2014 TAX PLANNING LETTER

RG & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS LLC

A YEAR OF UNCERTAINTY

On November 4, Americans learned the composition of the House and Senate in the 114th Congress that will convene in January 2015. Republicans increased their majority in the House and captured a majority in the Senate. The changes could open the door for action on comprehensive tax reform in 2015 or 2016. Alternatively, lawmakers and the President may agree on smaller scale reforms. We simply don't know. So, that leaves us with traditional tax planning techniques until we know otherwise.

WE ARE PLEASED TO ANNOUNCE THAT **NATE HEINEMANN** HAS JOINED THE FIRM AS A PARTNER. NATE HAS 18 YEARS OF EXPERIENCE IN TAX PREPARATION AND CONSULTING, AUDITING AND OTHER RELATED ACCOUNTING SERVICES.

Business

Tax Extenders

The impact of the midterm elections on immediate year-end tax planning for 2014 principally revolves around a so-called "tax extenders" package of expired individual and business tax breaks that await retroactive reinstatement to the start of 2014. It is not yet decided whether final passage will happen in December, if negotiations break down, in January when the new Congress meets.

Traditional Year-end Strategies

Year-end 2014 presents unique challenges. At the same time, traditional year-end planning techniques nevertheless remain important both to maximize benefits in connection with what's new and to do so within the usual ebb and flow of the taxpayer's personal economy. Always right are traditional income and deduction acceleration techniques and their reciprocal deferral strategies.

INCOME AND DEDUCTION TIMING

Consider deferring or accelerating the following items:

- Bonuses
- Sales of appreciated assets
- Accelerate income to use available carry-forward losses
- Retirement distributions and contributions
- Structure or Avoid mandatory like-kind exchange treatment.
- Bunch itemized deductions into 2014 and take standard deduction in 2015
- Pay bills in 2014 or postpone payments until 2015
- Pay 4th quarter state estimated tax installments in 2014 or delay until 2015
- Accelerate or delay economic performance of services to customers
- Watch AGI limitations on deductions and credits
- Monitor net investment interest deductions
- Match passive activity income and losses.

Individuals

Tax Rates

For individuals, the income tax rates for 2014 are unchanged from 2013: 10, 15, 25, 28, 33, 35 and 39.6 percent. The top tax rate for qualified capital gains and dividends is also unchanged from 2013: 20 percent.

Net Investment Income

Since 2013, taxpayers with qualifying income are liable for the 3.8 percent net investment income (NII) tax. The threshold amounts for the NII tax are:

- $250,000 in the case of joint returns or a surviving spouse,
- $125,000 in the case of a married taxpayer filing a separate return, and
- $200,000 in any other case, which includes head of household (HOH)

Additional Medicare Tax

The Additional Medicare Tax increases the employee share of Medicare tax by an additional 0.9 percent of covered wages in excess of certain threshold amounts. The tax also increases Medicare tax on self-employment income by an additional 0.9 percent of self-employment income in excess of the threshold amounts. The threshold amounts are:

- $200,000 for single individuals (and HOH)
- $250,000 for married couples filing a joint return
- $125,000 for married individuals filing separate returns.

Alternative Minimum Tax

The alternative minimum tax (AMT) is now permanently "patched." The patch provides for increased exemption amounts and allows taxpayers to take all of the nonrefundable personal credits against regular and AMT liability.

Individual Tax Extenders

Under current law – the individual extenders (as well as the business extenders discussed below) – are unavailable for 2014 and subsequent years, unless extended by Congress. For individuals, they include the state and local sales tax deduction, special mortgage debt forgiveness provisions, transit benefits parity, higher education tuition deduction, IRA distributions to charities, and teachers' classroom expense deduction.

Life Cycle Changes Important to Year-End Strategies

In addition to changes in the tax law, year-end tax strategies should also consider personal circumstances that changed during 2014 as well as what may change in 2015.

- Change in filing status: marriage, divorce, death or head of household changes
- Birth of a Child
- Child who is no longer young enough for child credit
- Child who has outgrown the "kiddie" tax
- Casualty Losses
- Changes in Medical Expenses
- Moving/Relocation
- College and other tuition expenses
- Employment Changes
- Retirement
- Personal Bankruptcy
- Large Inheritances
- Business success or failures

Tricia Riggins CPA
Matt Stadler CPA/ABV
Nate Heinemann CPA

11920 Burt Street, Suite 160
Omaha, NE 68154
402-614-4315

RG & Associates
Certified Public Accountants, LLC