WILLIAM JEFFERSON COLE, C.P.A.
CAROL T. BARNES, C.P.A.
C. WILLIAM GERARDY, JR., C.P.A.
BARRY S. SHIPP, C.P.A.
STEVEN W. HEDGEPETH, C.P.A.
STEVEN R. BAYER, C.P.A.
TIMOTHY R. DURR, C.P.A.
BAILEY B. BAYNHAM, C.P.A.
ROBERT A. BUSBY, C.P.A.
ANNE-MARIE COLE, C.P.A.
TIMOTHY W. BORST, C.P.A.
ERIC D. SMITH, C.P.A.
KYLE S. DOBBINS, C.P.A.
MATTHEW R. HAHN, C.P.A.
FAYE D. CAMPBELL, C.P.A.

JOHN A. CASKEY, C.P.A.
J. AMY HEMMINGS, C.P.A.
LINDA K. BIBLE, C.P.A.
KATHRYN THAXTON GRAY, C.P.A.
JANA JOHNSTON COX, C.P.A.
KELLY B. NELSON, C.P.A.
GEORGE D. FAUBER III, C.P.A.
ANDREW K. WILHITE, C.P.A.
R. SCOTT MOORE, C.P.A.

COLE, EVANS & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

FIFTH FLOOR TRAVIS PLACE
624 TRAVIS STREET
SHREVEPORT, LOUISIANA 71101-3012

www.cepcpa.com

M. ALTON EVANS, JR.
PARTNER EMERITUS

AUSTIN G. ROBERTSON, JR., C.P.A.
OF COUNSEL

TELEPHONE (318) 222-8367
TELECOPIER (318) 425-4101

MAILING ADDRESS:
P. O. DRAWER 1768
SHREVEPORT, LOUISIANA 71166-1768

MARCH 2015

ADAM JEFFERSON CAIN
NEW CPA

We were very pleased to learn that Adam Cain has successfully completed the CPA exam. Adam joined the firm in January 2014 after having interned with us prior to graduating from Louisiana State University in Baton Rouge. Notably, Adam passed the CPA exam on his first attempt. We are very happy with him in his success and feel very fortunate to have his services.

ABOUT YOUR 2014
INCOME TAX RETURN

Return Data. As always, tax preparers will appreciate and benefit from receiving individual income tax data as early as possible. This allows time for more thoughtful preparation and diminishes the rush to completion of the last days of the filing season.

IRA and HSA Contributions. Taxpayers making individual retirement account (Roth and traditional IRA) or health savings account (HSA) contributions for 2014 and who have not already done so, will need to make the contributions on or before April 15, 2015. April 15, 2015 is the last available date even if the taxpayer obtains an extension of time to file the individual income tax return.

Charitable Contribution Receipt. Taxpayers with charitable contributions will want to be sure to obtain properly worded receipts before the due date of their federal return. Please see the following article for details.

SUSTAINING YOUR CHARITABLE CONTRIBUTION DEDUCTION

For most income tax deductions, proof of the payment is sufficient, and a canceled check, receipt, invoice, etc. is accepted by the Internal Revenue Service as proof of the expenditure. Such, however, is not the case for charitable contributions.

The Internal Revenue Code (the Code) subjects charitable contributions of $250 or more to strict substantiation requirements. Among these requirements is one that the taxpayer must, before filing the return, receive from the charitable organization a

(Continued on reverse)

written acknowledgement that confirms the amount contributed and states whether the organization provided any goods or services in consideration of the contribution. If the taxpayer does not timely receive the appropriately worded written acknowledgement, the contribution is not deductible.

The Tax Court in the case of *Durden, TC Memo, 2012-140* ruled that a Texas couple's contributions to their church were not tax deductible because the written acknowledgements provided by their church did not meet the substantiation requirements of the Code. During their tax audit, the Durdens furnished the IRS agent a written acknowledgement from their church, which (as required by the Code) had been provided to the Durdens by the church prior to the filing of their tax return. Unfortunately, the acknowledgement did not include a statement (also required by the Code) regarding whether the taxpayers received anything of value other than intangible religious benefits in return for their contribution. The Durdens obtained and furnished to the IRS agent a second, corrected written acknowledgement from their church that contained the required statement. Nevertheless, because the required statement was not received before the due date of the return, the IRS agent disallowed the deduction, and the Tax Court upheld the disallowance.

Considering the strict nature of the law and IRS audits, you will want to obtain (before the due date of your return) and keep acknowledgments with the required language confirming your charitable giving. Making the contribution and obtaining an acknowledgment are not enough. The "magic words" must also appear on it before your return is due. "Do-overs," corrections, etc. are not allowed.

We will be happy to answer any questions you may have.

DEADLINE
APRIL 1, 2015

Participants in qualified retirement plans, tax-sheltered annuities, or IRAs (other than Roth IRAs) are generally required to withdraw minimum annual amounts from the plan by April 1 following the year in which they reach age 70½. This rule generally applies to all such tax-favored plans. Individuals who are still employed at age 70½ and are not five percent owners of their employer, however, are not required to begin receiving distributions from their employer's qualified plan until April 1 following the year in which they terminate employment. Distributions from traditional IRA accounts must begin by April 1 following the year in which the account holder attains age 70½. Distributions are not required from Roth IRAs until after the death of the owner.

Although the first required distribution may be deferred until April 1 of the year following the year in which the account owner becomes 70½, it is likely that the distribution should be taken in the year of becoming age 70½ to avoid taxing two years' distributions in one year, possibly causing the recipient to be in a higher tax bracket.

Cole, Evans & Peterson, CPAs
www.cepcpa.com

624 Travis Street Shreveport, Louisiana 71101 (318) 222-8367

MARCH 2015

TAX INCREASE PREVENTION ACT OF 2014 (TIPA)

The Tax Increase Prevention Act of 2014 (TIPA) was signed into law on December 19, 2014. Thankfully, TIPA retroactively extends most of the federal income tax breaks that would have affected many individuals and businesses through 2014. So, these provisions may have a positive impact on your 2014 returns. Unfortunately, these extended provisions expired again on December 31, 2014. So, unless Congress takes action again, these favorable provisions won't be available for 2015.

In this article, we will discuss some of the extended provisions impacting individual taxpayers. Extended business provisions are discussed on page 3.

TAX BREAKS FOR INDIVIDUALS EXTENDED THROUGH 2014

Qualified Tuition Deduction. This write-off, which can be as much as $4,000 for married taxpayers with adjusted gross income up to $130,000 ($65,000 if unmarried) or $2,000 for married taxpayers with adjusted gross income up to $160,000 ($80,000 if unmarried), expired at the end of 2013. TIPA retroactively restored it for 2014.

Tax-free Treatment for Forgiven Principal Residence Mortgage Debt. For federal income tax purposes, a forgiven debt generally counts as taxable Cancellation of Debt (COD) income. However, a temporary exception applied to COD income from cancelled mortgage debt that was used to acquire a principal residence. Under the temporary rule, up to $2 million of COD income from principal residence acquisition debt that was cancelled in 2007–2013 was treated as a tax-free item. TIPA retroactively extended this break to cover eligible debt cancellations that occurred in 2014.

$500 Energy-efficient Home Improvement Credit. In past years, taxpayers could claim a tax credit of up to $500 for certain energy-saving improvements to a principal residence. The credit equals 10% of eligible costs for energy-efficient insulation, windows, doors, and roof, plus 100% of eligible costs for energy-efficient heating and cooling equipment, subject to a $500 lifetime cap. This break expired at the end of 2013, but TIPA retroactively restored it for 2014.

Mortgage Insurance Premium Deduction. Premiums for qualified mortgage insurance on debt to acquire, construct, or improve a first or second residence can potentially be treated as deductible qualified residence interest. The deduction is phased out for higher-income taxpayers. Before TIPA, this break wasn't available for premiums paid after 2013. TIPA retroactively restored the break for premiums paid in 2014.

Option to Deduct State and Local Sales Taxes. In past years, individuals who paid little or no state income taxes had the option of claiming an itemized deduction for state and local general sales

Continued on Page 2.

TAX INCREASE PREVENTION ACT OF 2014 (TIPA) continued from page 1.

taxes. The option expired at the end of 2013, but TIPA retroactively restored it for 2014.

IRA Qualified Charitable Contributions (QCDs). For 2006–2013, IRA owners who had reached age 70½ were allowed to make tax-free charitable contributions of up to $100,000 directly out of their IRAs. These contributions counted as IRA Required Minimum Distributions (RMDs). Thus, charitably inclined seniors could reduce their income tax by arranging for tax-free QCDs to take the place of taxable RMDs. This break expired at the end of 2013, but TIPA retroactively restored it for 2014, so that it was available for qualifying distributions made *before* 2015.

$250 Deduction for K-12 Educators. For the last few years, teachers and other eligible personnel at K-12 schools could deduct up to $250 of school-related expenses paid out of their own pockets—whether they itemized or not. This break expired at the end of 2013. TIPA retroactively restored it for 2014.

WHAT ABOUT 2015?

Unfortunately, as we said at the beginning of this article, none of these favorable provisions will be available for 2015, unless Congress takes further action. This is entirely possible, but far from certain. We'll keep you posted as the year progresses. ■

ABLE ACCOUNTS FOR DISABLED INDIVIDUALS

The Tax Increase Prevention Act of 2014 (TIPA) also included another bill, the *Achieving a Better Life Experience Act (ABLE) of 2014.* ABLE establishes a new type of tax-advantaged account for disabled individuals, allowing them to save money for future needs while remaining eligible for government benefit programs.

Beginning is 2015, TIPA allows states to establish tax-exempt ABLE accounts to assist persons with disabilities in building an account to pay for qualified disability expenses.

Note: Although states can establish ABLE accounts beginning in 2015, it is likely they won't be available until after the IRS provides guidance as to how these accounts should be administered. TIPA requires the IRS to provide this guidance by mid-June 2015.

Contributions to an ABLE account aren't deductible for income tax purposes. However, earnings in the account are deferred until distributed from the account or, if the distributions are used to pay qualified disability expenses, they are tax-free.

Except for Supplemental Security Income (SSI), ABLE accounts are disregarded for federal means-tested programs. Also, some ABLE accounts are provided limited bankruptcy protection.

Eligible Individuals. An ABLE account can be set up for an individual (1) who is entitled to benefits under the Social Security disability insurance program or the Supplemental Security Income (SSI) program due to blindness or disability occurring before the individual reached age 26 or (2) for whom a disability certification has been filed with the IRS for the tax year.

Contributions. Annual contributions to an ABLE account are limited to the amount of the annual gift tax exclusion for that tax year ($14,000 for 2015).

Distributions. Distributions from ABLE accounts are tax-free to the extent they don't exceed the designated beneficiary's qualified disability expenses for the year. Distributions that exceed the qualified disability expenses for the year are included in taxable income and are generally subject to a 10% penalty tax.

Distributions can be rolled over tax-free within 60 days to another ABLE account for the benefit of the beneficiary or an eligible individual who's a family member of the beneficiary. Similarly, an ABLE account's beneficiary can be changed, as long as the new beneficiary is an eligible individual who's a family member of the beneficiary.

Death of the Beneficiary. At the beneficiary's death, any amounts remaining in the account after Medicaid reimbursements go to the deceased's estate or designated beneficiary. They are subject to income tax on investment earnings, but not to the 10% penalty. ■

TAX BREAKS FOR BUSINESSES EXTENDED THROUGH 2014

EXTENDED COST RECOVERY PROVISIONS

50% Bonus Depreciation. The Tax Increase Prevention Act of 2014 (TIPA) extended 50% first-year bonus depreciation for an additional year to cover qualifying new (not used) assets that are placed in service in calendar-year 2014. For a new passenger auto or light truck that is subject to the luxury auto depreciation limitations, the 50% bonus depreciation provision increases the maximum first-year depreciation deduction by $8,000.

Generous Section 179 Rules. For qualifying assets placed in service in the tax year beginning in 2014, TIPA restored the maximum Section 179 deduction to $500,000 (same as for tax years beginning in 2013). The temporary rule that allowed up to $250,000 of Section 179 deductions for qualifying real property placed in service in tax years beginning in 2013 was also retroactively restored for tax years beginning in 2014.

15-year Depreciation for Leasehold Improvements, Restaurant Property, and Retail Space Improvements. TIPA retroactively restored the 15-year straight-line depreciation privilege for qualified leasehold improvements, qualified restaurant property, and qualified retail space improvements for property placed in service in 2014.

EXTENDED PROVISIONS FOR BUSINESS

Business Credits. TIPA retroactively extended—

- The research credit to cover qualifying expenses paid or accrued before 2015.
- The deadline for employing eligible individuals for purposes of claiming the Work Opportunity Tax Credit to cover qualifying hires that began work in 2014.
- The credit for eligible small employers that provide differential pay to employees while they serve in the military to cover payments made in 2014. The credit equals 20% of differential pay of up to $20,000 paid to each qualifying employee.

Favorable Rule for S Corporation Donations of Appreciated Assets. TIPA retroactively restored for tax years beginning in 2014 the favorable shareholder basis rule for stock in S corporations that make charitable donations of appreciated assets. For such donations, each shareholder's tax basis in the S corporation's stock is only reduced by the shareholder's *pro rata* percentage of the company's tax basis in the donated assets. Without the extended provision, a shareholder's basis reduction would equal the passed-through write-off for the donation (a larger amount). The extended provision is taxpayer-friendly because it leaves shareholders with higher tax basis in their S corporation shares.

Break for S Corporation Built-in Gains. When a C corporation converts to an S corporation, a built-in gains tax generally applies when built-in gain assets (including receivables and inventories) are turned into cash or sold within the recognition period. The tax is only assessed on built-in gains (excess of FMV over basis) that exist on the conversion date. The recognition period is normally the 10-year period that begins on the conversion date. However, for S corporation tax years beginning in 2012 and 2013, the recognition period was five years. TIPA retroactively restored the five-year recognition period for tax years beginning in 2014. In other words, for gains recognized in 2014, the built-in gains tax won't apply if the fifth year of the recognition period has gone by before the start of 2014.

Energy-efficient Commercial Buildings Deduction. TIPA retroactively restored the deduction for the cost of an energy-efficient commercial building property placed in service during the tax year, for property placed in service before 2015. The maximum deduction for any building for any tax year is the excess (if any) of the product of $1.80 and the square footage of the building, over the total amount of the Section 179 deductions claimed for the building for all earlier tax years.

WHAT ABOUT 2015?

Unfortunately, none of these special provisions will be available for 2015 unless Congress takes further action. This is entirely possible, but far from certain. We'll keep you posted as the year progresses. ■

COLE EVANS & PETERSON
624 TRAVIS ST STE 500
SHREVEPORT, LA 71101-3014

FOUR GOOD REASONS TO DIRECT DEPOSIT YOUR REFUND

If you are getting a refund this year, here are four good reasons to choose direct deposit:

1. *Convenience.* With direct deposit, your refund goes directly into your bank account. There's no need to make a trip to the bank to deposit a check.
2. *Security.* Since your refund goes directly into your account, there's no risk of your refund check being stolen or lost in the mail.
3. *Ease.* Choosing direct deposit is easy. You just need to provide us your bank account and routing number and we'll take care of it.
4. *Options.* You can split your refund among up to three financial accounts. Checking; savings; and certain retirement, health, and education accounts may qualify.

You can have your refund deposited into accounts that are in your own name, your spouse's name, or both, but not to accounts owned by others. Some banks require both spouses' names on the account to deposit a tax refund from a joint return. Check with your bank for its direct deposit requirements. ■

NATIONAL TAXPAYER ADVOCATE DELIVERS ANNUAL REPORT TO CONGRESS

National Taxpayer Advocate Nina E. Olson recently released her 2014 annual report to Congress, which expresses concern that taxpayers this year are likely to receive the worst levels of taxpayer service since at least 2001 when the IRS implemented its current performance measures. The report recommends that Congress enact a principles-based Taxpayer Bill of Rights, adopt additional safeguards to make those rights meaningful, and provide sufficient funding to make the "Right to Quality Service" a reality.

The report says the combination of the IRS's increasing workload, the erosion of public trust, and the sharp reduction in funding have created a "perfect storm" of trouble for tax administration and therefore for taxpayers. "Taxpayers who need help are not getting it, and tax compliance is likely to suffer over the longer term if these problems are not quickly and decisively addressed," Olson wrote.

The report also urges Congress to enact comprehensive tax reform, pointing out that simplification would ease burdens on taxpayers and the IRS alike. ■

This publication is distributed with the understanding that the author, publisher and distributor are not rendering legal, accounting or other professional advice or opinions on specific facts or matters, and, accordingly, assume no liability whatsoever in connection with its use. The information contained in this newsletter was not intended or written to be used and cannot be used for the purpose of (1) avoiding tax-related penalties prescribed by the Internal Revenue Code or (2) promoting or marketing any tax-related matter addressed herein. © 2015