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2015 TAX HIGHLIGHTS

Affordable Care Act

The Affordable Care Act continues to be a hot topic. Here are a few things you should know.

1. In 2015 everyone must have Minimum Essential Coverage (MEC), or have a coverage exemption certificate through the Market Place or make a shared responsibility payment to the IRS for lack of insurance. Everyone claimed on your income tax return must also have health insurance coverage.
2. Exemptions from the Marketplace has to be obtained at the earliest opportunity. Ex: members of certain religious groups, general hardship, coverage considered unaffordable, etc. Exemptions from the IRS can only be obtained by filing a federal return. Ex: Short gap coverage, income below return filing threshold, citizens living abroad, certain non-citizens, etc.
3. Payments are required if you did not have the MEC for any month of the year and an exemption for the months without insurance. Payments are computed based on 2 % of yearly income over the filing threshold or \$325 per person (1/2 for child under 180). Maximum penalty is \$975. You will pay whichever is the higher of the two calculations.
4. If you have insurance you will receive a 1095-A or 1095-B form. This will be needed to complete your taxes.

Health Insurance Premium Tax Credit

The premium tax credit is a refundable tax credit that helps with the cost of insurance. It is based on a sliding scale of your income. You can only receive this credit through the market place. You can Get it Now, which means it is paid to your insurance provider on a monthly basis or you can also Get it Later which means you receive the credit on your income tax return. Changes in household size and income should be reported immediately to insure that you are receiving the correct amount. Overpayments and underpayments of the Premium tax credit will be recovered when filing your federal income tax return.

Long Term Planning for Minimizing Your Taxes

1. Pay January's mortgage, property tax and medical bills in December of 2015.

2. Consider tax free investments such as Municipal bonds and other tax-free investments.

3. 401K's, IRA's and other tax sheltered investments to defer taxable income is also advisable. This can also make you eligible for the Retirement Savings Contributions Credit which could reduce tax liability up to \$2,000 depending on your filing status, income and contributions made to 401K or an IRA.

4. Donate items to non-profit organizations. Remember to get receipt for donations and list items donated and values.

5. Second mortgages and lines of credit on your home can be deducted on your tax return.

6. Selling losing stocks or mutual funds would help up to \$3,000.

7. Student loan interest if paid in the first five years is a deduction.

8. Tax free saving bonds are another approach to save for college. Interest escapes taxes when used to pay college.

9. You can save up to \$2,000 per child in an educational IRA. Also consider the Federal 529 Plan as well as the LA Start Program.

10. For those of you who work out of town, the new mileage rate is 56 cents. You can take the actual expense of operating your vehicle plus depreciation or the standard allowance. You can also deduct lodging, laundry, phone and other work related expenses. **This year the IRS focused on auditing the industry that mostly claim employee business expenses. Remember that it is important that you keep your receipts and reports.**

For those of you with Businesses

1. Consider hiring your children under age 18. They can earn up to \$5,850 without being taxed. This is called income splitting.

2. Create SEP retirement plans up to \$52K through the business and lower taxes in the process.

3. Section 179 limit is \$25,000 in 2015. Bonus Depreciation has been ex-

tended indefinitely. You can deduct 50% of the value of qualified property in the first year.

4. Home office deduction is now easier to calculate and can be based on a maximum credit of \$1,500.

5. Businesses can receive a tax employment credit for hiring Veterans.

6. The Health Insurance Credit is 50% of premiums paid for small business employers and 35% of premiums paid for small tax-exempt employers. To be eligible for the credit, a small Employer must pay premiums on behalf of employees enrolled in a Qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace or qualify for an exception to this requirement. The credit is available to eligible employers for two consecutive taxable years.

7. Owner of LLC's and S - Corporations need to know what your basis is in the company. You are only allowed to deduct losses up to your basis in the business.

American Taxpayer Relief Act of 2012

This act extended the law for the following child related benefits through December 31, 2017.

- ◆ Child Tax Credit/Additional Child Tax Credit
- ◆ You still have the option of using the American Opportunity Tax Credit for college students.
- ◆ The Earned Income Tax Credit can be taken on up to 3 dependent children.

Supreme Court Ruling

The supreme court ruling upheld and made same sex marriage legal. Same sex couples have the same tax benefits as married couples of opposite sex.

Things to bring to Appointment

- ◆ Birth Certificate and social security card for all dependents.
- ◆ Proof that dependents reside in your home.
- ◆ Child Care Expenses.
- ◆ Form 1098T for claiming the education credit or deduction.
- ◆ Income from all sources including withdrawals from retirement accounts and royalties.
- ◆ Mortgage interest and property tax statements on all property you own.
- ◆ All medical expenses paid if they are over 10% of your AGI.
- ◆ All charitable contributions. Must provide proof of all contributions.
- ◆ Gains or losses on sale of real estate, stocks and business assets.
- ◆ Cancellation of debts.
- ◆ Income and expenses related to investment property.
- ◆ Contributions to all retirement plans.
- ◆ Settlement sheet if purchased home in 2015.
- ◆ Job Search expenses if you are looking for employment in the same field you previously worked in.
- ◆ Casualty losses and thefts (must have police reports and insurance documentation).
- ◆ All work related expenses not reimbursed by employer.
- ◆ If working out of the country, we need the dates you are out of the country and what country you worked in.
- ◆ Form 1095-A or 1095-B
- ◆ Declaration page of homeowner's insurance policy.

TAX CHANGES FOR 2015

1. Medical expenses must exceed 10% of AGI to be deducted on Schedule A. The 7.5% threshold will remain for those 65 and older until tax year 2016.
2. Personal exemption is \$4,000.
3. Tax of 3.8% on certain net investment income to the extent of modified AGI is above threshold: MFJ & QW \$250,000, S & HOH \$200,000 and MFS \$125,000.
4. Additional Medicare Tax provides for .09% on wage, compensation and self-employment income received above certain threshold amounts (Same amounts as above thresholds).
5. Your social security benefits generally are not taxable if half of your benefits, plus all your other income, is less than \$25,000 if you are single (\$32,000 if you are married filing jointly).
6. Taxable Social Security limit is \$117,000.
7. Maximum Earned income credit is \$6,242 with three or more qualifying children, \$5,548 with two qualifying children, \$3,359 with one qualifying child and \$503 with no qualifying children.
8. Earned income and AGI must each be less than \$47,747 (\$53,267 MFJ) with three or more qualifying children, \$44,454 (\$49,974 MFJ) with two qualifying children, \$39,131 (\$44,651 MFJ) with one qualifying child and \$14,820 (\$20,330 MFJ) with no qualifying children to receive EIC.



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IMPORTANT DATES TO REMEMBER

STARTING IN 2016 THE FILING DATES WILL CHANGE FOR CERTAIN BUSINESSES

- March 15th - 1065 and 1120S returns are due. Also extension to file return late is due.
- April 15th.— 1040 Series and 1120 returns are due. Also extension to file 1040's and 1120 are due.
- May 15th—990 Returns are due. Also extension to file return late is due.
- September 15th—1120, 1120S, and 1065 returns that filed for extensions are due.
- October 15th—All 1040 returns that filed for extensions are due.
- November 15th—990 returns with extensions are due.

Remember the extension does not relieve you of penalties and interest associated with tax liabilities. They only relieve you from failure to file penalties and interest. Payments are due on the original due date. If you think you will owe you should make an estimated tax payment before the due date.

The IRS is penalizing businesses for returns that are not filed on time or past the extension deadline. They will abate the penalties one time. After that you must show reasonable cause as to why your return was not filed in a timely manner.

IF YOU REQUIRE AN EXTENSION YOU MUST CONTACT OUR OFFICE AT LEAST TWO BUSINESS DAYS BEFORE THE EXTENSION DUE DATE IN ORDER TO INSURE YOUR EXTENSION HAS BEEN FILED AND ACCEPTED BY THE IRS.