**Highlights of**

**Tax Law Changes**

**For 2014**

**Tax Extenders**

* The Tax Increase Prevention Act of 2014 was signed into law by Congress in December.
* It provides a one-year (2014)extension of certain tax benefits including:
  + - Bonus depreciation and the $500,000 of Sec 179 expensing;
    - $250 teacher supply deduction and tuition deduction;
    - Exclusion for personal residence COD income;
    - Mortgage insurance premium deduction as mortgage interest;
    - Election for itemizers to deduct sales tax in lieu of income tax;
    - Contributions of real property for qualified conservation purposes;
    - And IRA transfers to charity in lieu of required minimum distributions.
* Contains ABLE (Achieving a Better Life Experience) Act which provides a new tax-favored savings vehicle for disabled individuals. Details are available at ABLE Act FAQs-113th Congress.

**Net Investment Income Tax (NII)**

* Higher income individuals (those married filing jointly who report over $250,000 of AGI and single and head of household filers who report over $125,000) are subject to net investment income tax (3.8%) on their overall investment income: interest, dividends, capital gains, rents, royalties, and other passive activities.

**Affordable Care Act**

* The individual shared responsibility provision of the act took effect on 1-1-2014.
* The employer shared responsibility requirement was delayed to 2015.
* All individuals and their dependents are required to have qualifying insurance coverage otherwise they are subject to shared responsibility penalty.
* Exemptions are available to qualified individuals. They must file Form 8975 with their federal tax return.
* Individuals who obtain insurance on the PPACA marketplace may be eligible for tax credits and cost sharing subsidies.
* Delayed to 2015 is the requirement that employers with 100 or more full time workers provide coverage up to 70% of qualified employees with affordable health coverage or pay a fine.

**AMT**

* AMT for married joint filers will be $83,400 in 2015(up from $82,100 in 2014).
* AMT for single filers will be $53,600 in 2015 (up from $52,800 in 2014).
* For married separate filers, the amount will be $41,700 (up from $41,050 in 2014).

***There’s more on the other side***

**Social Security**

* Wage base subject to Social Security and Medicare withholding has increased from $117,000 in 2014 to $118,500 for 2015. There is a 1.5% increase in benefits.
* A .9% Medicare surtax is new for 2014 on income over $200,000 for singles and $250,000 on joint filers.
* The Medicare Part B premium remains the same ($104.90) but will be higher for upper income taxpayers.

**Income items**

* Income tax brackets have widened out because of the effects of inflation. The standard deduction and personal exemptions have increased but high income earners will be affected by phase-out percentages for itemized deductions and personal exemptions.
* The estate and gift tax exemption for 2014 is up to $5,340,000. The gift tax exclusion is up to $14,000 for gifts to individuals.
* The 2014 business mileage rate for travel is 56 cents per mile, medical travel is 23.5 cents per mile and charitable travel is 14 cents per mile.
* Frequent flyer miles earned by travel converted to a ticket are not considered income. However points received toward a ticket (for example by opening a new bank account) are includable in the taxpayer’s income.

**Retirement Planning**

* There is a new retirement savings vehicle (myRA) available for workers without access to an employer provided plan. The program will offer the following:
  + - The account will be a Roth IRA and have the same tax treatment and follow the rules of a Roth;
    - It will have no fees and can be opened for as little as $25 through payroll direct deposit.
    - The account will never go down in value and will be backed by the full faith and credit of the United States;
    - Available for anyone with an annual income of less than $129,000 a year for individuals and $191,000 for couples;
    - Will earn interest at the same rate at the government Securities Investment Fund;
    - Savers may voluntarily roll over myRAs to private sector retirement accounts at any time.
* Taxpayers can use up to ¼ of their balance in a 401(k) or IRA to purchase a longevity annuity that will begin payments when the plan participant reaches age 85.
* Supreme Court ruled that funds from an inherited IRA are not “retirement funds” for the purpose of qualifying for exemption from debtor’s bankruptcy.

*“The 114th Congress, which convened on January 6, 2015, is likely to start the tax reform process anew.”*