JENNIFER A. JONES, CPA, LTD.

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2015 Cost-of-Living Limits

IRA Contribution Limit $5,500

IRA 50 & Over Catch-up Contribution $1,000

401(k) Deferral Limit $18,000

401(k) 50 & Over Catch-up Contribution $6,000

SIMPLE Deferral limit $12,500

SIMPLE 50 & Over Catch-up Contribution $3,000

Annual Compensation limit $265,000

Defined Contribution IRC Sec 415 limit $53,000

Compensation limit for SEP eligibility $600

IRC Section 179 $25,000

Estate Tax Exclusion $5,430,000

Gift Tax Annual Exclusion $14,000

Social Security Wage Base $118,500

2014 & Prior Years' Limits

2015 Standard Mileage Rates:

Business mileage rate **$0.575**

Medical & Moving mileage rate **$0.230**

Charitable mileage rate **$0.14/mile**

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Are Electronic Accounting Records Enough? Generally, anyone can create or alter transactions in electronic accounting records long after the fact. If the IRS questions your company's tax return, supplying only records from electronic accounting software will be insufficient. IRS guidelines and audit procedures assume that electronic journal entries are supported by paper records and documentation because JEs made on software can be changed, making them less reliable, in the IRS's view, *Tax Notes Today* reports.

The Bankruptcy Court has ruled that electronic JEs alone neither document a transaction nor the parties' intent. The IRS and the Tax Court take a similar stance. In some cases, the Tax Court has ruled that accounting software records were insufficient or that they had to be accompanied by supporting records—and in one case, that relying on electronic entries without retaining the source records was negligent. When electronic records were the only proof offered of certain transactions, the IRS has at least on one occasion pushed for a fraud penalty.

You are allowed to record transactions on your accounting software and use reports from it to prepare tax returns. But to prove or support the transactions, you need source documents. Although no federal regulation specifically requires that supporting documents be on paper, it is unclear whether the IRS is willing or able to audit all-electronic taxpayers. If you use electronic documentation such as images, keep them as long as you would paper records and be prepared to satisfy the IRS that such records are contemporaneous with the transactions and have not been altered since.

For the reasons described in the court's decision¸ be extremely careful about revising or altering electronically recorded transactions (and limit access to the software by other staff). The IRS may ask for a full copy of your software as of the day of audit to check the metadata for when various transactions were recorded vs. when they were revised. **Back to Top**

Documenting Business Deductions: Bank and credit card statements alone will not establish most business deductions. You also need:

1. the date and amount of the payment;
2. the payee;
3. the goods or services paid for;
4. the invoice, receipt, or bill; and
5. the business purposes of the expenses deducted. Back to Top

Taxpayer Losses to IRS Scammers Exceed $20 Million: The Treasury Inspect General for Tax Administration (TIGTA) has received reports of approximately 600,000 contacts from IRS imposters since October 2013. The scammers use fear and a variety of deceitful tactics to trick taxpayers. In the early stages, the scammers targeted elderly, newly arrived immigrants, and those whose first language is not English. However, they are now targeting virtually anyone. The scammer alters what appears on the taxpayer's caller ID to make it appear as though they are with the IRS or another agency; use fake names, titles, and badge numbers; and use online resources to obtain the taxpayer's name, address, and other details about them to increase their credibility. Some will provide victims directions to the nearest bank or business where payment, such as a debit card, can be obtained. Taxpayers are urged to remember the IRS's website is www.irs.gov and to not be misled by sites claiming to be the IRS when ending in .com, .net, .org, or other designations. IR-2015-99. . Back to Top

IMPORTANT HEALTH CARE INSURANCE CHANGES

Employers Cannot Reimburse or Pay Individual Health Care Policies on a Pretax Basis: In recently posted employer healthcare arrangement FAQs, the IRS warns employers about using employer payment plans to reimburse employees on a pretax basis for health insurance premiums the employee pays on an individual policy (either through a qualified health plan in the Marketplace or outside the Marketplace). As explained in Notice 2013-54, these employer payment plans are considered to be group health plans subject to the market reforms, including the prohibition on annual limits for essential health benefits and the requirement to provide certain preventive care without cost sharing. Notice 2013-54 clarifies that such arrangements cannot be integrated with individual policies to satisfy the market reforms. Consequently, such an arrangement fails to satisfy the market reforms and may be subject to a $100/day excise tax per applicable employee (which is $36,500 per year, per employee) under IRC Sec. 4980D. (The term *employer payment plan* generally does not include an arrangement under which an employee has the option of receiving an after-tax premium reimbursement or taking that amount in cash compensation. Thus, employers can reimburse employees for individual policies on an after-tax basis without violating market reforms.) The IRS FAQs can be found at www.irs.gov/uac/Newsroom/Employer-Health-Care-Arrangements. Back to Top

Medical Reimbursement Plans (MRP): If employees are getting an MRP reimbursement have a group health insurance policy, whether through your group policy or another employer, then it is business as usual for those employees in regards to the MRP. Employees who have individual health insurance and are not covered by your group plan or their spouse's employer's group plan, cannot get MRP reimbursements. If they do, the employer faces a $100 per day per employee penalty. If you want to keep your MRP because it is an appreciated fringe benefit, but you still want to help the one or two employees with individual health insurance policies, then the best alternative for them is generally a taxable bonus. Back to Top

Sub-S Stockholder's Health Insurance Individual Policies: With respect to more-than-2% S shareholders and partners, where prior guidance has directed that health insurance premiums must be paid or reimbursed by the entity, that arrangement generally may continue. For example, under Notice 2008-1, an S corporation shareholder must have the S corporation reimburse the individual premium, report it to the shareholder as compensation on the Form W-2, and then wash that extra income out on page one of the Form 1040 with the self-employed health insurance deduction under IRC Sec. 162(l). These arrangements are not using employer benefit status (the benefit is included in the shareholder's taxable wages) and should be permissible going forward. However, these arrangements have been exempt from FICA in the past; that does not appear to be permissible going forward because FICA-free status requires an employer health plan under IRC Sec. 3121(a)(2) . Accordingly, **for the 2014 tax year and after, the premium reimbursement should be reported as taxable wages for both income tax and Social Security tax purposes (in order to avoid the $100 per employee/day penalty).** Back to Top

Not Reconciling Advance Premium Tax Credits Could Result in Lost Eligibility: Individuals, who received advance payments of Premium Tax Credits (PTCs) from the Marketplace, must file Form 1040 and attach a Form 8962 [Premium Tax Credit (PTC)] reconciling the advance PTC received to the actual PTC even if not otherwise required to file. In a recent "Update on Health Care and the 2014 Tax Season" report, federal officials indicate, in addition to taxpayers who have yet to file, more than 760,000 households filed their 2014 individual returns without the required Form 8962 reconciling the advance payments. The officials note that there is still time to act, but taxpayers who do not file a return and reconcile the PTCs received last year will not be eligible for PTCs when they renew coverage for 2016. See www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2015-Fact-sheets-items/2015-07-17.html **Back to Top**

Tax Provisions Signed into Law: The President signed two bills into law on 6/29/15 containing federal income tax provisions. The Trade Preferences Extension Act (H.R. 1295): (1) requires taxpayers to obtain a Form 1098-T in order to claim certain educational tax benefits, (2) increases the penalties applying to taxpayers that fail to file correct information returns (e.g. Form 1099 with the IRS or to provide a payee with a correct copy, (3) extends the Section 35 Health Care Tax Credit through 2019, and (4) precludes a taxpayer that excluded gross income under IRC Sec. 911 from claiming the refundable portion of the Section 24 child tax credit. The Trade Priorities and Accountability Act (H.R. 2146) allows federal safety workers (e.g., federal law enforcement officers, customs and border protection officers, firefighters, and air traffic controllers) to make penalty-free withdrawals funds from their governmental retirement accounts at age 50 instead of age 55. **Back to Top**

Hours Traveling to Rental Properties Qualify for Hours Test: Taxpayers lived approximate 26–30 miles from the city where their 12 rental properties were located. The wife regularly drove into the city, which took approximately 42–55 minutes depending on the route, to resolve problems, perform maintenance, and administer and operate the rental properties. She contemporaneously maintained a log detailing the type of rental property activity she engaged in that day and the number of hours spent in the activity. The original log did not include time spent traveling to the properties and reflected 632.5 hours, which is less than the 750 hours required to be considered a real estate professional (and deemed to materially participate) under IRC Sec. 469(c)(7)(B). During an examination of the 2010 tax return, the petitioners revised and resubmitted the log to reflect the 1.5 travel hours per trip. The IRS refused to accept the additional hours. Based on the petitioner's revised log (which reflected a total of 846 hours) and her credible testimony, the Tax Court determined she met the 750-hour test and was entitled to apply the rental losses against their non-passive income. *Richard S. Leyh and Ellen P. O'Neill,* TC Summary Op. 2015-27 (Tax Ct.). **Back to Top**

Business mileage logs inadequate. The Renners were a married couple. He was a professor at a college 470 miles from their residence. She worked part-time at her mother's farm. On their income tax return, he deducted on Schedule C mileage related to his "educational services" business. She listed on Schedule F mileage related to her part-time farming job, such as driving to look at equipment and attending auctions to buy livestock. The IRS denied both of their mileage deductions. Tax Court Held: For the IRS. To substantiate the mileage deductions, the taxpayers offered several logs. But both the IRS and the court rejected the logs. His logs had dutifully recorded trips from his home to the college but did not include any descriptions of the business purpose of any of the trips or the names of clients he met. A mileage log that does not give the *business purpose* of a trip does not meet the regulations' minimum requirements. In addition, the court concluded that the logs were not prepared contemporaneously with the trips but instead much later, in anticipation of the trial. Nor did the logs list the clients visited. The court concluded that the trips were simply his commuting from his residence to his job costs that are not deductible. The wife's logs were also inadequate because instead of listing the business purpose of each trip, they gave only a general purpose, such as "harvesting" and "logging." Her logs also failed to mention the clients or stores visited. [*Renner* v. *Commissioner*, T.C. Memo 2015-102] **AIPB tip:** A log of business mileage must list for each trip the time, place of travel, and specific business purpose ("sales call," "solve customer problem with widget shipment," etc.)—a general description is likely to be rejected. Equally as important: a mileage log should be prepared contemporaneously. The more time that passes between a trip and recording in the log, the less credible it will be. **Back to Top**

Nifty App to Track Business Mileage: Smartphone apps can help you track your business mileage. Checkout Mile IQ Mileage Tracker app **Back to Top**

What To Look For In A Long-Term Care Insurance Policy: For individuals who can afford it, long-term care insurance is an excellent tool to help protect your retirement savings against the significant expense of long-term care, whether the care is provided in your home, at an assisted living facility, or at a nursing home.

Unless you have personal experience with long-term care insurance (from, say, assisting your parents), you may need some assistance in determining what kind of policy to look for, the type of benefit to obtain, and which product best suits your – and your family's – needs.

Not all long-term care insurance policies are created equal. When shopping for one, we recommend you consider the following:

• **Type of benefit.** When most people think about long-term care, the first thing that comes to mind is nursing home care. However, not all long-term care insurance policies cover care in a nursing home. Some policies cover only in-home care; others cover assisted living facility care, and others cover nursing home care. Some policies cover any combination of these options. Carefully review the types of care covered by the policy before you purchase it.

• **Period and amount of coverage.** Will the policy last for a certain number of years or until a set number of dollars have been spent? A combination of the two? If the policy is capped at a certain number of dollars, try to obtain an estimate of the cost of care in a local facility to determine how long the policy will last. Factor your projected income into your estimate to determine how much of a gap there will be between your long-term care expenses and your monthly income. Keep in mind that individuals who need long-term care need it for an average of about 3 years, but if you have a family history of Alzheimer's, you may want longer coverage.

• **Inflation protection.** If you are purchasing your policy at a relatively young age (say, in your late fifties or early sixties), there is a chance you may not need to use it for 15, 20, maybe even 25 years. What seems like an adequate policy today might not be sufficient in 15, 20, or 25 years, however. To protect against changes in the value of the dollar, consider purchasing a policy with inflation protection (3% compound inflation protection is currently the most common).

• **Strength of the insurer.** As a general rule, you should purchase long-term care insurance from a company with a good reputation; avoid purchasing a policy from a lesser-known company that may not still be around by the time you need to use it.

• **Hybrid products.** If you're concerned that you might never use your long-term care insurance policy, and therefore forfeit the premiums you've paid, you might consider looking into a hybrid product that combines a life insurance policy with a long-term care insurance rider. If you fail to use the policy, your designated beneficiaries will receive life insurance benefits at your death.

Keep in mind that premiums for long-term care insurance policies are lower for younger individuals; because of this, your late fifties and early sixties are the best times to purchase these policies. As with life insurance, as you age, there is an increased chance that you will develop a medical condition that will make long-term care insurance more expensive or even impossible to obtain.

From Elder Law News, 8-17-15, by The Estate Planning & Elder Law Firm, P.C., William S. Fralin, Esq., President. **Back to Top**

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Cost of Living and Other Dollar Limitations

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
IRA Contribution Limit (IRC Sec 219(b)(5)(A))	5,500	5,500	5,500	5,000	5,000	5,000	5,000	5,000	4,000	4,000	4,000	3,000	3,000	3,000	2,000	2,000
IRA 50 & Over Catch-up Contribution	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	500	500	500	500	0	0
401(k), 401(b), 457 Deferral Limit	18,000	17,500	17,500	17,000	16,500	16,500	16,500	15,500	15,500	15,000	14,000	13,000	12,000	11,000	10,500	10,500
401(k), 403(b), 457 50 & Over Catch-up Contribution	6,000	5,500	5,500	5,500	5,500	5,500	5,500	5,000	5,000	5,000	4,000	3,000	2,000	1,000	0	0
SIMPLE Deferral limit	12,500	12,000	12,000	11,500	11,500	11,500	11,500	10,500	10,500	10,000	10,000	9,000	8,000	7,000	6,500	6,000
SIMPLE 50 & Over Catch-up Contribution	3,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,000	1,500	1,000	500	0	0
Defined Contribution IRC Sec 415 limit	53,000	52,000	51,000	50,000	49,000	49,000	49,000	46,000	45,000	44,000	42,000	41,000	40,000	40,000	35,000	30,000
Annual Compensation limit	265,000	260,000	255,000	250,000	245,000	245,000	245,000	230,000	225,000	220,000	210,000	205,000	200,000	200,000	170,000	170,000
Compensation limit for SEP eligibility	600	550	550	550	550	550	550	500	500	450	450	450	450	450	450	450
IRC Section 179	25,000	500,000	500,000	500,000	500,000	500,000	250,000	250,000	125,000	108,000	105,000	102,000	100,000	24,000	24,000	20,000
IRC Section 179 Qualified Leasehold Improvements	0	250,000	250,000	250,000	250,000	250,000										
Sec 179 Reduction	200,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	800,000	800,000	500,000	430,000	420,000	410,000	400,000	200,000	200,000	200,000
Estate Tax Exclusion	5,430,000	5,340,000	5,250,000	5,120,000	5,000,000	N/A	3,500,000	2,000,000	2,000,000	2,000,000	1,500,000	1,500,000	1,000,000	1,000,000	675,000	675,000
Gift Tax Exemption	14,000	14,000	14,000	13,000	13,000	13,000	13,000	12,000	12,000	12,000	11,000	11,000	11,000	11,000	10,000	10,000
Self-employed health ins. AGI deduction	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	70%	60%	60%
Personal Exemption	4,000	3,950	3,900	3,800	3,700	3,650	3,650	3,500	3,400	3,300	3,200	3,100	3,050	3,000	2,900	2,800
Standard Deduction:																
Married Filing Jointly or Qualifying Surviving Spouse	12,600	12,400	12,200	11,900	11,600	11,400	11,400	10,900	10,700	10,300	10,000	9,700	7,950	7,850	7,600	7,350
Head of Household	9,250	9,100	8,950	8,700	8,500	8,400	8,350	8,000	7,850	7,850	7,300	7,150	7,000	6,900	6,650	6,450
Unmarried (Single)	6,300	6,200	6,100	5,950	5,800	5,700	5,700	5,450	5,350	5,150	5,000	4,850	4,750	4,700	4,550	4,400
Married Filing Separately	6,300	6,200	6,100	5,950	5,800	5,700	5,700	5,450	5,350	5,150	5,000	4,850	3,975	3,925	3,800	3,675
Add'l for aged or blind (Single & HOH)	1,550	1,550	1,500	1,450	1,450	1,400	1,400	1,350	1,300	1,250	1,250	1,200	1,150	1,150	1,100	1,100
Add'l for aged or blind (MFJ, MFS, QSS)	1,250	1,200	1,200	1,150	1,150	1,100	1,100	1,050	1,050	1,000	1,000	950	950	900	900	850
Dependent:																
Minimum	1,050	1,000	1,000	950	950	950	950	900	850	850	800	800	750	750	750	700
Earned Income Plus	350	350	350	300	300	300	300	300	300	300	250	250	250	250	250	250
Maximum	6,300	6,200	6,100	5,950	5,800	5,700	5,700	5,450	5,350	5,150	5,000	4,850	4,750	4,700	4,550	4,400
Health Savings Account-Self Only Coverage	3,350	3,300	3,250	3,100	3,050	3,050	3,000	2,900	2,850	2,700	2,650	N/A	N/A	N/A	N/A	N/A
Health Savings Account-Family Coverage	6,650	6,550	6,450	6,250	6,150	6,150	5,950	5,800	5,650	5,450	5,250	N/A	N/A	N/A	N/A	N/A
Additional for taxpayers 55-65	1,000	1,000	1,000	1,000	1,000	1,000	1,000	900								
Social Security (OADSI) Wage Base	118,500	117,000	113,700	110,100	106,800	106,800	106,800	102,000	97,500	94,200	90,000	87,900	87,000	84,900	80,400	76,200
Maximum Social Security Tax	7,347.00	7,254.00	7,049.40	4,624.20	4,485.60	6,621.60	6,621.60	6,324.00	6,045.00	5,840.40	5,580.00	5,449.80	5,394.00	5,263.80	4,984.80	4,724.40
Under Full Retirement Age Maximum Annual Earnings	15,720	15,480	15,120	14,640	14,160	14,160	14,160	13,560	12,960	12,480	12,000	11,640	11,520	11,280	10,680	10,080
Earnings required for 4 quarters' credit	4,880	4,800	4,640	4,520	4,480	4,480	4,360	4,200	4,000	3,880	3,680	3,600	3,560	3,480	3,320	3,120
Domestic Employees coverage threshold	1,900	1,900	1,800	1,800	1,700	1,700	1,700	1,600	1,500	1,500	1,400	1,400	1,400	1,300	1,300	1,200
Standard Mileage Rates																
Business mileage rate	0.575	0.560	0.565	0.555	0.510	0.500	0.550	0.505	0.485	0.445	0.405	0.375	0.360	0.365	0.345	0.325
Medical & Moving mileage rate	0.230	0.235	0.240	0.230	0.190	0.165	0.240	0.190	0.200	0.180	0.150	0.140	0.120	0.130	0.120	0.100
Charitable mileage rate	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140
Hurricane Katrina relief services										0.320	0.290					
Mid-Year Adjustment					7/1-12/31/11			7/1-12/31/08			9/1-12/31/05					
Business mileage rate					0.555			0.585			0.485					
Medical & Moving mileage rate					0.235			0.270			0.220					
Charitable mileage rate					0.140			0.140			0.140					
Hurricane Katrina relief services											0.340					
1st Year depreciation limits:																
Passenger Autos	3,160	3,160	3,160	3,160	3,060	3,060	2,960	2,960	3,060	2,960	2,960	10,610	3,060	3,060	3,060	3,060
Special Bonus Depreciation	0	0	11,160	8,000	8,000	8,000	8,000	8,000					4,600			
Trucks & Vans under 6,000 unloaded GVW	3,460	3,460	3,360	3,360	3,260	3,160	3,060	3,160	3,260	3,260	3,260	10,910	3,360			
Special Bonus Depreciation	0	0	11,360	8,000	8,000	8,000	8,000	8,000					4,600			
Vehicles over 6,000 unloaded GVW																
Sec 179 Limit	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	102,000	100,000			
100% Bonus Depreciation (9/8/10-12/31/11)				n/a	no limit											
Note 1: higher limits apply for 5/6/03 to 12/31/03 than shown													See Note 1			

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