

Tax Tips

Keeping You Informed • Summer 2015

Tax On Wheels, LLC

"We Come To You"

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This newsletter is an informational supplement for our clients. It is not designed or intended to be tax, legal or investment advice. We have made efforts to ensure that the information contained in this newsletter is accurate at the time of publishing. However, we do not warrant that the information contained herein is suitable for any purpose. Tax laws, and the interpretation of their meaning, may change over time. This material is written to appeal to the broadest possible range of interests and may not be applicable to your personal situation. Our intent is to stimulate thought and discussion of factors that may or may not impact you personally. If you feel that you need assistance with the issues raised within this publication, we are available to assist you on an individual basis. Please contact us at 803 732-4288 to obtain assistance.

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Able Accounts

New tax-saving opportunities for certain individuals with disabilities

Last December, President Obama signed the Stephen Beck, Jr., *Achieving a Better Life Experience (ABLE) Act* into law. The enactment of ABLE resulted from an eight-year campaign to gain approval for tax-free savings accounts to help individuals and families finance disability needs.

The *ABLE Act* mirrors the provision of a §529 plan (an account used to fund education) and can help families fund an account to ease the expensive burden of caring for someone with disabilities. Each state is responsible for establishing and maintaining an ABLE account. While each state is different and may tweak the logistics, here are some common components of the program:

- Only one ABLE account can be established per individual.
- Earnings grow tax-free.
- Contributions from all family members is limited to \$14,000.
- ABLE accounts should generally not be counted for purposes of supplemental social security income, Medicaid or certain other federal programs.
- Funds included in distributions that are not used for qualified

expenses are subject to income tax as well as a 10% penalty.

- Earnings are not taxable if used to pay for certain expenses such as housing, transportation, employment training and support, health and wellness, assistive technology and personal support services, legal fees, oversight and monitoring, and funeral and burial costs.

Eligible individuals include those who become disabled before age 26 and either receive Social Security Disability Insurance (SSDI) or SSI, or those who file a disability certification under rules established by their state.

If a state does not establish and maintain its own qualified ABLE program, it may enter into a contract with another state in order to provide its residents with access to a qualified ABLE program.

It's important to note that, similar to §529 plans, an ABLE account does not give you a tax deduction for federal tax purposes, but the income earned is not taxable.

If you have any questions about this opportunity, do not hesitate to contact me.



Health Savings Account

Tax savings are available to those who qualify

To better manage escalating costs, many individuals are now choosing health plans with higher deductibles. If you have a qualifying high deductible plan, you may want to consider opening a health savings account (HSA). These accounts provide considerable tax advantages for those who qualify.

An HSA is a tax-exempt trust or custodial account set up with a qualified HSA trustee (typically a bank) to pay or reimburse certain medical expenses incurred by an eligible participant. An HSA does not replace health insurance, but the account holder can use the savings to pay for any out-of-pocket medical expenses. Your employer may help you set up an HSA and make payroll deposits, but you are the actual owner of the account.

An HSA offers several tax advantages over simply putting aside money in a personal checking or savings account. Here are a few highlights:

- Contributions are deductible.

- Employers can make tax-free contributions on behalf of employees.
- Earnings in the account are tax-deferred (some HSA accounts will even let you invest the money you've contributed).
- HSA contributions and earnings are not taxed when distributions are used to pay qualified medical expenses.
- Upon reaching age 65, distributions can be received penalty-free (i.e., only subject to income tax) for any reason.
- An HSA is portable (participants are still entitled to the money in these accounts even if they switch employers).

You can make and deduct HSA contributions for the year at any time before the due date (without extensions) for the filing of your return. For 2015, you can make contributions up until April 15, 2016. Let your HSA custodian know if any contributions you make are intended for the prior year. For example, if you deposit money in January 2016 for a 2015 contribution, you need to inform your bank so they code it properly.

Some deposit slips let you indicate this as an option.

Money from the account can be distributed for any qualified unreimbursed medical expenses. Only expenses incurred after the HSA has been established are eligible. Qualified medical expenses include costs to diagnose, cure, mitigate, treat or prevent disease, such as the fees associated with being under the care of a doctor, dentist, chiropractor, psychiatrist or psychologist. Acupuncture, ambulatory bills, birth control pills, child birth classes, contact lenses, crutches, dentures, prescription drugs, eye exams, eye glasses, hearing aids, hospital bills, insulin, laboratory fees, travel to medical clinics, vasectomy and wheelchairs are only some of the items that are considered eligible expenses.

If you are considering switching to a high deductible insurance plan and opening a health savings account, please let me know if I can assist you with any tax-related questions you might have.

Type of Coverage	Annual Deductible Not Less Than	Annual Deductible and Other Out-of-Pocket Expenses Do Not Exceed	Annual HSA Contribution Limit
Self-only	\$1,300	\$6,450	\$3,350
Family	\$2,600	\$12,900	\$6,650

Scholarships and Fellowship Grants

Taxable income or not?

With the price of college increasing every year, scholarships and grants can be a welcome relief. But are there tax consequences to accepting an award?

Typically, qualified scholarships for the purpose of study are excluded from the student's income. "Qualified scholarships" refer to any amount received by an individual as a scholarship or fellowship grant to be used for qualified tuition and related expenses, including:

- Tuition and fees required for the enrollment or attendance of a student at a qualified educational institution.
- Fees, books, supplies and equipment

required for courses of instruction at the qualified educational institution.

Any amounts you receive for room and board are not excludable and need to be reported as income on your tax return. You must also include in gross income any amounts received as payment for teaching, research or other services required as a condition for receiving the scholarship or fellowship grant. However, you do not need to include in gross income any amounts you receive for services that are required by the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program.

Bottom line: Depending on what the scholarship is used for, it may be subject to tax.

Trade bills signed into law

On Monday, June 29, President Obama signed two trade bills containing federal income tax provisions. The *Trade Preferences Extension Act* (H.R. 1295) contains the following tax provisions:

- Taxpayers must obtain a Form 1098-T in order to claim certain educational tax benefits.
- The penalties applying to taxpayers who fail to file correct information returns (e.g., Form 1099) with the IRS or to provide a payee with a correct copy are increased.
- The \$35 Health Care Tax Credit is extended through 2019.
- Taxpayers who excluded gross income under §911 are precluded from claiming the refundable portion of the \$24 child tax credit.

The *Trade Priorities and Accountability Act* (H.R. 2146) permits federal law enforcement officers, customs and border protection officers, firefighters and air traffic controllers to make penalty-free withdrawals from their governmental retirement accounts at age 50 instead of age 55.

Expired Tax Provisions

Once again the following tax provisions have expired:

- \$250 educator expense deduction (school teachers who buy school supplies for their classes).
- Tuition and fees deduction for higher education expenses (which helps college students or their parents).
- Itemized deduction for state and local general sales tax (the option to deduct state and local sales taxes instead of deducting state and local income taxes is huge for those who live in states that don't have an income tax, such as Florida and Texas).
- Itemized deduction for mortgage insurance premiums.
- Qualified principal residence indebtedness exclusion for debt discharge income (up to \$2 million; usually taxpayers have to pay income taxes on forgiven debt).

It's expected that at the end of this year, many of these provisions will be extended once again. However, you may want to make increased estimated tax payments just in case.

Quick Tips

1. The standard deduction rises to \$6,300 for singles and married persons filing separate returns and \$12,600 for married couples filing jointly. The standard deduction for heads of household rises to \$9,250.
2. The limitation for claiming itemized deductions on 2015 individual returns begins with incomes of \$258,250 or more (\$309,900 for married filing jointly; \$284,050 for heads of household; and \$154,950 for married filing separately).
3. The personal exemption for tax year 2015 rises to \$4,000, up from \$3,950 for tax year 2014.
4. The annual exclusion for gifts remains at \$14,000 for 2015.
5. The standard mileage rate for business purposes is 57.5¢ per mile (24¢ for depreciation.)
6. The standard mileage rate for medical and moving purposes is 23¢ per mile.
7. The standard mileage rate for charitable purposes is 14¢ per mile.
8. As of January 1, 2015, businesses with 100 or more employees must provide health insurance to 70 percent or more of their full-time equivalent employees, or they could face a tax penalty of up to \$2,000 per employee, per year.
9. Starting in 2016, businesses with 100 or more employees must provide health insurance to 95 percent or more of their full-time equivalent employees.
10. Large employers are required to report the cost of the health coverage provided on each employee's W-2 in Box 12. Failure to report this information could lead to fines of \$200 per employee.
11. Businesses that have 25 or fewer full-time employees, pay average annual wages below \$50,000 and cover at least half of the premium cost for their employee's health insurance can qualify for a tax credit of up to 50 percent of employer-paid premiums if purchased through a state or federal Marketplace.
12. All employers must withhold and report an additional 0.9 percent on employee wages or compensation that exceed \$200,000.

Identity Verification

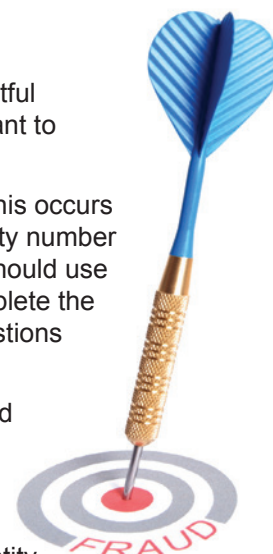
A legitimate service from the IRS

New IRS scams continue to surface in an attempt to take your money or personal information. Deceitful communications come via phone, email, post and sometimes even a knock on your door. It's important to know that the IRS does occasionally contact taxpayers, but when they do, it's most often by mail.

Sometimes the IRS needs to verify a taxpayer's identity and will do so by sending a Letter 5071C. This occurs when the IRS stops a suspicious tax return that contains a real taxpayer's name and/or social security number but is flagged for identity theft. Taxpayers who receive requests from the IRS to verify their identity should use the Identity Verification Service website at idverify.irs.gov. This is the fastest and easiest way to complete the task. If you receive Letter 5071C, please contact me so that I can help you answer the series of questions about your identity and tax return history.

Once the IRS verifies your identity, you can confirm whether you filed the return in question. If you did not file the return, the IRS can take steps to assist you. If you did file the return, the IRS will need approximately six weeks to process it and issue a refund.

If you receive an email, letter or phone call and you're in doubt as to whether it's from the IRS, contact me so we can determine if the correspondence is real or simply an attempt to steal your identity.



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All Clients Please Take Note

We are pleased to announce that there will be no price increase for tax preparation services this coming year. However, we will continue tweaking individual bills based on the time and effort required to complete the preparation process for each client. We pride ourselves on providing a very high level of service to our customers. At the same time we rely on our clients to do their part to be organized and ready for their scheduled preparation appointment.

We have noticed a sharp increase in the number of clients who are either unprepared for their tax appointment or take an inordinately long time to resolve outstanding issues which prevent the completion of the tax return (for example failing to return signature documents promptly). Clients who file extensions and seek to delay filing the return beyond August 15 will also be subject to price adjustments.

New Social Security Service

A useful tool for taxpayers

About one third of the people who receive social security benefits have to pay income tax on some of their benefits. At the end of each year, the Social Security Administration mails a Social Security Benefit Statement (SSA-Form 1099) showing the amount of benefits received. Social security beneficiaries who did not receive their SSA-1099 or SSA-1042S, or perhaps lost it, can get an instant and official replacement for tax purposes by creating a "my Social Security account" at ssa.gov.

Generally speaking, our base price includes one face to face or telephone interaction at your appointment time (typically about an hour and possibly as much as two hours depending on your circumstances). We also include an additional five minute follow-up within a day or two of your appointment to clarify any additional or missing information. This is in addition to the time it takes to finalize your return after your appointment is completed. If your tax preparation consumes time beyond these limits it means the price you pay will increase. So do yourself a favor and get organized in advance of your appointment and respond promptly to requests for additional information and return signature documents as quickly as possible.

Of course, tax questions are always encouraged and are typically answered free of charge for both clients and non-clients alike.