

## The Accountant's Office

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### 2015 TAX LETTER

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**MY APOLOGIES FOR THE LATENESS OF THIS NEWSLETTER!** I had such great intentions but 'life's little agenda' interfered with my plans. On December 18, Congress, once again, passed a late year tax extender bill that, again, retroactively 'un-expired' tax provisions that I told you last year expired on 12/31/14! This obviously doesn't leave much time for planning for 2015, but most of the 'unexpired provisions' are good for at least 2 years and, finally, some were made permanent.

And then(!), on December 28, Congress decided that employers and insurance companies haven't had enough time since the Affordable Care Act was passed in March, **2010** to meet their reporting requirements, so they extended the due date for them to provide notice of health care coverage to insureds until March 31, 2016!!! Consequently, if you had full year health insurance coverage through your employer or you bought insurance NOT from the Marketplace, your 1095-B or 1095-C won't be very timely. **We can still file your tax return before these arrive if you can provide a statement or letter from the insurance company or your employer which indicates who is insured and for which months.**

As I mentioned last year, the IRS is continually increasing penalties, not only on taxpayers, but also on preparers. Seems they have trouble getting tax increases (see the name of the extender bill!) so penalties is the new source of revenue for the government. The easiest place to get them is from preparers who haven't exercised due diligence in acquiring information used on the return, especially in areas of credits like Earned Income Credit, the education credits, AND health care coverage. So, we will again be utilizing an Engagement Letter with the Health Insurance addendum. If we seem to be asking a lot of questions, be thankful that we're trying to protect all of us from potential penalties!

Your 2015 tax appointment information is listed on the back of this organizer. **The Taxpayer Information, Address & Status, and Dependents sections are important to us so we ask that you complete at least that much of the organizer.** If your tax situation is similar to prior years, please feel free to drop off your taxes rather than wait for an appointment as we have a couple of people available

to do the data entry for me. As always, if the prescheduled appointment needs to be changed or cancelled, **please** call us as our time is very valuable during the next 3 months. We, again, have low cost bank products to assist with your payment needs.

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### *New Tax Laws*

**The Trade Preferences Extension Act of 2015** and **The Trade Priorities and Accountability Act of 2015** were signed into law on June 29. Both bills contain a number of tax provisions in addition to various trade measures.

**Child Tax Credit.** Under Code Sec. 24(a), for each qualifying child of a taxpayer for whom the taxpayer is allowed a dependency deduction, a \$1,000 child tax credit is allowed against the taxpayer's income tax.

For tax years beginning before January 1, 2018, the child tax credit is refundable, but only to the extent of the greater of: (1) 15% of taxable earned income above \$3,000, or (2) for a taxpayer with three or more qualifying children, the excess of his social security taxes for the tax year over his earned income credit for the year. (However, **PATH ACT** made the refundable part permanent.)

**Early Distributions from Governmental Plans for Federal Public Safety Workers.** In general, any amount paid or distributed out of an individual retirement plan is included in the gross income of the payee. In addition, Code Sec. 72(t) imposes an extra 10% "early withdrawal" tax on distributions from qualified retirement plans, taken before the individual reaches age 59-1/2, unless the distribution falls within a statutory exception.

Effective for distributions made after December 31, 2015, the category of eligible governmental workers who can qualify for the Code Sec. 72(t)(10) exception is broadened to include specified federal law enforcement officers, customs and border protection officers, federal firefighters, and air traffic controllers who have similarly reached age 50, and the types of plans from which distributions eligible for the exception can be made is broadened to include defined contribution plans and other types of governmental plans.

**Bipartisan Budget Act of 2015 (BBA)**. This Act raises the federal debt ceiling and increases spending levels

for defense and domestic programs. In addition, the new law contains some important provisions that are likely to be of interest to many taxpayers.

**Social Security Benefits.** The file and suspend strategy has been changed so that if an individual suspends benefits, no one can claim benefits based on that individual's earnings record effective for benefits payable beginning six months after the enactment of the Bipartisan Budget Act.

**Medicare Part B Premiums.** The standard monthly Medicare Part B premium is \$104.90 in 2015. This premium was expected to increase in 2016 to \$159.30 for the Medicare beneficiaries. However, the BBA prevents this large premium increase by setting a new 2016 basic Part B premium of \$121.80. There will be no Social Security COLA for 2016 because of low inflation.

**Social Security wage base for 2016.** Because there is no cost-of-living adjustment by the Social Security Administration for next year, the maximum amount of earnings subject to the Social Security tax for 2016 will remain at \$118,500.

**Protecting Americans from Tax Hikes (PATH) Act of 2015**, aka **Extender Bill**, was signed on December 18. Yes, that's the real name of this bill!!! The following are the highlights:

Permanent provisions:

- Section 179 limit of \$500,000; phaseout at \$2 million
- Research & Development Credits
- S corporation Built-in Gains conversion recognition period of 5 years
- American Opportunity Credit (tuition credit)
- State & local sales tax deduction
- Teacher classroom expense deduction
- Charitable distributions from IRA's

Extended for 2 years:

- Qualified tuition related expenses
- Mortgage debt forgiveness exclusion
- Mortgage insurance premium deduction
- Energy Credit (10%) for principal residence

Extended for 5 years:

- Bonus depreciation-decreasing from 50% in 2015-2017, to 40% in 2018, and 30% in 2019
- Work Opportunity Tax Credit

New Items:

- Improper claims for EIC, American Opportunity Credit, and the refundable child tax credit will result in a 10 year denial of these credits
- Greatly increased penalties for failure to file or late filing of information returns – these are primarily the 1099-MISC returns.

- W2's, W3's, and 1099's must be to the IRS and SSA by January 31<sup>st</sup> effective for 2016.
- Form 1098-T, the tuition statement, MUST list the amount PAID for expenses after 12/31/15.
- Effective for tax years after 2016, refunds will be delayed until February 15 if the return contains EIC or the refundable child tax credit.

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## ***Additional Information***

**Standard mileage rate.** The following rates are applicable for the 2015 and 2016 tax years:

	<u>2015</u>	<u>2016</u>
Business	\$.575	\$.540
Medical	.23	.19
Moving	.23	.19
Charitable	.14	.14

**New ACA information returns.** Under the Affordable Care Act (ACA) (remember, the one passed in **2010**?!), the individual shared responsibility provision calls for each individual to have minimum essential health coverage for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return. ACA information returns include:

**Form 1095-A** for individuals who obtained their health insurance through the marketplace.

**Form 1095-B** comes from the insurance provider or from employers with less than 50 full-time employees and provides details about the health insurance coverage, who was covered, and the period of coverage.

**Form 1095-C** is issued by employers with 50 or more full-time employees. This form provides information of the coverage your employer offered and whether or not you chose to participate.

Remember, only one form is provided to you for all the individuals covered by your plan, so you may need to provide copies to your spouse or dependents, as necessary.

**Note:** It's important to save all information about health insurance coverage for yourself and your entire family, especially if you do not receive any of the above listed information returns.

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### **PRIVACY POLICY**

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.