

TAX TIMES

Michael L. Green Tax & Financial

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WHAT YOU NEED TO KNOW BEFORE FILING YOUR 2014 TAXES

“When you don’t fully understand tax laws, you may pay too much or risk an audit!”

Every year brings new and revised tax regulations, including deductions and credits to which you may be entitled. Unless you’re a professional tax practitioner, how can you be sure you’re receiving maximum benefit and fairness from the U.S. Tax Code? Depending on your personal situation, you could benefit from professional expertise.

KEEPING GOOD RECORDS REDUCES STRESS AT TAX TIME

Maintaining good records can make filing your return a lot easier, and it will help you remember transactions you made during the year. Here are a few things you should know about recordkeeping.

Generally speaking, you should keep any and all documents that may have an impact on your tax returns. Keep your records in a safe place.

You may wish to organize them by year and type of income or expense, or keep all records related to a particular item in a designated envelope.

Keeping well-organized records also ensures you can answer questions if your return is selected for examination or prepare a response if you receive a notice.

Individual taxpayers should usually keep the following records supporting items on their tax returns for at least three years:

- Bills
- Credit card and other receipts
- Invoices
- Mileage logs
- Canceled, imaged or substitute checks or any other proof of payment
- Any other records to support deductions or credits you claim on your return

You should normally keep records relating to property until at least three years after you sell or otherwise dispose of the property. Examples include:

- A home purchase or improvement
- Stocks and other investments
- Individual Retirement Arrangement transactions
- Rental property records

If you are a small business owner, you must keep all your employment tax records for at least four years after the tax becomes due or is paid, whichever is later. Examples of important documents business owners should keep include:

Enrolled Agents...

- advise, represent, and prepare tax returns for individuals, partnerships, corporations, estates, trusts and other entities;
- have strenuous requirements, both to obtain enrollment and to maintain the license through stringent, comprehensive tax education;
- are respected as “The Tax Professionals”

- Gross receipts: Cash register tapes, bank deposit slips, receipt books, invoices, credit card charge slips and Forms 1099-MISC
- Proof of purchases: Canceled checks, cash register tape receipts, credit card sales slips and invoices
- Expense documents: Canceled checks, cash register tapes, account statements, credit card sales slips, invoices and petty cash slips for small cash payments
- Documents to verify your assets: Purchase and sales invoices, real estate closing statements and canceled checks

Be sure to ask your Enrolled Agent or tax professional if you have any questions about what kinds of records you should keep, or how long you should keep them. Your Enrolled Agent can answer questions about how the law applies to your individual tax returns, and help you resolve any tax problems.

2014 Federal Filing Requirements for Most Taxpayers	
Filing Status	Gross income at least:
Single Taxpayer	
Under 65	\$10,150
65 or older	\$11,700
Married filing separate (regardless of age or vision) or jointly if not living with spouse at the end of 2014)	\$3,950
Married Filing Joint	
Both under 65	\$20,300
One spouse 65 or older	\$21,500
Both spouses 65 or older	\$22,700
Head of Household	
Under 65	\$13,050
65 or older	\$14,600
Qualifying Widow(er)	
Under 65	\$16,350
65 or older	\$17,550

California Use Tax Lookup Table -- Use It, or Start Saving Receipts

The explosion of electronic commerce has fueled an ongoing debate regarding its tax implications. In the face of a long-term shift to a service-driven economy, many states cannot risk losing an important source of sales/use tax revenue from purchases of tangible products.

According to the State of California Board of Equalization, California is aggressively collecting all the taxes the law allows no matter how small and that means tax due on Internet and out-of-state purchases.

If you purchase merchandise from a vendor located outside the state or country, you may owe California use tax. This includes purchases you make over the Internet. When you or your tax preparer, prepares your taxes you need to declare what purchases you made outside of California, because you can pay the use tax with your income tax return.

Use tax is like sales tax, however you will pay it directly to the state, rather than the retailer. The rule of thumb is, you owe use tax if what you bought would have been subject to sales tax if you purchased it at a local store and you didn't pay California sales tax. You generally owe California use tax when you use, store, or consume – in California – tangible personal property purchased from an out of state vendor. If the vendor does not collect the California tax on the purchase, the purchaser must pay the tax directly to the state. If you don't report and pay your use tax in a timely manner, such as with your income tax return, the state will assess penalties and interest.

Here are the details on the state's new use tax and lookup table.

For tax years beginning on or after January 1, 2014, taxpayers may report use tax for single non-business purchases of \$1,000 or less on their FTB return using either:

- The actual amount of tax due; or
- The amount shown on the lookup table.

Taxpayers who use the lookup table will indicate an estimated amount of use tax due based on AGI. The Board of Equalization approved the lookup table in 18 Cal. Code Regs 1685.5

Adjusted Gross Income (AGI) Range:	Use Tax
Liability	
Less Than \$20,000	\$ 5
\$20,000 to \$39,999	\$12
\$40,000 to \$59,999	\$19
\$60,000 to \$79,999	\$26
\$80,000 to \$99,999	\$33
\$100,000 to \$149,999	\$48
\$150,000 to \$199,999	\$66
More than \$199,999 -Multiply AGI by 0.035% (.00035)	

Safe Harbor

Using the lookup table provides a safe harbor for individuals who would rather not or forget to keep receipts of purchases made. The lookup table may only be used by taxpayers reporting use tax on their individual income tax returns (Form 540 series).

As a taxpayer who pays use tax using a Form BOE 401DS, Consumer Use Tax Return, they may not use the lookup table.

Example:

Ted surfs the Internet buying odds and ends that look interesting. Ted has not made a single purchase in excess of \$1,000 but estimates that his purchases were between \$1,500 and \$2,000. Ted's AGI is \$125,000. If Ted reports his use tax on Form 540, his use tax (using the table) is \$48.00.

If Ted wants to pay his use tax using FORM BOE 401D, he must total all of purchases, and calculate his use tax owed on those purchases.

COMMON ERRORS TO AVOID AT TAX TIME

Errors made on tax returns may delay the processing of your tax return, which in turn, may cause your refund to arrive later. Here are some common errors to avoid in order to guarantee that your refund arrives on time.

- Incorrect or missing Social Security Numbers. When providing SSNs for anyone listed on your tax return, be sure they are exactly as they appear on the Social Security cards.
 - Incorrect or misspelling of dependent's last name. When providing a dependent's last name on your tax return, ensure it is exactly as it appears on the Social Security card.
 - Filing status errors. Make sure your filing status complies with your situation. There are five filing statuses: Single, Married Filing Jointly, Married Filing Separately, Head of Household, and Qualifying Widow(er) With Dependent Child. Your Enrolled Agent can help you determine your correct filing status.
 - Math errors. When gathering information for your tax professional, be sure to take your time and review all math for accuracy.
 - Incorrect bank account numbers for Direct Deposit. Make sure that the financial institution routing and account numbers you provide for the return for a direct deposit of your refund are accurate. Incorrect numbers can cause the refund to be delayed or misdirected.
- Providing your Enrolled Agent with the correct information will expedite the filing process and ensure that you receive your refund as quickly as possible.

Health Care Reform “Obama-Care”

Everyone Must Have Health Care Insurance

Overview

President Obama signed comprehensive health reform, The Patient Protection and Affordable Care Act (P.L. 111-148), into law on March 23, 2010. The law added Section 5000A to the Internal Revenue Code. The original law and its subsequent changes are the most sweeping health care reforms the United States has ever experienced. We will summarize some of the most important features of the this law – most of them tax related, but some non-tax related.

The Law’s Overall Approach To Expanding Access To Medical Coverage

The law requires most U.S. citizens and legal residents to have health insurance. It will create Health Benefit Exchanges through which individuals can purchase coverage. Premium and cost-sharing credits will be available to individuals and families that purchase insurance through these exchanges if their income is between 133-400 percent of the federal poverty levels (FPL). Most employers will be required to offer health insurance or pay penalties for non-covered employees that receive health insurance tax credits through an exchange.

Please note the above information will affect your taxes in 2014. Please see the chart on the following page. This chart is from the Kaiser Family Foundation website and gives you an overview of the provision.

For additional information you may find these references helpful:

OBAMACAREFACTS.com	Discussion of Health Care Reform Act
COVEREDCA.com	California’s Health Insurance Exchange
HEALTHCARE.gov	Federal Health Insurance Exchange
Aspe.hhs.gov/proverty/	Federal Poverty Level Guidelines
KFF.or/health-reform/	Kaiser Family Foundation Health Reform

Basic income tax references to “2010 Patient Protection and Affordable Care Act (P.L. 111-148)” and Internal Revenue Code Section 5000A (including Proposed Regulations Section 1.5000A-0 through 5) are also very useful.

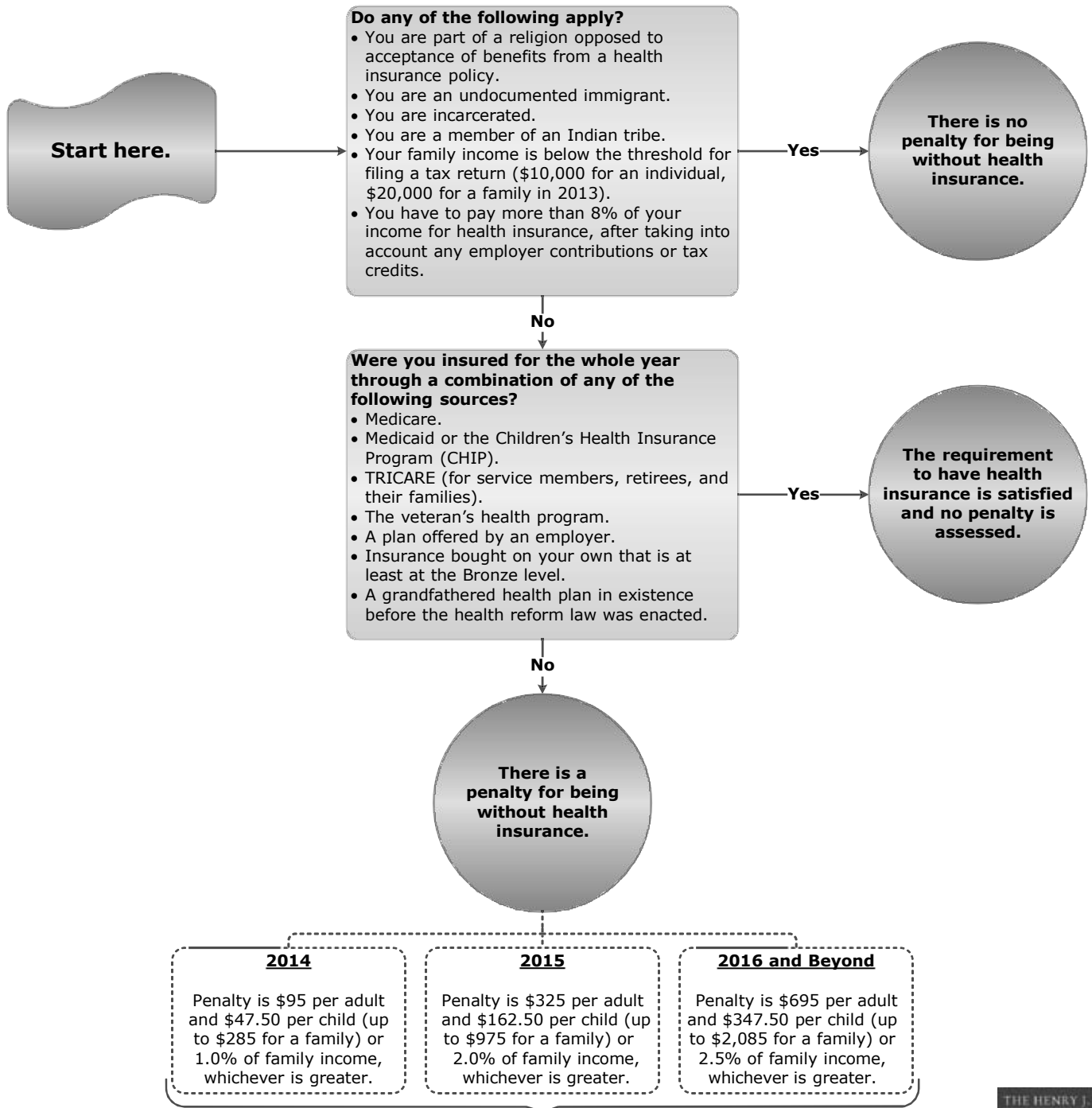
Important Notice

Beginning on Page 5 you will see the Tax Appointment Worksheet. It’s a useful tool to help you gather the needed information while preparing your 2014 taxes.

Please note, this year is the first year you will need to report whether you are covered by health insurance or meet an exception. For those who have received a government subsidy for the purchase of health insurance, there will be a reconciliation of that subsidy. For those who were eligible to take the subsidy, but opted to receive the credit, the credit will be calculated on this year’s return.

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Beginning in 2014



Income is defined as total income in excess of the filing threshold (\$10,150 for an individual and \$20,300 for a family in 2014). The penalty is pro-rated by the number of months without coverage, though there is no penalty for a single gap in coverage of less than 3 months in a year. The penalty cannot be greater than the national average premium for Bronze coverage in an Exchange. After 2016 penalty amounts are increased annually by the cost of living.



Key Facts:

- **Premiums for health insurance bought through Exchanges would vary by age. The Congressional Budget Office estimates that the national average annual premium in an Exchange in 2016 would be \$4,500-5,000 for an individual and \$12,000-12,500 for a family for Bronze coverage (the lowest of the four tiers of coverage that will be available).**
- **In 2012 employees paid \$951 on average towards the cost of individual coverage in an employer plan and \$4,316 for a family of four.**
- **A Kaiser Family Foundation subsidy calculator illustrating premiums and tax credits for people in different circumstances is available at <http://healthreform.kff.org/subsidycalculator.aspx>.**

Tax Appointment Worksheet

	<input checked="" type="checkbox"/>	Event	Documents or Information Needed
1	<input type="checkbox"/>	Married or divorced in 2014	Married – prior year return of both spouses Divorced – copy of the divorce decree
2	<input type="checkbox"/>	Birth or Adoption	Social Security cards and adoption papers
3	<input type="checkbox"/>	Death of child or spouse	Date of death – death certificate copy
4	<input type="checkbox"/>	Additional members of household	Date of occupancy and relationship
5	<input type="checkbox"/>	Job change	Start date, name of new employer, W-2s from new & old employers
6	<input type="checkbox"/>	Unemployment	Unemployment Form 1099G
7	<input type="checkbox"/>	Retirement contribution	Type of plan, amount of contribution
8	<input type="checkbox"/>	Retirement distributions	Form 1099-R
9	<input type="checkbox"/>	Social Security Benefits	Form 1099-SSA
10	<input type="checkbox"/>	Sale of stocks, bonds, etc.	Form 1099-B or other sale documents; basis or original costs
11	<input type="checkbox"/>	Purchase of stocks, bonds, etc., personal residence, or other real estate	Purchase documents; closing papers
12	<input type="checkbox"/>	Inheritance	Will; K-1 from the estate
13	<input type="checkbox"/>	Trade any property	Date of trade, property given up and property received, basis and FMV; qualified intermediary sales agreements or closing papers
14	<input type="checkbox"/>	Start or end a small business	Formation or termination dates; property contributions, distributions
15	<input type="checkbox"/>	Lawsuit settlements	Date received; reason for the settlement; 1099-MISC
16	<input type="checkbox"/>	Rental property	Income, expenses, new property purchased
17	<input type="checkbox"/>	Prizes	Form 1099-MISC; value of prizes not included on Form 1099-MISC
18	<input type="checkbox"/>	Lottery or gambling winnings	Total amount won whether on W-2Gs or not; total amount of losses
19a	<input type="checkbox"/>	Health insurance, medical, dental, or drug expenses	Health insurance premiums; if it is an employer plan, know whether it is paid with pretax dollars; medical, dental, and drug expenses
19b	<input type="checkbox"/>	Health insurance requirements	Form 1095 from employer, exchange or marketplace
19c	<input type="checkbox"/>	Medical miles	During 2014, 23.5 cents per mile
20	<input type="checkbox"/>	State income or property taxes paid	Prior year's income tax return; property tax bills; closing papers from the purchase or sale of property; letter from the state regarding any change in a prior filed return
21	<input type="checkbox"/>	Purchase/ refinance sale of a home	Closing papers from purchase; Forms 1098; recapture credit repay
22a	<input type="checkbox"/>	Charitable contributions of money, property, or out-of-pocket expenses	Date and type of contributions, IRA transfer receipts from organizations have been received; mileage log for charitable work
22b	<input type="checkbox"/>	Charitable miles	During 2014, 14 cents per mile
23a	<input type="checkbox"/>	Job-related expenses	Mileage log, travel, or miscellaneous expense amounts for items related to employment
23b	<input type="checkbox"/>	Business miles	During 2014, 56 cents per mile
24	<input type="checkbox"/>	Educational or student loan interest expenses	Form 1098-T for parents or children; interest record for student loans
25	<input type="checkbox"/>	Child or disabled spouse care	The name, address, and ID number of the day care provider; the amount paid to the provider; if the provider comes into your home a W-2 may be required
26	<input type="checkbox"/>	Energy credit	Information regarding the purchase of wind energy personal property
27	<input type="checkbox"/>	Bankruptcy/debt forgiveness/ foreclosure	Date filed/court docs; 1099A or 1099C, date property taken by lender or sold
28	<input type="checkbox"/>	Foreign investments or holdings	Foreign financial interests or accounts

Making the Most of Non-Cash Charitable Donations

During the year, we all do some closet cleaning and take plastic bags or cardboard boxes of used clothing and household goods to local non-profit organizations or arrange for a truck to come to the home and pickup the items.

If you itemize your deductions on your federal income tax return, those donations can be tax dollar savers. To help you determine the value of your non-cash donations, here are some helpful hints:

Make a list of the donated property, being sure to make a separate list for each bag or box that is donated. At the top of the list, write the name and address of the charity along with the date the donation was made.

Divide the list into several columns and complete as accurately as possible:

- Description of item
- Quantity (# of shirts, slacks, sweaters, etc)
- Condition of item (new, good, fair or poor)
- Fair market value at the time of the donation
- Date acquired and cost basis (if known)

The Internal Revenue Service allows a deduction for the fair market value at the time of the donation. That value can be determined by an appraisal, through a catalog or using thrift shop values.

Below is a list of various items that are usually available at the **Salvation Army and Goodwill** donation centers with a high/low range of values for items in good condition (means appliances are in working order and clothing or bedding items are clean and not torn). As always, please feel free to call the office and discuss your personal situation with regard to these and other non-cash charitable donations.

WOMEN'S CLOTHING	FURNITURE	APPLIANCES	CHILDREN'S CLOTHING
Bathrobe	\$2-10 Bed (w/springs/mat-dble)	\$50-120 Coffee Maker	\$4-15 Boots
Blouse	2-12 Bed (w/springs/mat-single)	35-80 Dryer	45-90 Coat
Coat	7-40 Chest	25-95 Gas Stove	50-125 Crawlers
Dress	3-30 China Cabinet	85-300 Iron	5-10 Dress
Handbag	3-9 Coffee Table	10-12 Microwave	10-50 Pants, Jeans
Hat	1-8 Crib W/mattress	25-100 Refrigerator	75-250 Blouse, Shirt
Jacket	4-12 Desk	25-140 Toaster	10-15 Slacks, Skirts
Pants	2-10 Double Mattress	25-50 Vacuum Cleaner	20-60 Shoes
Pants Suit	2-10 Dresser W/mirror	20-100 Washer	40-150 Snowsuit
Shoes/boots	4-18 End Tables (2)	4-20 Air Conditioner	20-90 Sweater
Skirt	2-12 Floor Lamp	6-30	
Suit	5-30 Folding Bed	20-60	
Sweater	2-20 Futon	50-225	
MISC.	Kitchen Set (Tble, 2 Chrs)	35-170	
Christmas Tree	\$15-50 Playpen	4-30	
Riding Mower	100-300 Single Mattress	15-35	
Lawn Mower	25-100 Stroller	10-40	
Elec. Typewriter	75-200 Cvrtbl Sofa (W/mattress)	90-300	
Color Television	75-225 Sofa	35-200	
Sewing Machine	15-85 Table Lamp	5-75	
Books/hardback	1-3 Trunk (Wood)	15-30	
Books/paper	.75-1.50 Upholstered Chair	25-90	
Board Games	1-3		
Luggage	5-15		
SPORTING GOODS	DRY GOODS	ELECTRONICS	
Bicycle	\$20-60 Bedspread (double)	Computer	\$100-400
Fishing Rod	3-16 Blanket	Monitor	5-50
Ice Skates	3-15 Curtains (single)	Printer (Dot Matrix)	10-50
Roller Blades	3-15 Drapes	Printer (Laser)	50-125
Pool Table	20-75 Pillow	Radio	10-50
Tennis Racket	3.00 Sheet	Television	75-225
	Throw rug	Typewriter (Electric)	75-200

The IRS requires a dated, written receipt for all cash and non-cash donations, as well as a written list of items donated, including their values. Your list(s) and receipt(s) will not be attached to your tax return unless the aggregate total of the items exceeds \$500, but should be part of your records in the event your tax return is selected for audit.



Non-Cash Contribution Worksheet for Tax Year

A	B	C	D	E	F	G	H	I
	QTY.	FMV	TOTAL			QTY.	FMV	TOTAL
LADIES					CHILDRENS			
CLOTHING					CLOTHING			
Blouses					Blouses			
Bathrobes					Boots			
Boots					Coats			
Bathing suits					Dresses			
Coats					Jackets			
Dresses					Jeans/Pants			
Evening dresses					Snowsuits			
Fur coats					Shirts			
Handbags					Shoes			
Hats					Skirts			
Jeans/Slacks					Slacks			
Skirts					Sweaters			
Shoes								
Slips/bras								
Suits					MENS			
Sweaters					CLOTHING			
					Coats			
DRY GOODS					Jackets			
					Jeans/Slacks			
Blankets					Shirts-Dress			
Bedspreads					Shirts-Polo			
Curtains					Shoes			
Drapes					Sport Jackets			
Pillows					Sweaters			
Sheets					Suits			
Throw rugs					Ties/belts			
Towels								
					HOUSEHOLD			
FURNITURE					ITEMS			
Chairs/recliners					Bric-a-brac			
LoveSeats/sofas					Dishes			
Table & chairs					Glassware			
Other tables					Pots & pans			
Other chairs					Utensils			
Area rugs					Lamps			
Baby items:					Mirrors			
Cribs					Pictures			
High chairs					Sewing machines			
Playpens					Luggage			
Strollers					Toys & games			
					Books - hardback			
OTHER ITEMS					Books - paperback			
					Magazines			
					Computer			
					Printer			
Total column D					GARAGE ITEMS			
Total column I								
Grand total					Lawn mowers			
Lawn tools								
Date of donation:					Wheelbarrow			
Receipt attached ?					Lawn furniture			
Name & address					Gas grills			
of organization					Small tools			

2014 California Tax Rate Schedule

Note: California has a 1% surtax on taxable income above \$1 million (all filing statuses)

Single, Married/RDP Filing Separately					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$7,749	\$0.00	plus	1%	\$0
7,749	18,371	77.49	plus	2%	7,749
18,371	28,995	289.93	plus	4%	18,371
28,995	40,250	714.89	plus	6%	28,995
40,250	50,869	1,390.19	plus	8%	40,250
50,869	259,844	2,239.71	plus	9.30%	50,869
259,844	311,812	21,674.39	plus	10.30%	259,844
311,812	519,687	27,027.09	plus	11.30%	311,812
519,687	and over	50,516.97	plus	12.30%	519,687
Married filing joint and Qualifying widow(er) w/Dependent child					
If taxable income is:					Of amount over:
Over	But not over	Tax is:			
\$0	\$15,498	\$0.00	plus	1%	\$0
15,498	36,742	154.98	plus	2%	15,498
36,742	57,990	579.86	plus	4%	36,742
57,990	80,500	1,429.78	plus	6%	57,990
80,500	101,738	2,780.38	plus	8%	80,500
101,738	519,688	4,479.42	plus	9.30%	101,738
519,688	623,624	43,348.77	plus	10.30%	519,688
623,624	1,039,374	54,054.18	plus	11.30%	623,624
1,039,374	and over	101,033.93	plus	12.30%	1,039,374
Head of Household					
If taxable income is:					Of amount over:
Over	But not over	Tax is:			
\$0	\$15,508	\$0.00	plus	1%	\$0
15,508	36,743	155.08	plus	2%	15,508
36,743	47,366	579.78	plus	4%	36,743
47,366	58,621	1,004.70	plus	6%	47,366
58,621	69,242	1,680.00	plus	8%	58,621
69,242	353,387	2,529.68	plus	9.30%	69,242
353,387	424,065	28,955.17	plus	10.30%	353,387
424,065	706,774	36,235.00	plus	11.30%	424,065
706,774	and over	68,181.12	plus	12.30%	706,774
Exemption Credits					
Married/RDP filing joint and qualifying widow(er)					\$216
Single, Married/RDP filing separately, Head of Household, blind, and age 65 or older					\$108
Dependent					\$333
2014 California Standard Deductions (taxpayer not as dependent)					
Single and married/RDP filing separately					\$3,992
Married/RDP filing joint, qualifying widow(er) & Head of Household					\$7,984
2014 Federal Standard Deductions (Taxpayer not a dependent)					
Single					\$6,200
Married filing separate					\$6,200
Married filing joint and qualifying widow(er)					\$12,400
Head of Household					\$9,100

2014 Federal Tax Rate Schedules

Federal Personal Exemption. . . . \$3,950

Single					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$9,075	\$0.00	plus	10%	\$0
\$9,075	36,900	907.50	plus	15%	\$9,075
36,900	89,350	5,081.25	plus	25%	36,900
89,350	186,350	18,193.75	plus	28%	89,350
186,350	405,100	45,353.75	plus	33%	186,350
405,100	406,750	117,541.25	plus	35%	405,100
406,750	and over	118,118.75	plus	39.6%	406,750
Married Filing Separately					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$9,075	\$0.00	plus	10%	\$0
\$9,075	36,900	907.50	plus	15%	\$9,075
36,900	74,425	5,081.25	plus	25%	36,900
74,425	113,425	14,462.50	plus	28%	74,425
113,425	202,550	25,382.50	plus	33%	113,425
202,550	228,800	54,793.75	plus	35%	202,550
228,800	and over	63,981.25	plus	39.6%	228,800
Married Filing Jointly or Qualifying widow(er)					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$ 18,150	\$0.00	plus	10%	\$0
18,150	73,800	1,815.00	plus	15%	18,150
73,800	148,850	10,162.50	plus	25%	73,800
148,850	226,850	28,925.00	plus	28%	148,850
226,850	405,100	50,765.00	plus	33%	226,850
405,100	457,600	109,587.50	plus	35%	405,100
457,600	and over	127,962.50	plus	39.6%	457,600
Head of Household					
If taxable income is:					Of Amount over:
Over	But not over	Tax is:			
\$0	\$12,950	\$0.00	plus	10%	\$0
12,950	49,400	1,295.00	plus	15%	12,950
49,400	127,550	6,762.50	plus	25%	49,400
127,550	206,600	26,300.00	plus	28%	127,550
206,600	405,100	48,434.00	plus	33%	206,600
405,100	432,200	113,939.00	plus	35%	405,100
432,200	and over	123,424.00	plus	39.6	432,200
2014 Federal Add'l Std Ded. Blind and/or Elderly Taxpayers					
Single & Head of Household					
Blind or Elderly					\$1,550
Blind and Elderly					\$3,100
Married taxpayers filing joint, married filing separate and qualifying widow(er)					
Blind or Elderly (per taxpayer)					\$1,200
Blind and Elderly (per taxpayer)					\$2,400