What's New for 2015?

(Summary of Some Pertinent IRS Changes that may affect your 2015 return)

2016 tax filing season officially starts on Tuesday, January 19, 2016 when IRS will begin accepting all returns (electronically and paper filed).

Our firm's **MANDATORY** filing deadline will be **Friday, April 15, 2016.** Please note that we will **NOT** process any tax returns or extension filings after this date.

I. In December 2015, President Obama signed the Protecting Americans from Tax Hikes (PATH) Act of 2015 which, among other things, renewed some tax benefits and permanently extended and enhanced others. Some of these are:

Permanent Provisions

Individual: the PATH Act permanently extends:

- Itemized deduction for state and local general sales taxes in lieu of income taxes;
- Above-the-line deduction for classroom expenses paid by elementary and secondary school teachers;
- American Opportunity Tax Credit for higher education expenses;
- Parity for the income exclusion for employer-provided mass transit and parking benefits; and
- Enhancements to the earned income tax credit and child tax credit that were enacted in the American Recovery and Reinvestment Act of 2009 and scheduled to expire in 2017.

Business: the PATH Act permanently extends (and in some cases modify) the following provisions:

- The research and experimentation credit;
- Increased expensing limits under section 179;
- 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements;

Charitable giving: the PATH Act made the following permanent:

- Tax-free treatment of distributions from individual retirement plans by individuals age 70-1/2 and older for charitable purposes;

Long-term extension

- Bonus depreciation (5 year extension) and the election to accelerate alternative minimum tax credits in lieu of first-year bonus depreciation, phased down over five years and sunsetting in 2020. The agreement provides for 50 percent bonus depreciation in 2015, 2016, and 2017; 40 percent in 2018; and 30 percent in 2019.

II. **Information reporting about health coverage.**

- If you or someone in your family had health coverage in 2015, the provider of that coverage is now required to send a Form 1095-A, 1095-B, or 1095-C (with Part III completed) by January 31, 2016, that lists individuals in your family who were enrolled in the coverage and shows their months of coverage. You do not need to attach these forms to your return, but it is used to complete line 61 of return.

- The rules for Health care individual responsibility continue for your 2015 tax filing. On your tax return, you must either:
    1. Indicate that you and your family had health coverage throughout 2015
    2. Claim an exemption from health care coverage requirement and attach form 8965
    3. Make a "shared responsibility" payment if for any month during 2015 you and/or your dependent(s) did not have coverage and don't qualify for an exemption. For 2015, the penalty for failure to maintain minimum essential coverage for individuals increased to the greater of $325 (single)/$975 (families) or 2% of income.
- The most significant ACA development impacting employers is the shared responsibility penalty for applicable large employers and related reporting requirements

Following is a summary of some information reminding you of the current tax rates and rules:

2015 Rates -

- **Income tax rates -** The highest tax rate remains 39.6%
- **Medicare Tax -** a 0.9% Additional Medicare Tax applies to Medicare wages, railroad retirement (RRTA) compensation, and self-employment income that are over the below thresholds
- **Net Investment Income Tax -** you may be subject to Net Investment Income Tax (NIIT). The NIIT is 3.8% of the smaller of (a) your net investment income or (b) the excess of your modified adjusted gross income over the below thresholds.

  $125,000 if married filing separately,
  $250,000 if married filing jointly or qualifying widow(er), or
  $200,000 for any other filing status
- **Tax rate on net capital gain and qualified dividends.** The maximum tax rate is 20% on net capital gain and qualified dividends for high income taxpayers.

Medical and dental expenses - You can deduct only the part of your medical and dental expenses that is more than 10% of your adjusted gross income (7.5% if either you or your spouse is age 65 or older).

Limit on itemized deductions and Personal exemptions- You may not be able to deduct all of your itemized deductions, and your personal exemptions ($3,950 each) will begin to phase-out if your adjusted gross income is more than:

$156,000 if married filing separately,
$258,250 if single,
$284,050 if head of household, or
$309,900 if any other filing status

Same-sex marriages - If you have a same-sex spouse whom you legally married in a state (or foreign country) that recognizes same-sex marriage, you and your spouse generally must use the married filing jointly or married filing separately filing status, even if you and your spouse live in a state (or foreign country) that does not recognize same-sex marriage.

Health flexible spending arrangements (FSAs) - You cannot have more than $2,550 in salary reduction contributions made to a health FSA for plan years beginning after 2014 and can roll over up to $500 of unused funds at the end of the plan year.

Home office deduction simplified method - If you can take a home office deduction, you may be able to use a simplified method to figure it.

Standard mileage rates -The 2015 rate for business use of your car is 57.5 cents a mile. The 2015 rate for use of your car to get medical care is 23 cents a mile, the 2015 rate for use of your car for service of charitable organizations is 14 cents a mile.