

**Drews and Severson, Inc.**  
**Drews Tax Plus**  
608-423-3737  
**2014 Year End 1040 Client Letter**

Once again a new year is behind us and income taxes are coming. In this most unusual tax season of 2015, all Americans will be seeing changes on their tax returns. Congress continues to discuss last minute income tax bills as of the date of this letter, and you can be assured we stay abreast of all the latest changes as they occur!

We are once again making our tax organizers available, for free, to anyone who requests one. If you have not used one in the past, please call the office to request one for 2014, as it is our attempt to be as thorough as possible in the preparation of your return. If you received an organizer last year, we will mail this year's organizer to the same address. The tax organizer may not be enough however, and we wanted to bring some special items to your attention below.

**Affordable Care Act**

All Americans will be affected in some manner by the Affordable Care Act from 2010 (some people call it Obamacare) 5 new tax forms were released by the IRS as a result of this act for 2014. If you received a Form 1095 from any issuer or agency, we **MUST** have all copies to prepare your tax return. If you did not receive a 1095, we must ask you a number of additional questions about insurance coverage so that we can help you avoid any penalties for failure to have health insurance. The 5 new forms will add additional cost to this year's tax preparation bill, courtesy of the Affordable Care Act and the estimated 1-3 hours of additional time on our part to get things right.

**Health Care Deductions**

Last year's tax bill reduced your deduction for medical costs, including health insurance for 2014. We will see very few deductions available for medical costs now unless you have substantial bills. The amount of your medical expenses in most cases must now be more than 10% of your income before we can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed, we still need to know how much you paid for health insurance.

**Charity**

ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution.

**Foreign Accounts**

If you have read any news in the last year, you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

**Mortgage Interest**

We must obtain Form 1098 from you when you pay mortgage interest. Additionally we must obtain refinancing closing statements, and if you drew money out on a home mortgage or refinancing we must have general information on the use of the money according to the IRS.

**Children/Student Tax Returns**

Under absolutely no circumstances can you allow your dependent children or college students to file their own returns this year. We must file their return because of the Affordable Care Act. Allowing a child to file their own return, particularly a student, can cost the child and parent literally thousands of dollars in Health Care penalties and/or credits.

**Rental Property**

If you own rental property, this year the IRS has demanded substantially more information. We now need, **FOR EACH PROPERTY SEPARATELY**, the physical location, the type of property (single-family, duplex, etc), and Forms 1099-K received, and a record, by property, of the number of days rented and the number of days used for personal purposes.



### **Roth IRA Conversions**

You will be continue to hear from lots of “experts” this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2014 without coming in to see us for an appointment to discuss both the positives and negatives. **All conversions for 2014 must be completed by December 31, 2014.**

### **Gift Changes**

Effective 1/1/2013, the amount you may give to one person in one year without any return filing requirements was increased to \$14,000. Very, very few Americans need to worry about Federal estate taxes because of changes in the estate tax limit at the Federal level.

### **Surtaxes**

If you are in what the press has called the 2% club, be aware that the rest of America will soon be joining you! When the surtaxes on this group of Americans were passed, Congress purposefully did not adjust the thresholds for inflation, and in 6 years, over 50% of all Americans will pay these surtaxes based on estimated inflation rates. Begin planning now whether you are a 2% club member or not by -in order- maximizing 401-k contributions; utilizing employer-sponsored cafeteria plans to their fullest limit; investigating and using employer sponsored fringe benefits such as child care and education; turn in job expenses for reimbursement; and consider your marital status as your income increases because of the incredible marital penalty built in to the surtaxes.

### **Tax Planning**

There is still time to setup an appointment for year-end tax planning by December 31. We recommend a meeting if you have had any major changes during 2014 or are expecting major financial changes in 2014 or 2015, such as retirement, inheritances, etc.

### **Future Income Tax Rates & Other**

We highly recommend that when you are getting your information to us for your 2014 Federal tax return, that you set an appointment for an after tax season “Tax Tune Up” to examine tax and estate planning strategies. If your income is over \$200,000, it is almost mandatory that we meet for future tax planning because of surtaxes.

If you receive any Form 1099's, please be sure to bring it to us. It may have a direct impact on your return.

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. Because of these changes, we are requesting everyone to try to have their tax information in to us as early as possible. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Sincerely,

**Linda, Irene and Andrew**

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