

# 2015 TAX ESSENTIALS LETTER



## IT'S TAX TIME AGAIN...

Once again, it's time to file and pay your taxes. Your mailbox should be filling up with the information you will need to get the job done.

This letter is full of information designed to help you prepare your tax documents so you will pay only the tax that you rightfully owe.

## Time to get organized

*The following checklist will help you collect the documents you'll need to file your tax return. When all of the boxes are checked, you're ready.*

- Your last 3 years' tax returns (*new client*). Maybe we can amend and save money.
- Social Security numbers and dates of birth are needed for all taxpayers, spouses and dependents.
- W-2 Forms.
- Your last paycheck stub of the year is full of information.
- 1099 Forms for interest, dividends, retirement, Social Security, and unemployment need to be entered correctly to comply with the IRS matching program.
- Property tax statements contain important information. They list the tax (deductible) and special assessments (not deductible).
- Forms 1098 for mortgage interest need to be entered as printed. The IRS cross checks.
- Year-end statements from investment accounts with transaction details for the year
- Purchase and sale information, including dates, relating to anything sold during 2015 is needed.
- Child care provider information (name, address, SS#, amount paid) is needed for the child care credit (*even if you are reimbursed at work*).
- Names, addresses, and Social Security numbers from whom you received interest, or to whom you paid interest.
- Bankruptcy or divorce papers (if applicable).
- If you paid an individual person \$600 or more for services rendered in connection with your business, please provide their name, address, and tax ID number.
- Records showing income and expense for any small business or rental property you own will be needed.
- If you have an investment in a Partnership, S Corporation, Estate or Trust you will need to bring Form K-1.
- Bring IRA year-end statements.
- Bring all other statements of income, whether you think they are taxable or not.
- Forms 1098-T amounts paid for post-secondary tuition are sent to the student. If the student is your dependent, you will need to obtain 1098-T from the student to get the credit.
- Bring your records of estimated taxes paid.
- Student loan interest forms 1098-E.
- Adoption costs if applicable. Also bring the legal adoption documents.
- Form 1098-C for donations of automobiles or boats.
- Details on all noncash donations greater than \$500. Include date, place, fair market value, and original cost.
- If you purchased a new fuel cell or electric plug-in vehicle in 2015, bring the year, make and purchase date.
- Bring a voided check for direct deposit of any refunds you expect to receive.
- Noncustodial parents claiming children need a signed IRS Form 8332 to claim the child.
- If your mortgage was forgiven due to foreclosure, bring Form 1099-C or 1099-A.
- If you bought a new home or refinanced your existing home bring the closing papers.
- Information on energy saving home improvements might get you a tax credit.
- If you were an investor caught in a Ponzi-type scheme, bring the details.
- If you received Forms 1099-K for internet or credit card sales please bring them.
- Proof of health insurance is needed. Bring Form 1095 if you received one.
- Assets held outside the USA. Bring statement(s). Such assets must be disclosed even if they do not generate taxable income.



# WHAT'S NEW FOR 2015?

## You have more time than usual to file.

Due to Emancipation Day falling on Friday April 15th (a Friday), the deadline for filing your 2015 tax return is Monday, April 18th, 2016.

## No increase in Social Security next year.

Social Security payments will not increase in 2016 (like they did in 2014 and 2015). Minimal inflation was cited as the reason for not increasing benefits. However, Medicare premiums are expected to rise for 1 in 3 seniors (so their Social Security payments will decrease).

## Many tax provisions have been extended or made permanent.

On December 18th, 2015 the "Protecting Americans From Tax Hikes Act of 2015" was signed into law. This bill is estimated to save individuals and businesses \$600B+ over 10 years. It extends or makes permanent 52 tax provisions... many of which are popular credits and deductions that affect everyday taxpayers (including credits and deductions for higher education, increased earned income credit and child tax credit... and many more). The bill also allows business owners to expense some purchases that they otherwise would write off over time.

## The IRS continues to have budget issues.

The IRS budget has decreased by approximately 18% (adjusted for inflation) since 2010. President Obama has proposed a \$2 billion increase in IRS funding for 2016 but Congress likely favors further cuts. Current IRS funds are being diverted away from taxpayer services so many of the delays experienced last year will persist (including longer waits for telephone service and correspondence). Audits are also being conducted at historically low levels.

## Supreme Court rulings with tax implications.

The Supreme Court has upheld the Affordable Care Act health

insurance subsidies. What this means for taxpayers is that The Affordable Care Act is still in effect and Premium Tax Credits (subsidies) are still available for those who qualify.

The Supreme Court has also ruled that same-sex marriage is a right guaranteed by the 14th Amendment. As such, states are now required to license and recognize lawful same-sex marriages. What this means for married same-sex couples is that they can now file jointly on state tax returns that previously did not recognize their marriage. However, the Supreme Court's ruling has no effect on Federal tax returns... that's because the IRS has been recognizing legal same-sex marriages since tax year 2013.

## The penalty for not having health insurance increases.

The uninsured will pay a penalty of either 2% of household income or \$325 per person (whichever is greater). Last year the Shared Responsibility Payment (which is what the IRS calls the penalty) was the greater of 1% of household income or \$95 per person. Some individuals may qualify for an exemption to paying the penalty (this is a very complex topic... ask a tax professional if you qualify for an exemption).

## Proof of health insurance will be easier.

If you have employer sponsored health insurance then there are new documents to look for in the mail. You should be receiving a 1095-C (or 1095-B) document as proof of having health insurance. These documents are supposed to be issued by January 31st (but expect delays since this is the first year).

For those that DO NOT get their insurance from an employer it will be the same as last year. As a reminder, those that purchased insurance on the Federal or state run exchanges will be

issued a 1095-A document from the exchange. You will need this to complete your tax return (same as last year).

## Tax scams (and hacking) continue...

Tax scams continue to be a big issue for the IRS and taxpayers. Scammers are now using every mode of communication (phone, email, fake websites, & fake letters that look like IRS letterhead) to trick people into giving sensitive information and direct payments to criminals. Taxpayers should assume that any communication could be a potential scam. Never act impulsively and always ask a trusted tax professional for advice.

The IRS' "Get Transcript" feature was hacked in 2015. Hackers stole over 100,000 tax returns. Taxpayers affected by the breach have been notified and were offered free credit monitoring and identity protection services (and the fair market value of the free services is tax free).

## Other news for 2015.

Taxpayers are only allowed one IRA rollover per year. However, there is no limit on direct trustee-to-trustee rollovers.

Taxpayers have a new kind of tax free savings account for people with disabilities. An ABLE account allows donors to contribute up to \$14,000 per year for the benefit of the disabled person. Contributions are not pre-tax but distributions from the account are tax free if used for qualified disability expenses. The accounts are restricted to people who became disabled before age 26. Other restrictions apply so ask your tax preparer if you qualify.

The IRS has clarified when donations to crowd-funding sites (like gofundme.com) are deductible... which is only when the recipient is a 501(c)3. Thus, donating to a friend or relative's campaign is not deductible (it is treated as a gift for tax purposes).



Tax year 2015 was going along quietly (tax wise)... until December. With Obama in the White House and a Republican controlled Congress there was an expectation of gridlock. However, they passed an extenders bill (named the "Protecting Americans From Tax Hikes Act of 2015") that extends many popular tax provisions BEYOND the current tax year.

On top of that we saw tax related Supreme Court rulings and year-two of the Affordable Care Act implementation.

*Also, taxes on the same income as last year are lower due to indexing. It doesn't get any better than that.*

These are only some of the highlights of the rulings and court cases that were passed affecting your 2015 tax situation. A good tax preparer can help you use these new decisions to their fullest.

Turn the page for some great year-end tax-saving ideas.

