

## Tax Tips

### AVOID Tax Scams

There are myriads of ways for tax thieves to steal your money, including:

Identity Theft- Tax thieves steal your personal or financial information from any number of places like buying something online or hacking your banking information. They then use this information to commit fraud and theft..

Phone Theft-Here the thief poses as an IRS agent demanding immediate payment with a ppd debit card or some other electronic device or threatens arrest or deportation.

Phishing Scams- Involve thieves sending e-mails luring victims with promises of a refund or threat of an audit.

The reality is that the IRS only contacts taxpayers through the mail, never over the phone or with e-mail. To learn more go to: [www.irs.gov/dirtydozen](http://www.irs.gov/dirtydozen).

### Net Investment Income Tax

The Net Investment Income Tax (NIIT) is imposed by section 1411 of the Internal Revenue code and is applied at the rate of 3.8% to certain investment income of higher income individuals, estates and trusts. This higher income tax became effective with the filing of tax returns for 2014. Higher income individuals should review their potential additional liability and plan ways of mitigating its impact, which may include possibly shifting income, taking losses, etc.

### Owe the IRS?

The IRS has started a new web based payment system where taxpayers can pay bills or make estimated payments directly from their checking or savings accounts without fees or preregistration.

It is possible to schedule payments up to 30 days in advance and the IRS does not retain any bank information after payments are made.

Go to [www.irs.gov](http://www.irs.gov) then click "Pay your tax bill" and follow instructions.

### What is happening with bonus depreciation?

Many tax provisions expired at the end of 2013 or are scheduled to expire at the end of 2014. Originally, it looked like not all provisions would be extended, but now legislation is moving through both houses of Congress.(It is an election year) and it is highly probable that all will be extended. (Probable, who knows for sure what Congress will or will not do?) This includes both 50% bonus depreciation and the higher 179 deduction. Progress is however slow and final passage will not be until after the November elections.

To qualify for either bonus depreciation or higher 179 expending assets must be put in service and ready for use by 12/31/14. Time would be of the essence. Additionally, waiting until the 4th quarter could lock your company into the 4th quarter convention of taking depreciation, thus greatly reducing your tax favored deduction for 2014. Decisions, decisions, decisions!!!

### Get Credit for Child and Dependent Care This Summer

Many parents pay for childcare or day camps in the summer while they work. If this applies to you, your costs may qualify for a federal tax credit that can lower your taxes. Here are 10 facts that you should know about the Child and Dependent Care Credit:

1. Your expenses must be for the care of one or more qualifying persons. Your dependent child or children under age 13 usually qualify. For more about this rule see [Publication 503](#), Child and Dependent Care Expenses.
2. Your expenses for care must be work-related. This means that you must pay for the care so you can work or look for work. This rule also applies to your spouse if you file a joint return. Your spouse meets this rule during any month they are a full-time student. They also meet it if they're physically or mentally incapable of self-care.

3. You must have earned income, such as from wages, salaries and tips. It also includes net earnings from self-employment. Your spouse must also have earned income if you file jointly. Your spouse is treated as having earned income for any month that they are a full-time student or incapable of self-care. This rule also applies to you if you file a joint return. Refer to Publication 503 for more details.
4. As a rule, if you're married you must file a joint return to take the credit. But this rule doesn't apply if you're legally separated or if you and your spouse live apart.
5. You may qualify for the credit whether you pay for care at home, at a daycare facility or at a day camp.
6. The credit is a percentage of the qualified expenses you pay. It can be as much as 35 percent of your expenses, depending on your income.
7. The total expense that you can use for the credit in a year is limited. The limit is \$3,000 for one qualifying person or \$6,000 for two or more.
8. Overnight camp or summer school tutoring costs do not qualify. You can't include the cost of care provided by your spouse or your child who is under age 19 at the end of the year. You also cannot count the cost of care given by a person you can claim as your dependent. Special rules apply if you get dependent care benefits from your employer.
9. Keep all your receipts and records. Make sure to note the name, address and Social Security number or employer identification number of the care provider. You must report this information when you claim the credit on your tax return.
10. Remember that this credit is not just a summer tax benefit. You may be able to claim it for care you pay for throughout the year.

## Tax Information for Students Who Take a Summer Job

Many students take a job in the summer after school lets out. If it's [your first job](#) it gives you a chance to learn about the working world. That includes taxes we pay to support the place where we live, our state and our nation. Here are eight things that students who take a summer job should know about taxes:

1. Don't be surprised when your [employer withholds taxes](#) from your paychecks. That's how you pay your taxes when you're an employee. If you're self-employed, you may have to pay [estimated taxes](#) directly to the IRS on certain dates during the year. This is how our pay-as-you-go tax system works.
2. As a new employee, you'll need to fill out a [Form W-4](#), Employee's Withholding Allowance Certificate. Your employer will use it to figure how much federal income tax to withhold from your pay. The [IRS Withholding Calculator tool](#) on IRS.gov can help you fill out the form.
3. Keep in mind that all [tip income](#) is taxable. If you get tips, you must keep a daily log so you can report them. You must report \$20 or more in cash tips in any one month to your employer. And you must report all of your yearly tips on your tax return.
4. Money you earn doing work for others is taxable. Some work you do may count as [self-employment](#). This can include jobs like baby-sitting and lawn mowing. Keep good records of expenses related to your work. You may be able to deduct (subtract) those costs from your income on your tax return. A deduction may help lower your taxes.
5. If you're in ROTC, your [active duty pay](#), such as pay you get for summer camp, is taxable. A subsistence allowance you get while in advanced training isn't taxable.

6. You may not earn enough from your summer job to owe income tax. But your employer usually must withhold [Social Security and Medicare taxes](#) from your pay. If you're self-employed, you may have to pay them yourself. They count toward your coverage under the Social Security system.
7. If you're a [newspaper carrier](#) or distributor, special rules apply. If you meet certain conditions, you're considered self-employed. If you don't meet those conditions and are under age 18, you are usually exempt from Social Security and Medicare taxes.
8. You may not earn enough money from your summer job to be required to file a tax return. Even if that's true, you may still want to file. For example, if your employer withheld income tax from your pay, you'll have to file a return to get your taxes refunded. You can prepare and e-file your tax return for free using [IRS Free File](#). It's available exclusively on IRS.gov.

## Tip Sheet on Gambling Income and Losses

Whether you like to play the ponies, roll the dice or pull the slots, your gambling winnings are taxable. You must report all your gambling income on your tax return. If you're a casual gambler, odds are good that these basic tax tips can help you at tax time next year:

1. **Gambling income.** Gambling income includes winnings from lotteries, horse racing and casinos. It also includes cash prizes and the fair market value of prizes like cars and trips.
2. **Payer tax form.** If you win, you may get a [Form W-2G](#), Certain Gambling Winnings, from the payer. The IRS also gets a copy of the W-2G. The payer issues the form depending on the type of game you played, the amount of your winnings and other factors. You'll also get the form if the payer withholds taxes from what you won.
3. **How to report winnings.** You must report all your gambling winnings as income. This is true even if you don't receive a Form W-2G. You normally report your winnings for the year on your tax return as 'other income.'
4. **How to deduct losses.** You can deduct your gambling losses on Schedule A, Itemized Deductions. The amount you can deduct is limited to the amount of the gambling income you report on your return.
5. **Keep gambling receipts.** You should keep track of your wins and losses. This includes keeping items such as a gambling log or diary, receipts, statements or ticket

## Summer Weddings Mean Tax Changes

Taxes may not be high on your summer wedding plan checklist. But you should be aware of the tax issues that come along with marriage. Here are some basic tips that can help keep those issues to a minimum:

- **Name change.** The names and Social Security numbers on your tax return must match your Social Security Administration records. If you change your name, report it to the SSA. To do that, file Form SS-5, Application for a Social Security Card. You can get the form on [SSA.gov](#), by calling 800-772-1213 or from your local SSA office.
- **Change tax withholding.** A change in your marital status means you must give your employer a new [Form W-4](#), Employee's Withholding Allowance Certificate. If you and your spouse both work, your combined incomes may move you into a higher tax bracket. Use the [IRS Withholding Calculator](#) tool at IRS.gov to help you complete a new Form W-4. See [Publication 505](#), Tax Withholding and Estimated Tax, for more information.
- **Changes in circumstances.** If you receive advance payment of the [premium tax credit](#) in 2014, it is important that you [report changes in circumstances](#), such as changes in your income or family size, to your Health Insurance Marketplace. You should also notify the Marketplace when you move out of the area covered by your current Marketplace plan. Advance payments of the premium tax credit provide financial assistance to help you

pay for the insurance you buy through the Health Insurance Marketplace. Reporting changes will help you get the proper type and amount of financial assistance so you can avoid getting too much or too little in advance.

- **Address change.** Let the IRS know if your address changes. To do that, file [Form 8822](#), Change of Address, with the IRS. You should also notify the U.S. Postal Service. You can ask them online at [USPS.com](https://usps.com) to forward your mail. You may also report the change at your local post office.
- **Change in filing status.** If you're married as of Dec. 31, that's your marital status for the whole year for tax purposes. You and your spouse can choose to file your federal income tax return either jointly or separately each year. You may want to figure the tax both ways to find out which status results in the lowest tax.

*Note for same-sex married couples:* If you are legally married in a state or country that recognizes same-sex marriage, you generally must file as married on your federal tax return. This is true even if you and your spouse later live in a state or country that does not recognize same-sex marriage. See [irs.gov](https://irs.gov) for [more information](#) on this topic