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Happy Holidays!

Thank you, for allowing us to be your finance and tax advisors throughout the year. Your trust in us and all of your referrals are greatly appreciated. We are proud to have been preparing taxes, financial statements and consulting with you, for over 31 years.

As you know, your tax return and tax liability are constantly changing based on existing provisions expiring and new provisions going into effect. Below you will find some of the more recent and pertinent changes to the tax code to assist you in preparing your 2014 tax return. You may contact us anytime to answer questions or clarify any of the enclosed information. Our office will be open through the holidays and we look forward to hearing from you. More in depth 2014 tax planning strategies for individuals and businesses can be found by visiting our website at www.jwlatl.com and clicking on the Tax Tips section.

See below for Year End Tax Planning Techniques for 2014

TAX CHANGES IN 2015
Affordable Care Act (Obamacare):
As a nation, we needed affordable universal health care. However, health insurance premiums continue to rise. As you are aware, the Affordable Care Act is not a mandate to carry insurance, it is a tax. This issue was clarified by the US Supreme Court.

Employers with 50 or more full time employees will be facing a tax penalty if they fail to provide affordable essential health coverage to their employees. On the flip side, employers with less than 50 full time employees and nonprofit organizations could be eligible for tax credits if the minimum coverage requirements are met. Beginning January 1, 2015, employers are required to report employee health insurance coverage information annually to both employees and the Department of the Treasury. This information must be given to employees no later than February 1, 2016.

However, it's not all bad news. There is a Small Business Health Insurance credit is available to those employers with 25 or fewer full-time employees. In order to receive the credit, the employer has to provide an affordable health insurance plan to their employees and pay for at least half of the premiums. The credit will be 50% of what the employer contributes towards the employee's premium.

Individuals who fail to purchase coverage for at least 9 months of the year might also be subject to a penalty. Adults could be facing a fine of $95, while the penalty for uninsured children will be $47.50 or 1% of the total household income. This fine will increase annually and, by 2016, $695 per adult or 2.5% of the total household income, whichever is greater.

Other Changes in 2014
1. 50% bonus depreciation is expected to be reinstated for 2014. The bill to reinstate bonus depreciation has already passed the House of Representatives and the Senate with the President expected to approve the bill. This deduction is for the purchase of new vehicles / equipment only. This is a great way to get an additional deduction on an SUV that weighs over 6,000 pounds and costs more than $25,000.
2. The maximum Section 179 depreciation is currently $25,000 in 2014. However, as part of the tax bill expected to pass, Section 179 depreciation will increase to $500,000.

3. Deducting the mortgage insurance premiums paid on your primary residence is another section of the tax bill expected to pass for 2014.
4. Qualified Principal Residence Indebtedness income exclusion is expected to be reinstated for qualified discharges occurring in 2014. If you are short selling your primary residence or losing it to foreclosure and will have debt cancellation, make every effort to finalize the transaction before year end to avoid a tax liability from the cancelled debt.

THIS AND THAT FOR 2014

5. The top Federal income tax rate for 2014 remains at 39.6% for single taxpayers earning more than $406,750 and married filing jointly taxpayers earning more than $457,600.
6. The IRS will now recognize same-sex marriages for tax purposes. However, as of the date of this letter, Georgia will not. These taxpayers must still file their state tax returns as single.
7. Student loan payments do not have to exceed 10% of your income. Certain public employees can have their debt forgiven after 10 years of payments. The other 81% of the population can have their debt forgiven after 20 years of payments.

EDITORIALS FROM YOUR CPA:

The railroad is a great place to work. Their retirement plan is so good that employees at the railroad do not participate in the social security system. It's probably too late for you, but have the youth in your area of influence look at this group as a career opportunity.

Real estate markets have continued to improve in 2014. Median sales prices in the US have increased 5% in the last 12 months and the inventory of homes has remained low. Meanwhile, foreclosures are down about 16% from a year ago. Those acquiring foreclosed properties during 2015 will continue to get values. If you are looking at purchasing real estate, you may find that quality properties are not staying on the market very long, sometimes going under contract in less than 24 hours.

Mortgage rates have hovered around 4% for most of 2014. Many experts expect a rise in interest rate in the first half of 2015, but rates should continue to stay at historic lows compared to the last 30 years. As real estate values continue to rise, be sure to check with your mortgage broker to see if you are now eligible to refinance and lock in a fixed mortgage at these historically low rates. Also consider consolidating higher interest rate debt into your refinance if possible; you should include consumer debt from credit cards, automobiles, etc. and roll this into a tax deductible mortgage. Also, if you have an Adjustable Rate Mortgage, you should lock in a rate.

Continue to fund your retirement accounts. If your employer has a company match, contributing enough to meet the match is a no-brainer. It is part of your compensation. The individual retirement account allows $5,500 per year, plus those over 50 are allowed to contribute an additional $1,000. If you are able, consider these amounts as minimum funding levels. We often have questions between traditional deductible contributions to a retirement accounts versus a ROTH contribution. As you are aware, the ROTH is non-deductible and is withdrawn tax free. My stance is to take the deduction while you can. When you contribute to a deductible plan, you receive an immediate return on the invested funds. A contribution to a deductible retirement plan in the amount of $1,000 is really $1,000. A ROTH contribution in the amount of $1,000, after taxes, assuming 25% Federal and 6% state actually costs you $1,449.

The best person to pick a stock is you, the consumer. You know what you buy. Interest rates are low, yet there is substantial risk in equity markets. I would not suggest placing any funds into the stock market that you will need to access within the next ten years. For any funds not needed within that time frame, I would suggest investing the same dollar amount in consistent intervals (weekly, monthly, quarterly) in order to "dollar-cost average" your investments.

For 2014, my stock picks averaged a 1.25% loss. This was below the S&P 500 which had an overall 1 year gain of 11%. Generally, between my gut instincts and discussions with my broker, I have been able to have a fairly decent return. Brokers monitor the markets every day and having a financial advisor that you trust is an important piece of effective financial planning. If you insist on trading on your own, utilize automatic selling features (stops) with your broker to limit any losses and lock in gains on your stocks and mutual funds. Below are some stocks to watch in the coming year, take them with a grain of salt.

Technology: Ali Baba Group (BABA); Apple (AAPL); Hewlett Packard (HPQ); Intel (INTC)
Energy: Vivint Solar (VSLR); Abengoa (ABGB)
Medical: Ziopharm (ZIOP)
Consumer Goods: Lululemon Athletic (LULU)
Financial: American Express (AXP); Bank of America (BAC)
Transportation: Baltic Trading Limited (BALT)

Seasons' Greetings! See y'all soon.

The Quick Ten: Please attach (enclose) the following if applicable

1) ***Form(s)*** - W2
2) ***Form(s)*** - 1099 & 1098 - Self-Employed; Dividends; Interest & Mortgage Interest. Debt forgiveness may be a taxable event. Please make sure you provide us with all of the details.
3) ***Stock Trades***: The brokerage statements for the active trader for December 2012 through January 2014. For sales on accounts that were purchased outside the window above, we will need the purchase date and price. Stock trades default to first in first out unless you specifically designate the stocks. You may want to include your broker's name and telephone number for better clarification if needed.
4) ***Interest Income***: For seller-financed mortgages, please supply the name, address, and Social Security number.
5) ***Estimated Tax Payments*** (Please include):
   Date To Whom Paid Tax Year Amount
   Please remember that state tax payments remitted in 2013 are federally tax-deductible in 2013.
6) ***Retirement Contributions***: SEP's/IRA's/ROTH IRA's/401K's/403b's/etc. We would like to assist you and your broker (if applicable) in calculating the above contributions for you. In certain instances, your contributions may be limited. Please call for clarification.
7) ***Dependents***: Name; Date of Birth; Social Security Number; and months lived with you during 2013.
8) ***Childcare Credit***: We are required to report the Name; Address; and I.D. number of the provider, as well as the amount paid.
9) ***Principle Residence***: In addition to the mortgage interest received by the lender, please supply the closing statements of the purchase, sale and refinancing statement if these transactions occurred during 2013.
10) ***Flow-Throughs***: K-1's from corporations, partnerships, trusts and LLC's.

Year End Tax Planning Techniques for 2014

Year End Tax Planning for Individuals:

Deductions and credits often overlooked:

- **Job** search expenses: Includes costs of resume preparation, outplacement agencies and travel to job interviews.
- **Medical insurance**. Self-employed taxpayers can finally deduct 100% of medical insurance premiums.
- **Treatment** for alcoholism, smoking and drug abuse.
- **Investment** advisors fees.
- **Safe deposit box fees**, if the box is used to hold savings bonds, stock certificates or other investments.
- **Labor union dues**.
- **Subscriptions to trade** publications related to your job.
- **Penalties on early withdrawal** of certificate of deposits.
- **Your state's personal property taxes** on cars and boats.
- **Medical and Moving mileage** is deductible at **23.5 cents** per mile in 2014 and **23 cents** per mile in 2015.
- **Student Loan interest**.
- **College tuition** tax credits.
- **Non-reimbursed** employee business expenses.

You can charge deductible expenses on your credit card. For example, charge medical bills and charitable donations on your credit card before 12/31/14. Although paid in 2015, they are deductible for tax year 2014.

Prepay state estimated taxes on or before December 31, 2014 year-end. This is your state est. tax payment due 01/15/15 for 2014.

Prepay your January mortgage payment in December 2014. The interest is deductible when paid. If you choose to prepay the January mortgage payment, please keep a copy of the check as it should have been received by the mortgage company in 2014, otherwise send the payment return receipt requested on or before December 31, 2014.

Sell stock losses before year-end. You can offset capital gains by the amount of capital loss incurred during the tax year; if your capital losses exceed your capital gains, the amount of the excess loss you can claim in 2014 is $3,000 ($1,500 if you are married filing separately). Please avoid the "wash-sale rule". If you sold a stock at a loss and bought it back within 31 days, the loss is disallowed.

Please review your 1099's issued by investment firms. If you have stock losses in prior years and you are not sure of the carry forward amount, please call the office. Please do not overlook Capital Gains from mutual funds when calculating your gains for the year.

The AMT exemption; refers to the income threshold to be excluded from alternative minimum tax. The limits are $82,100 if filing a joint return, $52,800 if filing individually, $41,050 if married filing separately.

Social Security Taxable Cap and Rates: Social security tax rates increased in 2013. The individual social security tax rate for is now 6.2%, or 12.4% if self-employed. In 2014 the social security wage cap is $117,000; this means that individuals will not incur social security tax on wages exceeding this amount. The wage cap will increase to $118,500 in 2015.

Retirement Planning:

	401k Deferral Cap:	**Simple IRA's (for Businesses):**	**IRA's - Traditional & Roth (Individuals)**
Year	Amount	Amount	Amount
2014	17,500	12,000	5,500 (6,500 age 50 or older)
2015	18,000	12,500	5,500 (6,500 age 50 or older)

(The chart above shows the annual contribution limits for popular retirement plans)

If permitted by your 401(k) plan, participants who are age 50 or over at the end of the calendar year can also make catch-up contributions. The additional elective deferrals you may contribute are:

- $5,500 to traditional and safe harbor **401(k)** plans (in 2014, $6,000 in 2015)
- $2,500 **to Simple IRA** plans (in 2014, $3,000 in 2015)
- $1,000 to **traditional IRA** plans (in 2014 and 2015)

The maximum contributions for a **SEP** plan are$52,000 for 2014 and $52,000 for 2015. The maximum 401k contribution are $52,000 ($57,000 including catch-up contributions) for 2014 and ($53,000, or $59,000 including catch-up contributions for 2015).

The maximum contribution for a **Roth IRA** is $5,500 (or $6,500 if age 50 or older). However, you can no longer contribute to a Roth IRA once your income reaches a certain level, $131,000 for single taxpayers and $193,000 for married taxpayers filing jointly.

For other closely held companies, generally the one owner/one employee company, defined benefit plans are available. For example: the **412i** plan which allows taxpayers to fund a retirement plan for up to the actuarial limits per annum. The contribution can be as much as $300k-$400k per year. These retirement options can be made up of annuities and/or life insurance.

Non-Cash Contributions: are donations of personal items (clothing, appliances etc.) and long-term investments(marketable securities) instead of cash. You can deduct the fair market value of investments that you have donated, including all associated capital gains. Donated personal items such as clothing and appliances are generally deductible up to 35% of the original cost, often referred to as the "thrift- value" method. The internal revenue service has added the term “good used condition” for items donated, also please be prepared to prove that the items meet these conditions.

Please enclose your log of donated items with the fair market values for non-cash donations when you send in your information. When deducting cash or appreciated securities with a value of greater than $250, you will need to get an acknowledgement from the charity. If you donate a vehicle and the charity or agent sells it, the value of the donation for tax purposes is limited to the sales proceeds. Charities must report to you and the Internal Revenue Service the amount of sales proceeds. To maximize your deduction, contribute your car to an organization that intends to use it in its charitable activities.

Exhaust flexible spending accounts (FSAs): If you have a medical or dependent-care FSA at work, spend all of your contributions to it by year-end. **You can no longer use your FSAs for purchasing over-the-counter medications.** However, if you obtain a prescription from your doctor for the over-the-counter medications you can then use your FSA account. You may be able to use expenses through March 15, 2015 to absorb your 2014 balance. Check with your employer in that it is at their discretion. Otherwise, if not spent by December 31, 2014, the remaining funds are forfeited.

Health Savings Accounts (HSAs): For those who are covered by a high deductible health plan: $1,300 single persons and $2,600 for families, you and/or your employer, on your behalf, can make tax-deductible contributions to an HSA. Funds accrued are tax deferred. Withdrawals for medical expenses not covered by insurance are tax-free. After age 65, contributed funds can be withdrawn and used for non-medical purposes, but are subject to income tax. The maximum contributions to the accounts for 2014 are $3,250 for single persons and $6,550 for families. These limits are projected to increase to $3,300 for single persons and $6,650 for families for 2015. People who are least 55 years old can contribute an extra $1,000. **As with the FSA, you can no longer use your HSAs for purchasing over-the-counter medications.** However, if you obtain a prescription from your doctor for the over-the-counter medications you can then use your HSA account.

The Kiddies: There are no tax or filing requirements for children under 18 years of age if their income is less than or equal to $900. The most effective way to ensure that your child's income does not exceed this limit is to place a certificate of deposit in the child's name using the child's social security number. There is a lower rate for income between $900 and $1,900; thereafter, the rate charged for the dependent child will be at the "allocable parental tax" rate.

Seniors: if you are between 62.5 and 66 and collect Social Security benefits while you continue to work, you can earn up to $15,480 in 2014 without any loss of benefit (for every $2 over the limit, $1 is withheld from benefits). For individuals continuing to work, after having reached full retirement age (66, until year 2020 when it becomes 67), there is not an earned income limit.

An annual **Social Security benefit statement** is available to you. You should be receiving this information annually. You can get this information by calling 800-772-1213 or visiting their web site at www.ssa.gov. It is called a Personal Earning Statement.

Big Changes in the Estate Tax Calculations In 2014, the estate tax exclusion is set at $5.34 million (the maximum non-taxable estate allowable upon death). This exclusion amount is projected to increase to $5.43 million in 2015. In 2014 estates in excess of the exclusion will be taxed at rates between 15% and 39.6%, rates will not increase in 2015.

State of Georgia – Tax Planning:

529 Plans:
These government-monitored savings programs are designed to encourage saving for your dependents' future education costs. Parents, grandparents, and relatives of your dependent may deduct up to $2,000 of their contributions from their 2014 Georgia taxable income.

Goal Scholarship Program Tax Credit:
GOAL is Georgia's leading student scholarship organization, providing scholarships to more than 6,500 Georgia students. Individuals and businesses are eligible to redirect a portion of their state income tax liability by contributing to GOAL. These contributions will be used to provide students in need of scholarships an opportunity to attend accredited private schools for the first time. You must apply for this credit before January 1, 2015.

Tax Credit Limits Based on Filing Status:

- **Single individual or head of household** – any amount up to $1,000
- **Married couple filing a joint return** – any amount up to $2,500
- **Married couple filing a separate return** – any amount up to $1,250
- **S corporation shareholder, LLC member, or partnership partner** – any amount up to $10,000
- **C corporation or Trust** – any amount up to 75% of annual Georgia income tax liability

Georgia Conservation Tax Credit:

The Georgia Conservation Tax Credit is a financial incentive for landowners to help protect our state's natural resources. Landowners who donate fee-title lands or permanent Conservation Easements to a government entity or Qualified Organization may apply for a credit against their state income taxes. Approved donors may earn credits equal to 25% of the fair market value of their donations, up to $250,000 for individual donors and $500,000 for corporate and partnership donors. Any unused portion of the credit may be carried forward for ten succeeding years.

Other Credits:

- Zero Emission Vehicle Credit (lesser of 10% of vehicle cost, or $2,500)
- Electric Vehicle Charger Credit (lesser of 10% of charger cost, or $2,500)
- Clean Energy Property and Wood Residuals Credit ($ 5 million for calendar year 2014)
- Historic Rehabilitation Credit (not to exceed $100,000 for a historic home, and $300,000 for a certified structure)

Other tax credit opportunities are available to Georgia residents, please call our office or include the expended amounts with your information. Certain limitations may apply.

<u>YEAR END TAX PLANNING FOR BUSINESSES</u>:

- If you **pay an individual** for services rendered, this is inclusive of household workers, make sure you either prepare a 1099 for non-employee compensation or a W-2 for an employee's wages. As of 2012, businesses must report payments to their vendors if in the course of your trade or business on a 1099. If you own a rental property this requirement also applies to you. If you would like us to prepare these forms for you, please contact our office for the preparation and remittance of the form in **January of 2015**.
- Set up a **retirement plan** before year-end. We should have already discussed this option. Please call me if you think we need to chat further.
- For **cash basis taxpayers**, pay all outstanding bills before December 31, 2014 year-end.
- **Write off obsolete inventory as of year end** so your business can take a write down this year.
- For **accrual basis taxpayers**, write off non-collectible account receivables.
- **Change your tax status from a C-Corporation** to an **S-Corporation,** or vice-versa. We should have already discussed this option. You have 75 days from year-end to make this change to be effective in the coming tax year.
- Employers can **reimburse employee business expenses** before year-end when the employer has an "accountable plan". This can reduce salaries and create savings on payroll taxes, while also reducing the employee's taxable income.
- **S-Corporation** owners who need additional capital (loans) should borrow the funds individually and then lend them directly to the corporation. Since most small companies' debt requires a personal guarantee, this process will add to the tax basis of the company for wherein certain losses can be recognized.
- **New per diem rates.** The US General Services Administration has announced per diem travel rates for the continental US effective October 1, 2014 – September 30, 2015. The standard rates through September 30, 2014 have remained the same this year with an effective date of October 1, 2014 ($83 for hotel and $46 for meals and incidental expenses per day); also, there are about 400 locations with new higher per diem rates. To view the new per diem rates, go to www.gsa.gov and click on "per diem rates" under "Most Requested links".
- The IRS does not require receipts for cash expenses of less than $75 if you record them in your business diary at the time they were incurred.
- **Deposits in bank for cash basis taxpayers** are taxable when deposited and recorded in your register.
- **Bonus depreciation and Sec. 179 expensing-** Capital acquisitions up to $25,000 can be fully deducted in 2014 if purchased and placed in service before year end. However, there is currently a bill before the Senate to reinstate the 50% bonus depreciation and Section 179 depreciation limit of $500,000 for 2014.
- **For business travel**, meals and entertainment expenses, please document **who, what, where, and when.**
- **Auto mileage** for business use of a car and truck expenses in 2014 is deductible at 56 cents per mile. The business portion of parking fees and tolls may be deducted in addition to the standard mileage rate. For 2014, the rate will increase to 57.5 cents per mile.
    - **Generally,** if you drive 20,000 business miles, the standard mileage deduction may be greater than actual expenses incurred. In 2014, the standard mileage deduction would be $11,200 versus actual expenses of maybe $8,270. If you drive 10,000 business miles, the standard deduction would be $5,600 versus actual expenses of $8,270. These are averages, and different vehicles would generate different deduction amounts.

- **For your year-end board meeting**, which may be in Timbuctu, please discuss and reference in your memorandum the following items:
  -Charitable Contributions
  -Year-end bonuses, retirement plans and or profit sharing arrangements
  -Reasons why earnings are being retained
  -Any changes to the business organizational structure
  -Set salaries for the upcoming year
  -Insurance changes such as- disability, life, health, etc.