

2014 Tax Law Changes & Effective Planning Strategies

Mark J Weech, CPA



Weech
Financial, PLLC



Weech Wealth
Management, LLC

Do You Ever Feel This Way?

Form 1040

YOUR LABEL HERE

Your first name and address

If a joint return, spouse's first name and address

Home address (number and street). If you have a P.O. box, see page 14.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 14.

Filing Status
Check only one box.

1 Confused
2 Disgruntled
3 Disgruntled and confused

Exemptions

6 a Yourself. If someone can claim you as a dependent.
b Spouse
c **Dependents:**

(1) First name	Last name	(2) Dependent's social security number

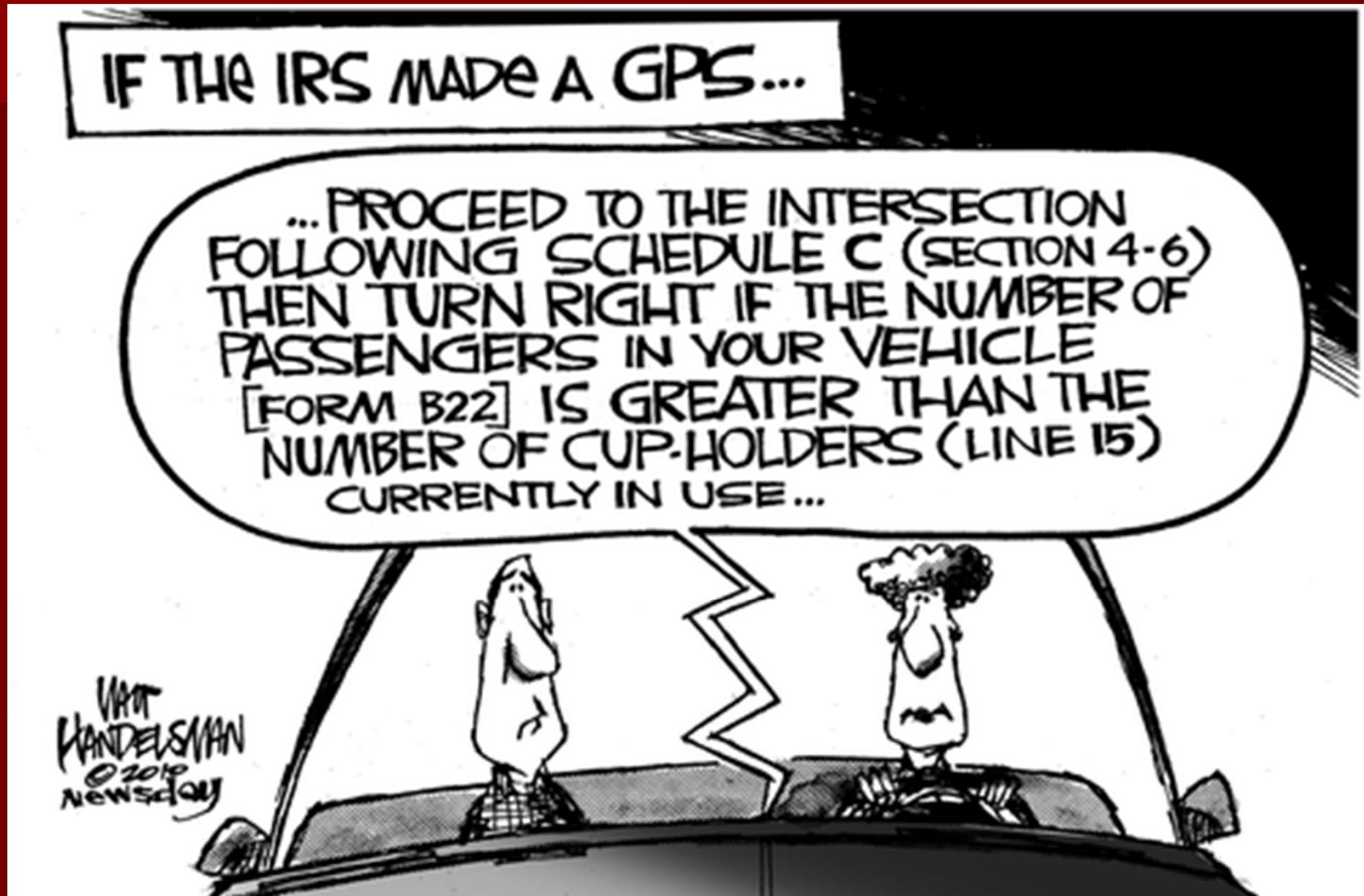
If more than four dependents, see page 17 and 18.

Number of exemptions claimed

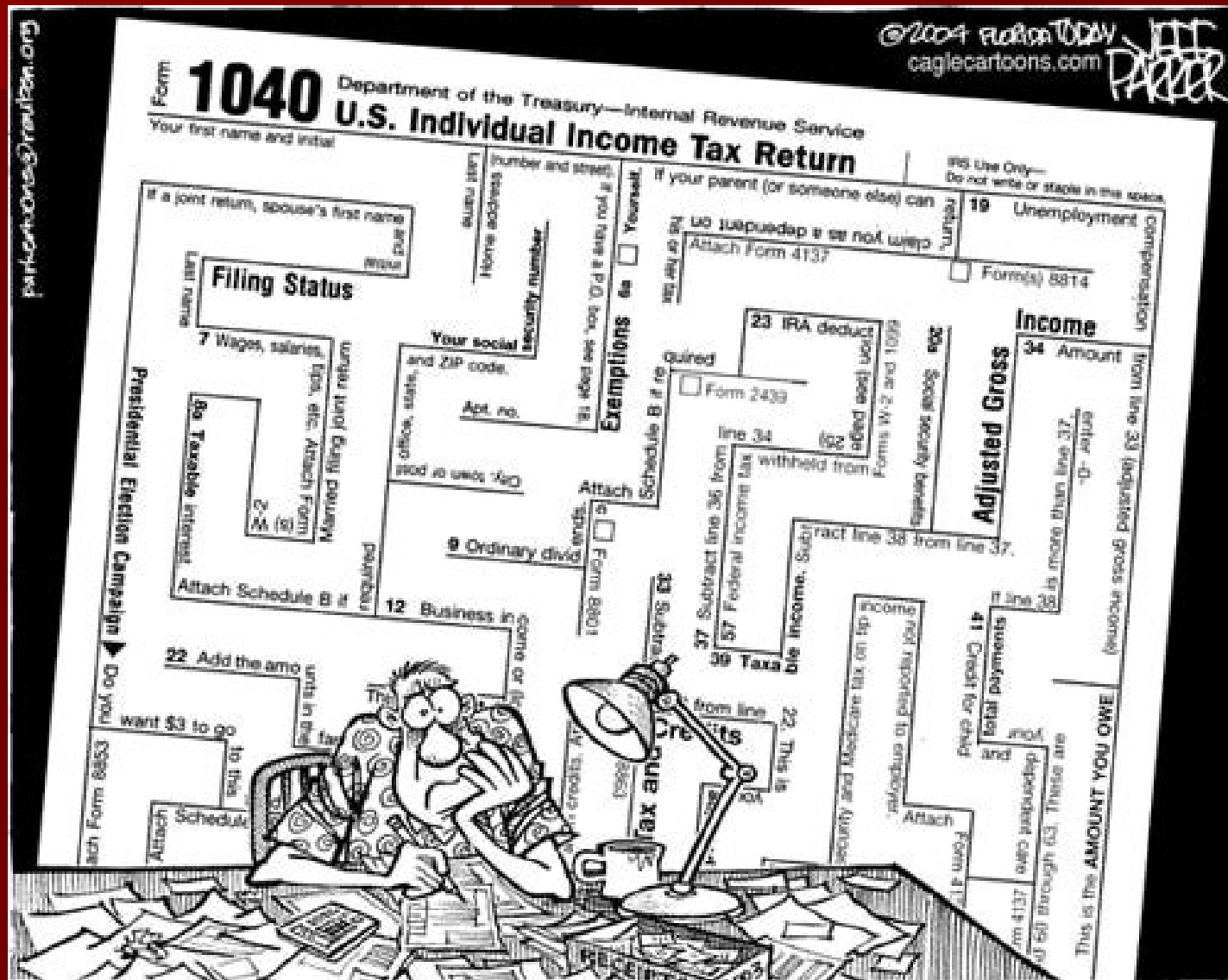
Form(s) W-2

Chattanooga Times Free Press Bennett

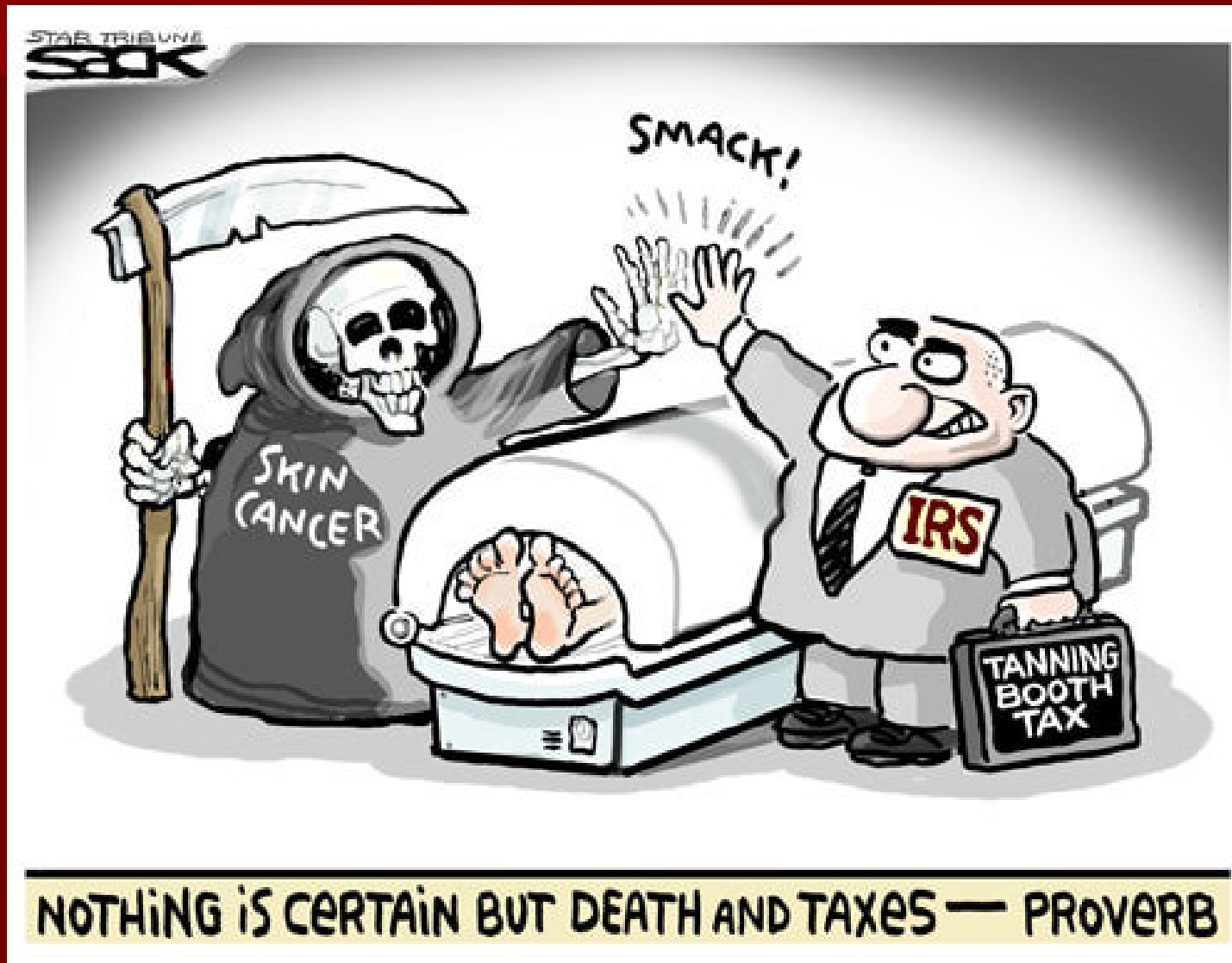
Do IRS Form Instructions Ever Sound Like This?



Your Tax Return May Seem Like This . . .



Sometimes the Grim Reaper and the IRS seem to be synonymous



2013 Tax Law Review

- **New 39.6% ordinary income tax rate bracket created; all other rate brackets the same**
- **New highest bracket applies to taxable income over \$400K (S), \$425K (HH) & \$450K (MFJ)**
- **New 20% capital gains rate for those with taxable income of over \$406,750 (S) and \$457,600 (MFJ)**
- **Those with taxable income above \$200K (S/HH) and \$250K (MFJ) will also be subject to the new 3.8% Medicare (unearned net investment income (NII) such as interest, dividends, capital gains, rental and royalty income) tax for a total effective capital gains tax rate of 23.8%**
- **Also - new 0.9% Medicare tax on earned income for those with taxable income that exceeds the same \$200K and \$250K thresholds above (to come directly out of wages or charged on self-employment income)**

2013 Tax Law Review

- **Alternative Minimum Tax (AMT) was permanently patched for 2013 and beyond so it isn't required to be addressed each year by Congress like in the past**
- **The AMT adjustment was the impetus in previous years for Congress to address this and many other tax provisions that were scheduled to expire; without this impetus, many provisions that expired as of 12-31-13 may not be addressed by Congress until late this year if at all (election year)**
- **Schedule A Itemized Deduction medical expense floor threshold increased to 10% of modified AGI from 7.5% in 2013 making it harder to deduct medical expenses on your return; those 65 or older remain at the 7.5% threshold until 2017**

2014 New Tax Law

- New simplified method of calculating home office deduction expense – claim \$5/square foot of business use area up to 300 square feet, or \$1,500 maximum without having to calculate actual house expenses; can choose to use the old method or the new simplified method depending on which is more beneficial
- Employee can now carry over up to \$500 in unused funds in flexible spending accounts (FSA) from one year to the next; employer can provide a March 15th grace period or this \$500 allowance but not both
- Patient Protection and Affordable Care Act (ACA or Obamacare) individual insurance mandate becomes effective; have until 3-31-14 to obtain coverage or face penalties; 2014 penalty is \$95 per adult, \$47.50 per child or 1% of modified AGI, whichever is higher, up to \$285 per family; 2015 penalty will be \$325 per adult, \$162.50 per child or 2% of income, whichever is higher; 2016 penalty will be \$695 per adult, \$347.50 per child or 2.5% of income, whichever is higher

2014 New Tax Law

- Individual mandate penalty will increase in 2016 and beyond based on COLA increases
- IRS enforcement of penalty is limited – can only withhold it from tax overpayments; if taxpayer owes with filing of return each year and does not voluntarily pay the required tax penalty, IRS can only wait until next year and withhold from any overpayments that year, etc.
- Premium assistance credit is available to those who obtain coverage through state or federal exchanges and who have household income between 100%-400% of the federal poverty line and don't have access to employer-sponsored affordable coverage
- Beginning in 2015, business owners with over 50 full-time equivalent employees must provide affordable essential health insurance coverage for their employees or face penalties under Patient Protection and Affordable Care Act (ACA or Obamacare)

2013 Expired Tax Provisions

- Sales tax deduction
- Deduction for higher education tuition and related fees (American Opportunity Credit still available)
- Tax free treatment of forgiven mortgage debt (however, may still not be subject to tax in Arizona)
- Option to make charitable contributions directly from IRA
- \$500 maximum credit for energy-efficient home improvements
- \$250 above-the-line educator expense deduction
- \$500K section 179 depreciation deduction (now only \$25K); eligible asset purchases of only \$200K compared to \$2M in 2013
- Bonus depreciation (50%) in year of asset purchase
- Mortgage insurance premium deduction

2014 Tax Facts

- Personal exemption is \$3,950 (\$3,900 in 2013)
- Personal exemption income phase-out begins at AGI of \$254,200 (S) and \$305,050 (MFJ); exemption is eliminated above \$376,700 (S) and \$427,550 (MFJ)
- Standard deduction is \$6,200 (S), \$9,100 (HH) and \$12,400 (MFJ) (\$6,100, \$8,950 & \$12,200 in 2013)
- Itemized deduction phase-out begins at same AGI levels as personal exemption phase-out above and itemized deduction total can be reduced by maximum of 80% of otherwise deductible amount
- 2014 social security wage base is \$117K up from \$113,700
- Children are not taxed on the first \$1K of unearned income, are taxed at their own rate on the next \$1K and then taxed at their parents' rate for everything over that amount

2014 Tax Facts

- Standard mileage rate is 56 cents per mile (56.5 cents in 2013), 23.5 cents for medical and moving (24 cents in 2013) and 14 cents for charitable (unchanged as set by statute)
- IRA contribution limits did not change - \$5,500 plus catch-up provision of \$1K for those 55 and over
- 401(k), 403(b) and 457 employer plans limits did not change - \$17,500 plus catch up provision of \$5,500 for those 55 and over
- Simple IRA limit is \$12K plus catch up provision of \$2,500 for those 55 and over
- SEP IRA limit is \$52K (\$260K base) up from \$51K (\$255K base) in 2013

2014 Tax Facts

- Federal gift tax exclusion for 2014 remains unchanged at \$14K per person per year
- Federal Estate Tax exemption amount is \$5.34M compared to \$5.25M in 2013
- Start of filing season (2013) is delayed until January 31st due to the October 16-day federal government shutdown
- In total, 55 tax provisions expired as of 12-31-13 (it remains to be seen how many, if any, of these provisions will be retroactively extended by Congress for 2014; because this is a Congressional election year, many doubt Congress will address these issues, if at all, until after election day in November)

2014 Ordinary Income Tax Brackets

Rate	Single Filers	Married Joint Filers	Head of Household Filers
10%	\$0 to \$9,075	\$0 to \$18,150	\$0 to \$12,950
15%	\$9,076 to \$36,900	\$18,151 to \$73,800	\$12,951 to \$49,400
25%	\$36,901 to \$89,350	\$73,801 to \$148,850	\$49,401 to \$127,550
28%	\$89,351 to \$186,350	\$148,851 to \$226,850	\$127,551 to \$206,600
33%	\$186,351 to \$405,100	\$226,851 to \$405,100	\$206,601 to \$405,100
35%	\$405,101 to \$406,750	\$405,101 to \$457,600	\$405,101 to \$432,200
39.6%	\$406,751+	\$457,601+	\$432,201+

Standard Deduction & Personal Exemption

Filing Status	Deduction Amount
Single	\$6,200.00
Married Filing Jointly	\$12,400.00
Head of Household	\$9,100.00
Personal Exemption	\$3,950.00

Itemized Deduction & Personal Exemption Phase-out

Filing Status	Income Threshold
Single	\$254,200.00
Married Filing Jointly	\$305,050.00
Head of Household	\$279,650.00

Filing Status	Phase out Begin	Phase out Complete
Single	\$254,200.00	\$376,700.00
Married Filing Jointly	\$305,050.00	\$427,550.00
Head of Household	\$279,650.00	\$402,150.00

Weech Financial Tax Planning Goals

- Lower this year's tax
- Defer this year's tax to future years
- Reduce your tax in future years
- Maximize the tax savings from allowable deductions
- Minimize the effect of AMT on this year's tax liability
- Take advantage of available tax credits
- Maximize the amount of wealth that stays in your family
- Minimize capital gains tax
- Avoid penalties for underpayment of estimated taxes
- Free up cash for investment, business or personal needs by deferring your tax liability
- Manage your cash flow by projecting when tax payments will be required
- Minimize potential future estate taxes so you can leave the maximum amount to your beneficiaries/charities rather than the government
- Maximize the amount of money you will have for your retirement and education funding for your children

Questions & Discussion

Mark J Weech, CPA

4135 S Power Rd Ste 124

Mesa, AZ 85212

480-558-0700

mark@weechfinancial.com

www.weechfinancial.com



Weech
Financial, PLLC



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Management, LLC