

# HUDSON POPE PLLC

## CERTIFIED PUBLIC ACCOUNTANT

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## Tax Season 2014

The deadline for individual income tax returns this year is April 15<sup>th</sup>. We have recently completed corporate returns for the March 15<sup>th</sup> deadline and continue to process individual returns. We would like to remind those of you who have not yet gathered your 2013 tax information, you may want to consider having us prepare an extension for you which would extend the filing time until October 15<sup>th</sup>. As long as the tax you owe for the year is paid with the extension, filing for the extension does not have any negative ramifications.

We will continue to have extended hours during tax season, but please note that beginning May 1<sup>st</sup> our office hours will once again be 8:30 AM until 5:00 PM Monday through Thursday and 8:30 AM until noon on Fridays. We will still be available by appointment on Friday afternoons as needed.

## TAX PROVISIONS IN THE AFFORDABLE CARE ACT

The Internal Revenue Service is offering educational Health Care Tax Tips on their website to help individuals understand how Affordable Care Act may affect their taxes. On the website, the [Health Care Tax Tips](#) are designed to help people understand what they need to know for the federal individual income tax returns they are filing this year as well as for future tax returns.

**What you need to know for your 2013 tax return.** For most people the Affordable Care Act has no effect on their 2013 federal income tax return. The individual shared responsibility provision and the premium tax credit do not affect your 2013 federal income tax return. However, for some people a few provisions could affect their tax returns, such as increases in the itemized medical deduction threshold, the additional Medicare tax and the net investment income tax. Some additional tips include: (1)

### REMINDER:

Individual Estimated Income Tax Payments are due by April 15, 2014.

This newsletter will discuss some of the information available through the Internal Revenue Service website to help individuals understand the tax provisions in the Affordable Care Act.

The IRS has also issued the 2014 inflation-adjusted vehicle depreciation dollar limits for business-use passenger automobiles, light trucks, and vans first placed in service during calendar year 2014.

**Filing Requirement.** If you do not have a tax filing requirement, you do not need to file a 2013 federal tax return to establish eligibility or qualify for financial assistance, including advance payments of the premium tax credit to purchase health insurance coverage through a health Insurance Marketplace. Learn more at [HealthCare.gov](http://HealthCare.gov). (2) **W-2 Reporting of Employer Coverage:** Certain employers are required to report the value of the health insurance coverage they provide. The value of health care coverage as reported by your employer in box 12 and identified by Code DD on your Form W-2 is not taxable. (3) **Tax Favored Health Plans.** If you have a health flexible spending arrangement (FSA) at work, money you put into it normally reduces your taxable income. If you have a health savings account

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(HSA) at work, money your employer puts into it for you, within limits, is not taxable. Money you put into an HSA usually counts as a deduction and can lower your taxes. Money you take from an HSA to use for qualified medical expenses is not taxable income; however, withdrawals for other purposes are taxable and can even be subject to an additional tax. If you have a health reimbursement arrangement (HRA) at work, money you receive from it is generally not taxable. (4) **Age.** If you are age 65 or older, the threshold for itemized medical deductions remains at 7.5 percent of your Adjusted Gross Income (AGI) until 2017; for others the threshold increased to 10 percent of AGI in 2013. Your AGI is shown on your Form 1040 tax form.

**Considerations for 2014.****(1) Open Enrollment for the Health Insurance Marketplace:**

The open enrollment period to purchase health care coverage through the Health Insurance Marketplace for 2014 began October 1, 2013 and runs through March 31, 2014 (subject to change). When you get health insurance through the marketplace, you may be able to get advance payments of the premium tax credit that will immediately help lower your monthly premium. Learn more at [HealthCare.gov](http://HealthCare.gov). (2) **Premium Tax Credit.** If you get insurance

through the Marketplace, you may be eligible to claim the premium tax credit which helps make purchasing health insurance coverage more affordable for people with moderate incomes. You can elect to have advance payments of the tax credit sent directly to your insurer during 2014, or wait to claim the credit when you file your tax return in 2015. If you choose to have advance payments sent to your insurer, you will have to reconcile the payments on your 2014 tax return, which will be filed in 2015. If you're already receiving advance payments of the credit, you need do nothing at this time unless you have a change in circumstance. (3) **Change in Circumstance.** If you're receiving advance payments of the premium tax credit to help pay for your insurance coverage, you should report life changes, such as income, marital status or family size changes, to your marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments. (4) **Individual Shared Responsibility Payment:** Starting January 2014, you and your family must have health care coverage, have an exemption from coverage, or make a payment when you file your 2014 tax return in 2015. Most people already have qualifying health care coverage and will not need to do anything more than maintain that coverage throughout 2014.

## 2014 INFLATION-ADJUSTED VEHICLE DEPRECIATION

The IRS has released the inflation-adjusted limitations on depreciation deductions for business-use passenger automobile, light trucks, and vans first placed in service during calendar year 2014. The depreciation limits for passenger vehicles are identical to the limits for 2013 (apart from the first year limit, which no longer includes first-year bonus depreciation). Congress has not extended bonus depreciation to the 2014 tax year in the case of passenger vehicles. This means that although several of the limits have been adjusted upward for inflation, the total amount a taxpayer may deduct for a vehicle placed in service during 2014 is effectively \$8,000 lower than for a vehicle placed in service during 2013 unless Congress provides retroactive relief this year.

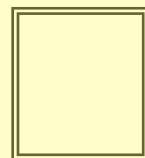
**Passenger Automobiles.** Maximum depreciation limits for

passenger automobiles first placed in service during the 2014 calendar year are: \$3,160 for the first tax year; \$5,100 for the second tax year; \$3,050 for the third tax year; and \$1,875 for each succeeding tax year.

**Trucks and Vans.** The maximum depreciation limits for trucks and vans first placed in service during the 2014 calendar year are: \$3,460 for the first tax year; \$5,500 for the second tax year; \$3,350 for the third tax year; and \$1,975 for each succeeding tax year.

Sport utility vehicles (SUVs) and pickup trucks with a gross vehicle weight rating in excess of 6,000 pounds continue to be exempt from the luxury vehicle depreciation caps based on a loophole in the operative definition.

Company Name  
Street Address  
City, ST ZIP Code



**Customer Name**  
**Street Address**  
**City, ST ZIP Code**