



The 2014 tax season is approaching.

The good news: Taxes on the same income as last year are lower due to indexing.

Other news:

All taxpayers are required to have health insurance.

- Taxpayers not having adequate health coverage will pay a penalty unless they are considered exempt. The penalty will start small in 2014 and increase over time.
- Taxpayers that are already a part of their employer's eligible plan are considered covered and do not have to be concerned about penalties.
- Exempt individuals are those incarcerated, not legally present in the United States, members of certain religious sects, American Indians, those on Medicare or Medicaid, Children's Health Insurance, veteran's health care, or any other government insurance.
- If you purchased health insurance from the Health Insurance Marketplace which was open for enrollment until March 31, 2014 and your income was under 400% of the Federal Poverty level, you are eligible to receive a Premium Tax Credit. When you file your 2014 tax return, the credit you received will be adjusted depending on your current income. Only taxpayers who purchased health insurance from the Marketplace will get this credit.
- If you missed out on the Marketplace for 2014, the Marketplace to purchase insurance for 2015 runs from November 15, 2014 to February 15, 2015.

The IRS is understaffed.

- The IRS budget was slashed by 1 billion since 2010, and 10,000 employees have been lost.
- Audits are lower than any year since 2005. Last year's audit rate was 0.96%.
- The IRS is behind in answering correspondence. At the end of 2013, it had a backlog of about 1.1 million letters. If you are waiting for an answer to your letter, just wait.
- If you have amended a tax return, you may have to wait at least 12 weeks for a response.
- There is no more free walk-in tax preparation assistance at IRS offices, and tax law questions from taxpayers are directed to the IRS website.

The Supreme Court has been busy making tax decisions.

- Bankruptcy creditors can get inherited IRAs.
- Severance pay to laid-off employees is subject to FICA. The IRS likes this decision because it would owe over 1.3 billion if the decision went the other way.
- A for-profit corporation, Hobby Lobby, argued in court that the contraceptive mandate in the ObamaCare bill violated its religious beliefs. They won. The Supreme Court has never before made a decision for a for-profit corporation on religious rights.

In spite of its budgetary restraints, the IRS has made some interesting decisions.

- The IRS has adopted a new *Taxpayer Bill of Rights*, including the following rights...
 - * to be informed *
 - * to quality service *
 - * to pay no more than the correct amount of tax *
 - * to challenge the IRS position and be heard *
 - * to appeal to the IRS in an independent forum *
 - * to finality *
 - * to privacy *
 - * to confidentiality *
 - * to retain representation *
 - * to a fair and just tax system *
- The IRS has loosened rules for taxpayers who non-willfully miss the reporting of foreign accounts. Those who willfully fail to report foreign accounts - that's another story.
- The IRS announced that taxpayer identification numbers issued to aliens (ITINs) will no longer expire after 5 years if they are used on tax returns.
- Bitcoins are now treated as property for tax purposes. If they are accepted for payment they are included in income. If they are exchanged or sold, a gain or loss will be realized.
- Many small tax exempt groups can apply for 501(C)(3) status with a new 3 page application (1023-EZ) instead of the 26 page application (1023).