compensation Limit	260,000	265,000
401(k) Employee Elective Deferral Limit	17,500	18,000
401(k) Catch-Up Contribution Age 50 & Over	5,500	6,000
SIMPLE Plan Employee Elective Deferral Limit	12,000	12,500
SIMPLE Plan Catch-Up Contrib. Age 50 & Over	2,500	3,000
IRA (Roth Traditional) Contribution Limit	5,500	5,500
IRA Catch-Up Contrib. Limit Age 50 & Over	1,000	1,000
Federal Lifetime Gift Tax Exclusion	5.34M	5.43M
Federal Lifetime Estate Tax Exclusion	5.34M	5.43M
Maximum Federal Estate Tax Rate	40%	40%
Maximum Federal Gift Tax Rate	40%	40%
Annual Gift Tax Exclusion Per-Person Gifts	14,000	14,000
Section 179 First-Year Depreciation Limits	25,000	25,000
Social Security Taxable Wage Base	117,000	118,500
Standard Deduction (Single)	6,200	6,300
Standard Deduction (Married Filing Jointly)	12,400	12,600
HSA Contributions (Single)	3,300	3,350
HSA Contributions (Married Filing Jointly)	6,550	6,650

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