



HONECK ·
O'TOOLE

...where people count

4th Quarter 2014

renews

Ideas to help small businesses and individuals maximize income while minimizing taxes.

YEAR-END TAX UPDATES

Yes, it's that time of year again. We're not talking about the wild shopping frenzy or the fun gatherings that come with the holiday season. We're talking about your annual taxes and how we can help you keep as much of your hard-earned money as possible. This topic is just as exciting as holiday celebrations, right? Probably not — but it is important.

This issue is devoted to updates that may affect your taxes, bookkeeping, financial planning and how to close the year 2014 on a high note when it comes to minimizing your tax burden.

Let's start with this year's tax updates. Please note that with the November election results, there may be some additional late-year tax changes not mentioned here.

An Update on PPACA (Patient Protection and Affordable Care Act) Rules

In September, 2014, the IRS made several updates to its manual to make sure taxpayers comply with the PPACA healthcare coverage rules during tax year 2014. The compliance efforts focus on the premium tax credit and the individual shared-responsibility payment (ISRP).

If you enrolled in a marketplace health insurance plan in 2014, you may be entitled to receive a Sec. 26B premium tax credit depending on your family size and income. If you're eligible for the premium tax credit, you can choose to receive it in one of two ways:

- Advance payments sent monthly to your insurance company (also called advance premium tax credits); or
- A refundable credit claimed on your tax return.

If you qualify, the IRS will require you to report this credit on your 2014 tax return (on new lines included in the 2014 forms).

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Happy Holidays!

Thank You for Your Business.

Thank you for choosing us for your tax and financial planning needs. We sincerely appreciate your business and your kind referrals... and we look forward to serving you in the new year.

We wish you and yours

a very happy Thanksgiving,

a joyous Holiday Season

and a *New Year*

filled with exciting plans

and prosperity!

Your Honeck O'Toole Team



Call Now for a Year-End Projection

If you've gone through some changes in your business or life in 2014, you may not be sure where you stand regarding your income and taxes. Plus this year, we've had some tax law changes that may affect you.

Contact us as quickly as possible if you'd like us to help you get a clear picture of your projected total 2014 income and deductions, or map out a smart plan to close out the year: **207-774-0882** or **info@honeckotoole.com**.

1099s: Don't Get Hit With a Penalty!

The IRS has become a stickler about late filing of 1099s. **Be sure to file forms on time to avoid penalties.** Paper 1099s must be mailed to recipients by February 2, 2015 (extended to February 17, 2015 if you're reporting payments in boxes 8 or 14). The penalty for not filing the forms on time can be \$100 per 1099.

Call us if you have questions!

As part of this new effort for 2014, the IRS is anticipating three PPACA-related issues:

- **Premium tax credit calculation errors:** If you incorrectly compute the premium tax credit amount based on your family size and income, the IRS can adjust the entry on the return and send you a notice regarding the change. You'll need to pay any balance you owe as a result.
- **Advance premium tax credit reconciliation discrepancies:** If you choose to receive advance payments of the premium tax credit, the payments are made directly to your insurance company each month. The IRS calculates the tax credit amounts based on your estimates of yearly income and family size at the time you enroll. When you file your 2014 tax return, the premium tax credit is calculated based on your actual circumstances for the year. If you had a change in income or family circumstances during the year, you may need to pay back money if your income was higher, or you'll get a refund if you made less.
- **ISRP assessments and collection:** (Individual Shared Responsibility Payment = ISRP) If you and your family had insurance in 2014, you'll need to check the "full-year coverage" box/line on Form 1040 or use Form 8965 to indicate an exemption from PPACA health coverage. If you do not do this, the IRS will assess an ISRP (penalty) and notify you that a payment is due.

Maine Updates Effective January 1, 2014

- **Retirement plan benefits:** The maximum tax subtraction modification for certain retirement benefits is increased

from \$6,000 to \$10,000. It's also expanded to include all federally taxable pension income, annuity income, and individual retirement account distributions except for Maine Public Employees Retirement System pick up contributions for which a deduction is allowed.

- **Medical and dental expenses:** The Maine cap on itemized deductions of \$27,500 will no longer apply to medical and dental expenses. They will be allowed to the extent that they are deductible on Schedule A.
- **Property tax fairness credit:** If the property taxes or rent you paid on your homestead in 2014 exceeded 6% of your income, you may qualify for a tax credit equal to 50% of the amount that exceeded the 6% threshold. However, the credit may not exceed these caps: \$600 for individuals under age 65 and \$900 for filers at least 65 years of age. Income for the credit calculation includes nontaxable social security, exempt interest, and certain business and capital losses.

Maine Charitable Contributions Change

For tax years beginning in 2016, you may, for Maine itemized deductions, claim up to an additional \$18,000 in charitable contributions in excess of the Maine itemized deductions cap of \$27,500... but only to the extent the charitable contributions are included in your federal itemized deductions.

If you have questions about any of these updates, please contact us right away to make sure you're following the rules and getting the benefits coming to you.

Phone: 207-774-0882 Email: info@honeckotoole.com



MEET HELEN KEARNS, Our New Accounting Associate

Helen Kearns joined us in October, 2014. She will be preparing federal, state, and local tax returns for individuals, partnerships, and corporations. In addition to this, she will be preparing estate, trust, and gift tax returns. Her other duties with clients include consulting about new tax information that can affect them, devising tax strategies, projecting future tax liabilities, and providing bookkeeping work.

Prior to joining us, Helen spent the last year working as an accounting assistant at MacPage, LLC. She accepted a full-time Accounting Assistant position at Booth, Inc., a subsidiary of MacPage, after interning there for the summer. She maintained her full-time position while also going to school full-time for the entirety of the academic year. She said, "MacPage, LLC is where I developed my attention to detail and self-management skills, working as a bookkeeper and tax preparer for several local companies. My experiences – both in and out of school – align well with Honeck O'Toole."

She's extremely proficient in Excel, QuickBooks, and a variety of other programs, and we're happy to have her technology skills to provide support for our clients' business and organizational needs. Helen graduated from the University of Maine in 2014 with a Bachelor of Business Administration degree (B.B.A.; Accounting), and during her junior academic year, she tutored Managerial Accounting, Cost Accounting, and Fundamentals of College Writing to student-athletes and non-native English speakers. Helen lives in Portland and is originally from the greater Boston area. 📍

DISCLAIMER

Any accounting, business, or tax advice contained in this communication is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

YEAR-END TAX PLANNING

Congress has yet to act on a host of tax breaks that expired at the end of 2013. Some of these tax breaks may be retroactively reinstated and extended, but Congress may not decide the fate of these tax breaks until the very end of this year (and, possibly, not until next year).

Therefore we've compiled a comprehensive checklist of actions based on current tax rules. Some of these may help you save tax dollars if you act before year-end.

We can meet with you and narrow down specific actions you can take. In the meantime, here's just a small sample of our many recommendations:

For Individuals

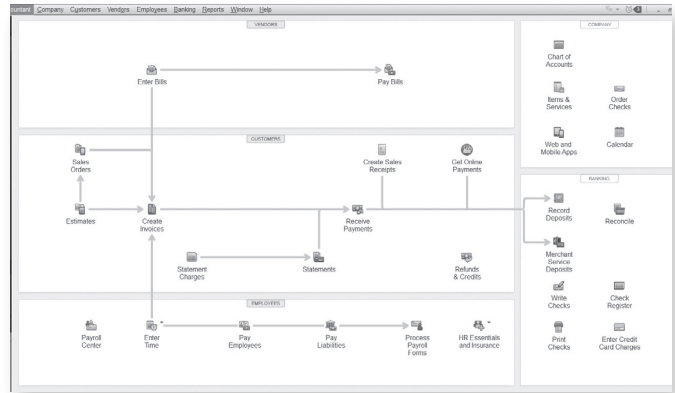
- Realize losses on stock while substantially preserving your investment position.
- Postpone income until 2015 and accelerate deductions into 2014 to lower your 2014 tax bill.
- Consider bunching miscellaneous itemized deductions and medical expenses in 2014.
- Ask if your employer can defer an expected bonus until 2015.
- Consider using a credit card to pay deductible expenses before the end of the year. This will increase your 2014 deductions even if you don't pay your credit card bill until 2015.
- If you expect to owe state and local income taxes when you file your return, consider asking your employer to increase withholding of state and local taxes before year-end to pull the deduction of those taxes into 2014 or we can give you a 4th quarter estimated payment to make before December 31, 2014.

For Businesses

- Buy machinery and equipment before year-end and, under the generally applicable "half-year convention," secure a half-year's worth of depreciation deductions.
- Although the business property expensing option under Section 179 is greatly reduced in 2014 (unless legislation changes it for 2014), don't neglect to make expenditures that qualify.
- If you own an interest in a partnership or S corporation, consider whether you need to increase your basis in the entity so you can deduct a loss from it for this year.
- Consider accelerating income from 2015 to 2014 if doing so will prevent the corporation from moving into a higher tax bracket in 2015.
- If your business qualifies for the domestic production activities deduction for its 2014 tax year, consider whether the 50%-of-W-2 wages limitation on that deduction applies.

Contact our team right away to make adjustments before December 31, 2014! 207-774-0882 or info@honeckotoole.com. 📞

A QUICK LOOK AT YOUR QUICKBOOKS™



Several times a year, our small-business clients ask if we can take a look at their QuickBooks files and help make sure transactions are being captured and categorized properly. This includes taxable and non-taxable items, business expenses and other items. It's easy to get behind if even one entry is off.

If you need help with QuickBooks, we'd be happy to take a look. The sooner, the better, before you're preparing your year-end reports.

Contact us now to schedule an appointment.

Phone: 207-774-0882 Email: info@honeckotoole.com

WATCH FOR YOUR PURPLE PRE-BILL AND TAX ORGANIZER

By now, you've probably seen your 2014 Honeck O'Toole tax preparation pre-bill (the "purple pre-bill") so you can choose to pay part of next spring's tax return preparation fee before December 31, 2014 and take the deduction in this tax year (if you qualify). **Please note that this payment is OPTIONAL. It's not required.**

In early January, you can expect to receive our annual **Tax Organizer**. This "fill-in-the-blanks" packet helps you gather all your financial information for us so nothing is missed! 📄

Please email us at info@honeckotoole.com or call us at 207-774-0882.

QUESTIONS?

2015 PLANNING:

If your employer offers dependent care benefits or a health flexible spending account (FSA) be sure to have the correct amounts elected. These expenses can be paid with pre-tax dollars which is often a significant savings. 📄

CLIENTS IN THE NEWS...

Don Russell SALT ASSOCIATES

SALT Associates is a Maine-based "customer-centric" consulting firm that provides expertise and services to disability insurance companies, helping them develop streamlined processes for managing disability claims, absent employees, and other related issues.



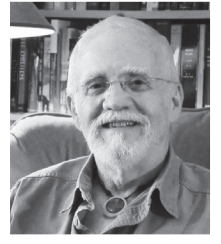
Jeff Verrill (l) and Don Russell (r).

SALT founder Don Russell and business partner Jeff Verrill recognized a gap for companies needing custom solutions and simplified processes when it comes to disability claim management. Don told us, "We created SALT as a resource where the principals always work exclusively and directly with clients, developing unique and strategic solutions while focusing on lasting relationships. We developed a proprietary, proven method of efficient disability management, which has been our unique value to the market."

SALT Associates has one mission: "Provide customers with focused solutions that are designed to meet specific customer needs." The company was founded specifically to deliver thoughtful, creative, and efficient expertise and services to their customers. When Don Russell founded the company in 2002, he needed an accounting firm that shared the same values. "We've grown from one person to ten, and Honeck O'Toole's Joyce Broadwater has been our partner since the beginning." Learn more at www.saltassociates.biz.

CLIENT PROFILES

Frank O. Smith, WRITER AND PUBLISHED AUTHOR



Frank has been a writer, ghostwriter and writing coach for 30 years... but recently he came out from behind the "ghostwriter curtain" with a published novel of his own. His novel, *Dream Singer*, was released in October, and was a finalist for the Bellwether Prize, given, "in support of a literature of social change," championed by best-selling novelist Barbara Kingsolver.

Frank was able to control the process of getting his own work published by becoming a partner in Artisan Island Press, a Maine startup. *Dream Singer* was the press's first book, and it received high praise from best-selling author Pat Conroy, who wrote *The Prince of Tides*, and *The Water is Wide*, among other books. Frank told us, "It was exciting to be a finalist for the Bellwether Prize, but launching Artisan Island Press with four investors has been a wonderful experience. It's increasingly a challenge for new writers to garner the attention of big publishers. Artisan Island is dedicated to helping other novels of merit find their readers." The editorial board will be evaluating submissions in 2015. For more information: www.frankosmithstories.com.

You can hear Frank read from *Dream Singer* at the Prince Memorial Library in Cumberland Center on December 3rd. He'll be signing books at Sherman's Books the first two Sundays in December: in Freeport on the 7th, and on Exchange Street in Portland on the 14th.

Call for Assistance Anytime!
We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.



Email: info@honeckotoole.com
Phone: 207-774-0882
Fax: 207-773-2047
Mail: PO Box 7980 DTS,
Portland, ME 04112

511 Congress Street
Suite 900
Portland, Maine 04101
www.honeckotoole.com

