

Client Development

For 2015 and beyond our firm will focus more on advising our clients rather than just preparation of their return. We urge our clients to push the envelope of our professional knowledge. This will be achieved by doing the following :

1. Call us before you make important financial decisions.
2. Do not be afraid to include us in your financial problems. For they can be solved!

Organize your household tax paperwork 101:

With 2015 upon us and 2014 coming to an end, this is the best time to get organized for the tax season. The following is our guideline about what to gather:

1. **Individual(s)** – We recommend collecting all “important tax documents” in a folder; keep your last paystub to compare to your W2 and annual social security statement. Gather all the related documents required to complete the Schedule A (Sch.A) worksheet we have available online under **FORMS**. Keep the source documents for 3 years in a safe place.
2. **Rental property owner(s)** – We recommend in addition to collecting all “important tax documents” and gathering all the related documents for the Sch.A worksheet, also gather the documents to support the deductions listed on the Schedule E (Sch.E) worksheet. This includes utility bills, cancelled checks, credit card/cash receipts, and other documents that support the deductions on your tax return. Keep the source documents for 3 years in a safe place.
3. **Small Business owners(s)** - The business owner(s) have the daunting task of compiling their income and expenses for the year. If you have not started do so now. Review the schedule C (Sch. C) worksheet carefully. Look back at your calendar and create travel logs of your business miles. Review your bank statements. If you do not use accounting software, focus on purchases over \$75 to include on the Sch. C that you provide our office. Keep these documents for 3years in a safe place.

Fraser CPA/Taxko Inc 2014 Tax Season Newsletter.

Keeping in touch with our clients.

As we migrate our clients’ source documents and worksheets, it’s important to maintain a human element to tax preparation. With today’s technology of emailing documents to us, it’s entirely possible to process a return without having to come in to the office.

Unfortunately, you miss opportunities to spot things and, over time, we become a commodity provider rather than a value provider.

We at Fraser CPA/Taxko Inc. recommend early booking of a 30-60 minute in-person meeting, or at the minimum, schedule a phone call with us.

Dear Clients,

In 2014 we saw a number of clients that either died, had a loved one that died, or was appointed the executor of an estate.

As we helped those clients with the filing of final individual tax returns, estate tax returns, and inheritance tax returns we noticed a large amount of wealth becoming subject to tax.

This should not happen at all, for the goal is to preserve wealth and transfer tax free to your loved ones. Many people think wealth planning is only for the proverbial 1 percent but they are wrong. It should be for the single mother who has a life insurance policy and also for the senior who is 2 years away from retirement with no mortgage liability.

The single mother can benefit from a discussion about placing the insurance policy in an irrevocable trust for her beneficiaries to establish wishes such as *“He/She has to finish college to get 50% of the funds and the remaining 50% can be used for life changing issues defined as follows:*

1. *Getting married*
2. *Having a child*
3. *To pay for the purchase of a new home*

Once a child is born the remainder is passed to the child”

The senior may want to transfer the house out of his/her name into a trust to qualify for more government benefits. He/she may have to calculate the needed amount they can get from all source of income compared to what they need.

For 2015 and beyond Fraser CPA/Taxko will be working closely with lawyers to help our clients with the following issues:

1. Elder Law Issues:
 - a. Preserving Assets
 - b. Minimizing Taxes
 - c. Transferring Assets
 - d. Planning for disability and medical issues
 - e. Succession Planning.
2. Protecting Assets and qualifying for long-term care benefits from the government:
 - a. Direct Transfers
 - b. Gift tax filings
3. Help seniors and retirees plan ahead:
 - a. Leverage their home.
 - b. Structure bank accounts
 - c. Confirm designated beneficiaries on investments and bank accounts
 - d. Review wills vs Assets for NJ inheritance tax issues.
4. Preservation of documents.
 - a. Help create a plan to document and keep on file.
 - b. Look at the defined wishes vs. tax benefits.

The main goal is to create and promote family harmony. We want our clients and their loved ones to have clarity and not argue and fight over what they feel the departed loved one wanted.

Fraser CPA/Taxko is here to help you preserve and transfer wealth.

Sincerely

Carlos F. Fraser. EA

Principles for an audit proof tax return for small businesses:

1. Use QuickBooks or another professional software system to track your business income and expenses.
2. Document all deductions. The summary you provide our office is for the tax filing but you should keep your records to prove the numbers.
3. Keep a mileage log for automobile expenses or use your appointment book or calendar to reconstruct your miles.
4. For meals and entertainment, keep the receipts, make a note of the business purpose, and who you met for the meal or entertainment.
5. For home office deduction the IRS rules have changed, however if you use more than 300 square feet of your home take a picture of your home office.
6. Document all sources of income to confirm what is income, loans, our just a contribution to the business via your own money.
7. Review your legal formation with our office. Sole proprietors via the Schedule C are the most audited group. Maybe a S-Corporation will be best for you.

The 2015 tax year changes are not many. Most of the changes happened for individuals in 2013 and 2014. However the following items are important to know:

1. If you are on OBAMACARE you have to provide our office with the form 1095-A (Health Insurance Marketplace Statement). Everyone who purchased their health insurance through a Marketplace (Exchange) will receive the form by January 2015.
2. Maximum Contribution limits did not rise for 2014. The contribution limits are as follows:
 - a. 401(k)/403(b) is \$17,500 (an additional \$5,500 if over 50 years old (by 12/31/14)
 - b. IRA holders can contribute \$5,500 (an additional \$1,000 if over 50 years old (by 4/15/15)
3. For 2014, the estate tax exclusion will be \$5.34 million and the annual exclusion for gift taxes will remain the same at \$14,000 per person.
4. The income tax brackets were revised slightly to stay in line with inflation. This year \$406,750 and \$457,600 are the mystic numbers that would place single and married-filing-joint taxpayers , respectively, in the highest tax bracket of 39.6%
5. The Standard deductions are climbing for singles, married-filing-joint, and head of house hold as follows:

What's New for individuals this Filing season?

1. Single(s): \$6,200
 2. Married-filing-jointly: \$12,400
 3. Head of household: \$9,100
- ***Please note that the standard deduction is for taxpayers who do not itemize their deductions, that is, their deductions are not over the above numbers*****

6. Flexible Savings accounts. Taxpayers with flexible savings accounts will be able to carry over up to \$500 from one year to another. In the past you had to use it or lose it.

7. Adoption Credit for 2014 for a child with special needs is \$13,190. However the credit starts to phase out when your income exceeds \$197,880.
8. In 2014 to qualify for the child tax credit your income has to exceed \$3,000 and your child has to be under the age of 17 as of December 31, 2014. ****Please note as of December 15th 2014 this credit is still set to expire in 2017**.**
9. In 2014 the Earned Income Credit has been adjusted for inflation. The maximum amount of the Credit is as follows:

1. Single, Married Filing jointly and Head of Household:
 - a. \$496 if no child.
 - b. \$3,305 if one child
 - c. \$5,460 if two children
 - d. \$6,143 if three or more children.

****Please note as of December 15th 2014 this credit is still set to expire in 2017**.**

10. For tax year 2014, the personal exemption for each person on the return has increased to \$3,950.

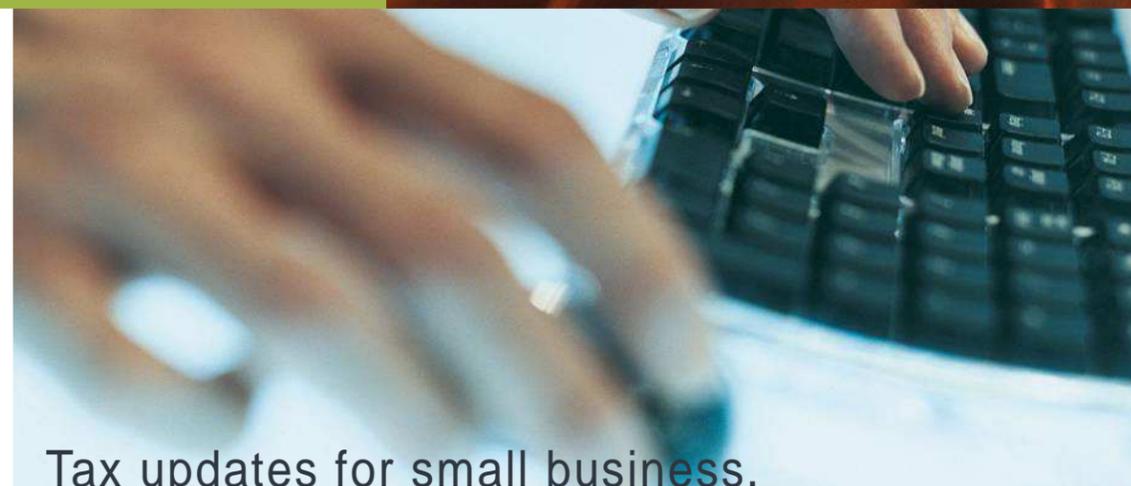
Last but not least the real game changer for 2014 was on June 18, 2014 when the IRS announced a new administrative program to stream line the compliance of offshore reporting.

Taxpayers that are U.S. citizens, resident aliens, and certain nonresident aliens are required to report:

1. Their worldwide income.
2. Their interest in specified foreign financial assets.
3. Their ownership of a foreign bank account.

The new program gives the taxpayer the chance to report the items above for the prior eight years to avoid large penalties before the IRS uncovers it.

"The hardest thing to understand in the world is the income tax"
-Albert Einstein



Tax updates for small business.

While small businesses may not generate as much money as large corporations, they are a critical component of and major contributor to the strength of the local economies. Small businesses present new employment opportunities and serve as the building blocks of the United States' largest corporations.

We at Fraser CPA want to remind our small business community that communication throughout the year is key to the growth of your business. The tax updates for 2014 are small but we stress that good record keeping is the key to tax savings

The tax updates for the small business are as follows:

1. The standard mileage rate for 2014 is :
 - a. 56cents for business miles.
 - b. 23.5 cents for medical or moving.
 - c. 14 cents for charitable services.
2. The Social Security Maximum for 2014 has increased to \$117,000. This maximum affects employers because they pay a portion of the social security tax for the employee.

3. The additional Medicare tax for 2014 is 0.9%. This additional tax must be withheld from wages over \$200,000. If you don't have wages, the 0.9% will be incorporated in your self-employment tax calculations.
4. Bonus depreciation is not available for tax year 2014.
5. The Section 179 deduction limit was cut to \$25,000 from \$500,000. Section 179 allows the business to expense the cost of equipment in the year of purchase to the limit.

FraserCPA/Taxko, Inc. Q&A Technology Tips

Before sending your tax documents to us, you'll want to make sure that your documents will be delivered in the most secure and reliable method possible. Why? Tax documents contain very sensitive information about you: your name, your address, how much money you make, where you bank. If that data falls into the wrong hands, you could end up the victim of identity theft. But there are other risks as well. If the data is lost,



misplaced or damaged, will you have a backup copy? Here are tips for making sure your documents and your data are secure.

1. Make a list of all your tax documents.
2. Use an encrypted file attachment and call us with the password.
3. Use a black marker and black out your sensitive data. We have it already.

EYE ON IT

3 Tax Industry Trends Business Clients should know:

1. The I.R.S has a growing emphasis on ethics and standards. CPA(s), EA(s), Tax attorneys will be under increasing scrutiny. In turn clients will be probed more as to their deductions.
2. The I.R.S is under great pressure to boost revenue collection. Therefore, clients will see more computer generated notice(s) that can be correct or incorrect. Clients will have to respond quickly for collection turnover is escalating.
3. The I.R.S is now matching 1099s for Form 1065, and Form 1120(s). This is a move to close the tax gap and confirm contractor vs. employee status. We therefore urge clients to inquire about their 1099(s) from providers by 12/31/14.

SMALL BUSSINES SOFTWARE PICK

The IRS is changing its technology and methods for 2015 and beyond and we feel our business clients should change also. If you are not having your bookkeeping done by our office we urge you to purchase QuickBooks as soon as possible for your accounting.

