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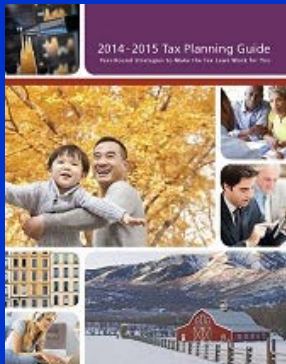
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## Tax Planning Guide



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## June 2015

### Reminder: Second estimated tax payment due June 15

June 15, 2015, is the due date for making your second installment of 2015 individual estimated tax. Your check to the United States Treasury should be accompanied by Form 1040-ES. June 15 is also the due date for calendar-year corporations to make their second quarter 2015 estimated tax payment.

### Don't overlook FBAR filing requirement

If you hold foreign bank or financial accounts and the total value of your account exceeds \$10,000 at any time during the calendar year, you may be required to file a Treasury Department report known as the FBAR. It's easy to overlook this requirement because it's separate from your federal income tax filing, with a different deadline and strict rules.

FBAR refers to "Form 114, Report of Foreign Bank and Financial Accounts." Your 2014 Form 114 must be filed electronically with the Treasury Department no later than June 30, 2015. No filing extension is available. Contact us if you need details or filing assistance.

### Preserve tax breaks with MAGI management

How close to the edge are you when it comes to tax phase-outs? As you begin your midyear tax planning, consider the effects of these benefit-limiting provisions. Knowing how close you are to the "edge" can help preserve tax breaks for 2015.

Many phase-outs are based on modified adjusted gross income, or MAGI. MAGI is the adjusted gross income shown on your tax return as "modified" by adding back certain deductions. The "add-backs" vary with specific phase-outs. That means you might have to choose between conflicting opportunities. For instance, if you have a child in college this semester, the American Opportunity Credit and the Lifetime Learning Credit may be on your mind. Both benefits are education-related, yet the qualifying rules differ – including the MAGI threshold.

### Here are some common federal tax benefits with MAGI phase-outs.

#### • Education credits

The American Opportunity Credit is a partially refundable, dollar-for-dollar reduction of your tax bill, with a maximum of \$2,500 per student. This year the credit starts to shrink when your MAGI reaches \$160,000 and you're married filing jointly (\$80,000 when you're single). The credit disappears completely when your MAGI is greater than \$180,000 for joint returns (\$90,000 if your filing status is single).

For 2015, the Lifetime Learning Credit begins to phase out at \$110,000 when you're married filing a joint return and \$55,000 when you're single. Once your MAGI



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reaches \$130,000 (married) or \$65,000 (single), the credit is no longer available.

## • Retirement plans

Phase-outs affect retirement planning too. The deduction for contributions to your traditional IRA is limited when you are eligible to participate in your employer's plan and your MAGI exceeds \$98,000 (\$61,000 when you're single).

While Roth IRA contributions are not tax-deductible, the amount you can contribute for 2015 begins to phase out when your MAGI reaches \$183,000 and you're married filing jointly (\$116,000 if you're single).

In addition, the federal "saver's" credit for contributing to retirement plans phases out when your 2015 MAGI is more than \$61,000 and your filing status is married filing jointly (\$30,500 for singles).

## • Social Security

The phase-out for the exclusion of social security benefits from taxable income is calculated on the amount of your "combined income" (one half of social security benefits plus other income) over the base amount of \$32,000 when you're married filing jointly. The base amount is \$25,000 when you're single.

Phase-outs also reduce personal exemptions, itemized deductions, and the alternative minimum tax exclusion. Contact our office for guidance in managing your income for maximum tax breaks.

## myRA program now available

A new simplified Roth IRA is the latest retirement plan. The account is called a myRA (short for "my retirement account"). It's funded by having your employer make direct paycheck deposits to your retirement account. The contributions to your myRA are invested in government-guaranteed Treasury securities. A myRA isn't connected to your employer; it belongs entirely to you and can be moved to any new employer that offers direct deposit capability. The annual contribution limits that apply to regular Roth IRAs apply to myRAs. To find out more about myRAs, contact our office.

## Tax audits cut by budget issues

The IRS reports that its enforcement budget has been cut by \$254 million, a 5% reduction from the previous year. As a result, the Agency expects to cut the number of individual and business audits it conducts. In 2014 the IRS audited 0.86% of individual taxpayers and 26% of large corporations. Though audit statistics show a decline in examinations, the IRS contacts many more taxpayers with questions about their returns. Once statistics include these taxpayer contacts, the 2014 return examination rate is closer to 4% or one in every 25 returns filed.

## Millions qualify for exemption

According to the Brookings Institution, an estimated 20 million taxpayers will qualify for an exemption from the *Affordable Care Act's* penalty for failing to have insurance. It's not known how many of those who qualify for the exemption will actually claim it. To check the available penalty exemptions, visit the IRS website at [www.irs.gov](http://www.irs.gov).

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

