

Taxing Solutions

GEORGE H. HERRO
CERTIFIED PUBLIC ACCOUNTANT, S.C.

Business and Tax Advisors

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a periodic newsletter for the clients and friends of George H. Herro, CPA, S.C.

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Office Hours

Monday, Tuesday, Thursday
9:00 a.m. - 4:00 p.m.

Wednesday
9:00 a.m. - 2:00 p.m.

Friday
9:00 a.m. - noon

*Other days, times and locations
available by appointment*

Important Dates to Remember

September 15, 2015
3Q15 individual federal & state
estimated tax payment due

September 30, 2015
August 2015 state sales &
withholding tax due

October 15, 2015
Extended 2014 individual
tax returns due

October 31, 2015
September 2015 & or 3Q15 state
sales & withholding tax due
3Q15 payroll tax reports due

FROM GEORGE'S DESK

Summer is here! So what are you looking forward to this summer? Did you have a child graduate? Will you retire this year? Are you planning a vacation or a major home repair? Have you decided to sell some of that old stock you have been sitting on for years? All of these events need planning; tax, financial, legal, emotional, and maybe physical. No worries! Give us a call or send us an email with your questions. We will be happy to sit down and help you make it happen. DREAM. PLAN. SUCCEED.



2014 TAX SEASON

Identity theft was again our number one concern this year. This was the case with many of our colleagues as well. The Internal Revenue Service and the different states continue to work hard to try and stay one step ahead of the bad guys. They have instructed us to tell you to file early and protect your identity and dealings on the Internet. Go to www.irs.gov/Individuals/Identity-Protection for more information.

Another issue of impact this year was the Affordable Care Act or "Obamacare". The individual mandate started January 1, 2014 and the affects were felt by some of our clients. If you receive a subsidy from the government and your income changes during the year, you really should contact www.healthcare.gov to let them know of this change. If you don't, you could have a tax liability at the end of the year with your tax return.

Investment companies are doing a better job each year with tracking basis of stock or mutual funds sold. However, please continue to keep good records and let your advisor know of this information, especially if you change advisors.

Overall, we felt the past filing season went well. Let us know how we can improve our service. Thanks!

IRS SAYS...

- 2015 rate for business miles is 57.5¢ per mile.
- The maximum Social Security wage base is \$118,500.
- The amount you can contribute to a HSA this year is \$3,350 for Single and \$6,650 for a Married taxpayer. The catch-up of \$1,000 is still in effect for those over 55.
- For 2015, Section 179 expensing has been reset to \$25,000. We hope Congress will act and change this amount upward as they have in the past.
- The IRS recently issued new regulations regarding repairs to, or repairing of an asset versus capitalizing the asset. Our guess is that after many court cases, the IRS felt more and more businesses were trying to expense and take a 100% write off of this repair. When in their eyes, it really was an asset that should be depreciated over a period of time.
- More clients have experienced longer wait times trying to contact the IRS. This includes written communication as well. Congress is angry with the IRS and we expect another budget cut is on the horizon. This makes everyone's lives, and ours too, more challenging to work with the IRS.
- We are seeing a small increase in correspondence audits. The IRS sends out a letter asking for more information to support a deduction taken on your return. This is still another result of budget cuts.
- Identity theft continues to create many problems for everyone. Contact the Treasury Inspector General at 1-800-366-4484 to report any calls or emails you receive. Also go to www.irs.gov to find out more on what to do if you are impacted.
- Beginning in 2016, we see a clamp down on Education deductions. Be sure to obtain a Form 1098-T from college or eligible institutions AND a record of payments to them.

WISCONSIN SAYS

- Beginning with tax year January 1, 2014, Wisconsin started to follow federal law regarding depreciation and section 179 expensing. The problem is when there is a difference between federal and state basis on an asset. The state is now requiring us to spread out this difference over five years and either add or subtract that 1/5 or 20% each year to your Wisconsin income.
- New for the state this year was the ability to subtract from Wisconsin income, a certain amount for tuition paid for a child attending a private school.
- Grandparents, aunts and uncles can now subtract a certain amount from their Wisconsin income for funds put into an Edvest account for a grandchild or niece or nephew. Make sure to tell us this information as a new form must be completed.
- Wisconsin is completely different compared to the IRS regarding correspondence. They continue to be very efficient and prompt with their communication.
- Identification Survey from the State— some people have been asked to complete this survey. If you don't complete it, you don't receive your refund.

FAQ AND MORE

- **What do you do if you get that notice from the IRS or State?** Contact us ASAP. The key is to respond in a timely manner!
- **How long do you keep tax returns and supporting documents?** Conventional wisdom is three years. But we like to double it to six. The rest you should shred.
- **Does it make sense from a tax standpoint to pay off a small mortgage you have?** It may. Having no debt is always better in the long run. But get all of the facts as each case has its own individual circumstances.
- **Should you take early Social Security?** That depends. There are a lot of factors that should be vetted before making this decision.
- Are you **planning a big trip?** Or a **major renovation** to your home? How will you **pay for these items?** Be careful! Taking money out of a retirement account could prove to be costly, as it might move you into the next tax bracket or cause a penalty.
- Are you interested in moving on from your current job and thinking about **starting your own business?** There are many things to think about when planning a new venture like this. Call us. We'd love to help you **DREAM, PLAN, and SUCCEED!**

ECONOMIC FORECAST

We are asked from time to time for our thoughts on the economy. During the year we read a lot, attend many hours of continuing education, and we meet with colleagues and other advisors covering many different topics not only taxes, but business and economics as well. We are by no means experts, but here are some of our opinions, observations and comments:

- **Federal Reserve:** We expect a small increase in federal fund rates this year, but it will be a token increase. This will result in small increases in the interest rates on home equity lines of credit and other loans where rates are tied to federal funds. We expect small increases in years to come as well. We do not feel these raises in rates will significantly affect the economy.
- **Energy Prices:** There appears to be a surplus of oil, which in theory would keep prices at the pump low. Is it happening? We find it funny that when oil prices go down, the pump prices go up. We expect this trend of yo-yo pricing to continue, but overall, prices will remain low.
- **Unemployment:** We see a lot of "Help Wanted" signs. Are these positions being filled? We are told there is a need for *skilled* labor and a need for just *good* help. We feel more training needs to be implemented, and there has to be some kind of a special event (political, natural, or other) to motivate people. One area we heard people talking about is wages. We think businesses still need to pay more to attract people. Until then, we do not feel we will see any major changes in this unemployment number.
- **Economy:** All of the above items, and many more, impact our economy. World events, disasters, and foreign country issues will impact what happens here at home. Good or bad. We expect continued slow growth, increased factory orders, continued better energy news, improving economies overseas, and as we get closer to the upcoming elections, an increase in public sentiment.

FIRM NEWS

- **Strategic Alliance, CPA...** who is this, you may ask? This name appears on the bottom of your tax returns. About two years ago, we formed a group with other tax professionals through which we purchase our tax software. Nothing has changed...just the name on the bottom of your return.
- Mequon office. We are seeing more and more clients at our Mequon office. We are located inside Partnership Bank on Port Washington Road. Contact us for an appointment.
- We align our firm with other professionals to help our clients improve their financial health. We network with investment advisors, attorneys, insurance agents, bankers and others. Call us to make a referral.
- New clients are always welcomed. We appreciate your kind referrals and thank you for your confidence in us!
- DREAM, PLAN, SUCCEED! We've decided to turn our business philosophy into our slogan. We enjoy the planning process and want to help you find your success!
- If you have a question, concern or comment please let us know. We enjoy serving you!