

2014: Facts and Consequences

The 2014 tax year is already off to a busy start. This document briefly outlines what has already happened (the facts) and how it might affect you this tax year (the consequences).



2014 is an election year.





Consequences:

Any action from Congress will most likely be last minute. The most important tax item on the agenda is approval of the extenders. The extenders include 55 tax provisions that expired on December 31, 2013. Some or all of these extenders are expected to be revived, later rather than sooner. There will most likely be a last minute tax bill on this issue causing some delays in the beginning of next years filing season. Some of the more likely to survive provisions include the following:

- Direct transfers of IRAs to charity,
- Optional sales tax itemized deduction
- Energy credits
- Home mortgage debt forgiveness relief
- Mortgage insurance premiums treated as deductible interest
- Tuition and fees deduction for higher education
- Educator expense deduction
- 50% bonus depreciation, and generous Section 179 expensing on business equipment

We'll just have to wait until Congress makes a decision.

... and also ...

Tax reform, for the moment, is on the back burner since it needs Congressional action. So, taxes on the same income will be even lower than last year due to indexing.



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. For 2014, uninsured individuals will pay the greater of \$95 or 1% of their income over the filing threshold for 2014.

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 is under 400% of the Federal Poverty level, you will receive a Premium Assistant Credit. This will be paid to your insurance company to reduce premiums. When you file your 2014 tax return, the credit you received will be adjusted either up or down depending on your current income. Only taxpayers who purchased health insurance from the Health insurance 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.

You can still get 2014 coverage through the Marketplace in special cases including marriage, birth, adoption, a move outside your service area, loss of health coverage, applying for Medicaid, and more.



The supreme court has been busy making tax decisions.





Bankruptcy creditors can tap into inherited IRA money.

Severance pay to laid-off employees is subject to FICA. The IRS is happy about 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. The contraceptive mandate in its current form has been determined "unlawful" because it burdens freedom of religion. The Supreme Court has never before made a decision for a for profit corporation on religious rights. You can expect to see a lot of comment on this issue.

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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%. That's 1.4 million audits a year (one out of every 104 returns).

The IRS is way 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 correspondence, you probably will have to wait a little longer.

If you have amended a tax return, the IRS web site suggests that you will probably have to wait at least 12 weeks for a response. After 3 weeks, you can check your status online. You will need your Social Security number, date of birth, and zip code.

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.

Applications for Employer Identification numbers are no longer taken by telephone. Taxpayers requesting an EIN can apply online or by fax.

Fact:

Despite its budgetary restraints, the IRS has made some decisions that might be of interest.





The IRS has loosened rules for taxpayers who non-willfully miss the reporting of foreign accounts. Those who willfully fail to report... 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.

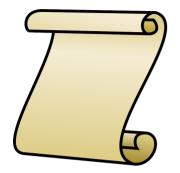
Bitcoins are now treated as property for tax purposes. If they are accepted for payment they are included in income. If they are exchanged or sold, a gain or loss will be realized.

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).

The IRS has decided that IRA rollovers from one account to another or IRA withdrawals replaced within 60 days will be allowed only once a year, beginning in 2015.



Taxpayers have a new bill of rights.





Those who know their rights will be able to deal with the IRS more efficiently. Your rights include:

- The right to be informed
- The right to quality service
- The right to pay no more than the correct amount of tax
- The right to challenge the IRS position and be heard
- The right to appeal to the IRS in an independent forum
- The right to finality
- The right to privacy
- The right to confidentiality
- The right to retain representation
- The right to a fair and just tax system

Keep this list in mind in your IRS dealings. They should make you feel a little more powerful.

Details about the IRS's new bill of rights can be found at the following web address: http://www.irs.gov/Advocate/Taxpayer-Rights