

LEVIN, SILVEY, ZELKO & MACKEY, P.A.

Certified Public Accountants

MITCHELL H. SILVEY, CPA
ROBERT A. ZELKO, CPA
BONNIE L. MACKEY, CPA, CSEP, MBA, AEP®

2699 STIRLING ROAD, SUITE B-205
HOLLYWOOD, FLORIDA 33312-6543
(954) 985-8808
(954) 985-8839 (FAX)
WWW.LSZCPA.COM

Tax Tips and Highlights for 2014-15

Payroll Tax Issues

In November 2014, you should receive "Your Year 2015 Federal Tax Deposit Requirements" from the IRS, your annual Unemployment Compensation Tax Rate Notice for 2015, and notification from the state if you are required to file unemployment forms and taxes electronically. These notices should be forwarded to your payroll preparer, and a copy to us.

Although the Federal minimum wage is \$7.25, certain states increase their minimum wage even more, i.e. Florida minimum wage will increase from \$7.93 to \$8.05 January 1, 2015 for hourly employees and tipped employees increase from \$4.91 to \$5.03, even though the Federal minimum wage for tipped employees is \$2.13 per hour.

The taxable wage base for Social Security in 2014 was \$117,000 and will increase to \$118,500 for 2015, making the maximum social security tax \$7,347.00 (6.2% for both Employer and Employee). Medicare wages are taxed at 1.45% with no limit. Wages paid to a son or daughter under the age of 18 are exempt from social security and FUTA taxes. **Bonus checks** are considered earned income and are subject to payroll taxes, as well as **per diem** expense reimbursements. The IRS requires employers to track expense reimbursements in excess of federal per diem rates.

IRS maintains a zero tolerance for incorrect W-2s and 1099s. A \$50 penalty per incorrect form could be assessed against employers whose forms have mismatched names and social security numbers. You can verify up to five names and numbers by calling the SSA at 1-800-772-6270 or visiting their website at www.ssa.gov/employer for larger groups.

Employee versus Independent Contractor

Under common-law rules, an individual generally is an employee if the company he works for has the right to control and direct him regarding the job he is to do and how he is to do it. Otherwise, he is an independent contractor. Any individual independent contractor receiving compensation of \$600 or more for the year must be issued a 1099-MISC. In addition, ALL attorneys who received ANY amount of payment must be issued a 1099-MISC, as well as anyone you pay Rent to. **Corporate tax returns now have a Y/N question to answer whether or not 1099's were required and filed. A penalty of \$250 per form is assessed, if not filed.**

Decreased Code Section 179 expensing

Unless changed, the maximum annual expensing amount is \$25,000, for purchases not exceeding \$200,000. There will be no bonus depreciation.

Company Provided Vehicles

Employees should be taxed for the personal use of any employer provided vehicle. Specifically, the employee's gross income on Form W-2 is increased to the extent the fair market value of this benefit exceeds the amount paid, if any, by the employee. This fringe benefit is subject to payroll taxes and should be withheld from the employee's salary by year-end.

2014 Standard Mileage Rates

For the business use of a car, van or truck use 56 cents per mile. When computing deductible medical or moving expenses, use 23.5 cents per mile. You may also deduct 14 cents per mile when providing services to a charitable organization. 2015 rates have not been released.

Qualified Pension Plan Contribution Limits for 2014 and 2015

There are several employer-sponsored tax-deferred retirement plans that were affected by 2001 legislation, all of which have increased contribution limits. The most common is the 401(k) having a contribution limit of \$17,500 for 2014 and will increase to \$18,000 for 2015. Many of the plans (401(k), 403b, 457) also have "catch-up" contributions for employees age 50 or older, increasing to \$6,000.

Personal dependency exemption (Pde) and annual gift exclusion

The Pde for 2014 is \$3,950 and is estimated to increase to \$4,000 in 2015. The annual gift exclusion for 2014 is \$14,000 and will remain unchanged for 2015. In addition, the lifetime exemption of \$5.25 million is adjusted annually for inflation, bringing 2015's exemption to \$5,430,000.

Please keep in mind that we've described only highlights and some of the changes in the tax rules. There are many more questions and opportunities for proper tax planning. Please give us a call on how you may be affected by these important tax issues.