

Realtors Association of Lincoln
2014 Income Tax Update
February 5, 2014
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- 1) IRS service in 2013 was bad
 - 39% of taxpayer phone calls were unanswered (20 million)
 - Of the 61% that got through, wait times averaged 18 minutes
 - 53% of the taxpayer letters responding to IRS adjustments were not answered within 45 days (4.5 million)
- 2) IRS service will suffer in 2014
 - 11% more individual returns and 23% more business returns filed in the past 10 years
 - 8% less staff in past 3 years (8,000)
 - 87% less training budget this year (\$150 million)
 - Service centers will only answer basic tax law questions and will not prepare returns for the elderly and indigent
- 3) Expiring tax breaks for homeowners 2014
 - Mortgage insurance premiums deduction
 - Exclusions of cancelled mortgage debt
 - Energy efficient appliance tax credits
 - Builders' energy tax credit
- 4) Other expiring tax breaks 2014
 - \$250 school supplies for teachers
 - State and local sales tax deduction
 - Electric auto credit \$7,500
 - Tuition deduction (credits still there)
 - Reduction of first year expensing of asset additions from \$500,000 to \$25,000
- 5) Simple business of home deduction option effective 2013
 - Up to 300 square feet at \$5 a square foot
 - No capital gain issues when selling the home
 - Must still qualify as regularly and exclusive use as an office
- 6) Affordable Care Act effects
 - Additional 3.8% tax on investment income and additional 0.9% Medicare payroll tax over thresholds (AGI over \$200,000 single, \$250,000 joint) for 2013
 - Capital gains taxed at 20% (from 15%) on the wealthy (taxable income over \$400,000 single, over \$450,000 joint) for 2013
 - Medical expenses deduction reduced by 10% AGI (was 7½%) for those under age 65 for 2013