SSA Scoop

Smoker, Smith & Associates P.C.
CERTIFIED PUBLIC ACCOUNTANTS
A Higher Level of Commitment

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The following is a summary of some of the developments that have occurred in the past few months that may affect you. Please call us for more information about any of these topics, and we can discuss your particular situation.

TOGETHER THE IRS, INDUSTRY, and STATES TAKE NEW STEPS TO FIGHT IDENTITY THEFT IN ORDER TO PROTECT TAXPAYERS

The IRS has joined with representatives of tax preparation and software firms, payroll and tax financial product processors, and state tax agencies to announce a new collaborative effort to combat identity theft and refund fraud. They have identified several initiatives in this effort:

- Taxpayer authentication
- Fraud identification
- Information assessment
- Cybersecurity framework
- Taxpayer awareness and communication

The focus is on protecting taxpayer information and privacy. Many major changes will be made prior to the 2016 tax filing season.

SUPREME COURT UPHELD AFFORDABLE CARE ACT SUBSIDIES

In June, the Supreme Court affirmed the previous decision of the Fourth Circuit 6-3 in King v. Burwell. This means that individuals who get their health insurance through an exchange established by the federal government will continue to be eligible for tax subsidies and premium tax credits, provided they meet the income limitations.

GUIDELINES FOR NEW STATE-SPONSORED ABLE ACCOUNTS

In a previous newsletter we outlined the new tax-exempt savings vehicle (ABLE accounts) for individuals with disabilities. The IRS recently released proposed regulations implementing the new federal law that authorizes states to offer tax-favored ABLE accounts to people who became disabled before reaching age 26. Any state may offer its residents the option of setting up an ABLE account.

The account owner and designated beneficiary of the account is the disabled individual. The designated beneficiary can have only one ABLE Account at a time, and must have been disabled before age 26. Total contributions annually cannot exceed the annual gift tax exclusion, which is currently $14,000. Distributions are tax-free as long as they are used to pay qualified disability expenses.

Amounts in an individual's ABLE account are disregarded for purposes of determining an individual's eligibility for, or the amount of, assistance or benefit authorized by any federal means-tested program. (In the case of Social Security Income, distributions for housing are considered income. If the account exceeds $100,000, amounts in excess of $100,000 are considered a resource of the disabled individual. When the ABLE account balance falls below $100,000 the assistance benefits are restored.)

"TRADE PREFERENCES EXTENSION ACT OF 2015" INCLUDES REVENUE RAISERS

On June 29, 2015, President Obama signed into law the Trade Preferences Extension Act of 2015. Some of the tax provisions contained in the act are as follows:

- Taxpayers must obtain Form 1098-T in order to claim educational tax benefits. Form 1098-T is issued by the educational institution.
- **<u>Penalties for failure to file or provide information returns, has significantly increased.</u> The new penalties will apply to the <u>2015 Forms W-2, 1099-MISC, 1099-R</u>, as well as Forms 1094-B, 1095-B, 1094-C & 1095-C.**
  - **Failure to file or furnish information returns will increase from $100/form to $250/form.**
  - **Failure to file or furnish a corrected information return within 30 days will increase from $30/form to $50/form. These penalties will be adjusted for inflation every five years beginning in 2017.**

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SMART MID-YEAR TAX MOVES

- Check your tax withholding, and adjust if necessary.
- Re-evaluate your 401(k) contributions. Make sure you are contributing enough to capture 100% of any employer's match. For 2015, the employee's 401(k) contribution limit is $18,000 plus an additional catch-up contribution of $6,000 if age 50 or over.
- Check your taxable investment portfolio. Now may be the time to dump the poor-performing investments.
- Do you have a large capital loss carryover? Cashing in a high performer at this time may be a good move.
- Contributions to an employer's flexible spending account save not only federal tax dollars, but also social security, Medicare, state, and local tax dollars.
- At age 70 ½ a required minimum distribution must be withdrawn from a traditional IRA. This may be withdrawn from either a combination of IRA's or just one IRA.

TAX IMPACT OF THE SUPREME COURT'S SAME-SEX MARRIAGE DECISION

On June 26, the U.S. Supreme Court ruled that same-sex couples have a constitutional right to marry, making same-sex marriage legal in all 50 states. For federal tax purposes, same-sex married couples were already considered married, under the Court's 2013 decision in United States v. Windsor and subsequent IRS guidance — even if their state of residence didn't recognize their marriage.

From a tax planning perspective, the latest ruling means that, in states where same-sex marriage hadn't been recognized, same-sex married couples will no longer face complications because of being treated as married for federal tax purposes but not married for state tax purposes. Tax and estate planning will be simplified and couples can take advantage of all state-level tax benefits available for married couples.

If you are affected by this change, please review tax planning strategies and estate plans to determine what new opportunities may be available to you and whether there are any new burdens you should plan for.

Please do not hesitate to contact your tax advisor at Smoker, Smith & Associates if you have any questions concerning any of the topics covered in this newsletter.