

HERRICK, LTD. Certified Public Accountants

January, 2015

Dear Client:

Year-end 2014 tax filing season will be one of the most complicated filing seasons according to the commissioner of the IRS, due to new provisions introduced by the Affordable Care Act for Individuals and Families.

Standard Mileage Rates: For 2014, the amount per business mile is 56¢; 23.5¢ for miles related to medical or moving. For 2015, the rate is 57.5¢ per business mile; 23¢ per mile driven for medical or moving purposes. Charitable mileage remains at 14¢ for both years.

Estate Tax: The aggregate lifetime federal estate tax exemption is \$5,340,000 in 2014 and increased to \$5,430,000 in 2015, per person, with a top rate of 40%. Many states have lower exemption.

Gift Tax: The annual exclusion remains at \$14,000 per recipient per donor for 2014 and 2015. Excludable gifts to a non-U.S. citizen spouse were limited to \$145,000 for 2014, and increased to \$147,000 in 2015.

Medicare Taxes: The two Medicare taxes that became effective in 2013 remain in effect for 2014.

The Personal Exemption and Itemized Deduction Phase-outs: For tax year 2014, single filers with AGI in excess of \$254,200 or married couples filing jointly with AGI in excess of \$305,050 will face phase-outs of their itemized deductions and personal exemptions.

New Income Tax Rates: For 2014, for single taxpayers with taxable income greater than \$406,750 and joint filers greater than \$457,600, the top ordinary income tax rate is 39.6%, and the top capital gains and dividend rates is 20%.

Education Credit: The American Opportunity Tax Credit is limited to \$2,500 for 2014 and 2015.

Pension Deferrals: Elective deferral limit is \$17,500 for 2014 and \$18,000 for 2015 for 401(k), 403(b), 457, and SARSEP plans. The catch-up contribution limit for those aged 50 and over is \$5,500 for 2014 and \$6,000 for 2015. For Simple Pension Plans, the maximum deferral limit is \$12,000 for 2014 and \$12,500 for 2015, with a catch-up contribution of \$2,500 for 2014 and increasing to \$3,000 in 2015 for taxpayers age 50 and over.

IRA/Roth IRA Contribution Limits: For 2014 and 2015, the limit is \$5,500 per year, subject to gross income limitations for contributions and with a catch-up contribution of \$1,000 for individuals age 50 and over.

Health Savings Accounts: For 2015, the maximum HSA contribution is \$3,350 for single coverage and \$6,650 for family coverage (for 2014, the limits were \$3,300 and \$6,550, respectively). Catch-up contributions of \$1,000 per year may be made for individuals age 55 and older. However, no contributions are permitted after a participant reaches age 65 or is covered by Medicare.

Flexible Spending Account: Taxpayers who use Flexible Spending Accounts for healthcare costs may now be able to carry up to \$500 of unused money from one plan year to the next.

Health Care Mandate: The premium tax credit and the individual shared-responsibility payment will figure prominently on many individual returns. Many taxpayers will already have qualifying health care coverage and will only need to indicate by checking a box. Taxpayers who do not have qualifying health care coverage will need to provide further information, and possibly make a payment with the filing of their federal tax return.

Our standard U.S. engagement letter is enclosed along with our checklist. Please answer the questions on pages one and two of the letter, sign it, and return it to us. We cannot begin your tax return until we have received the signed engagement letter. We encourage you to meet with us or bring in your tax data as early as is reasonable, but please do your best to have complete information. We may not be able to avoid putting returns on extension if final information is not provided to us by March 21.

Sincerely,

Herrick, Ltd. CPAs