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Client Information.....January 2015

Organizers and Appointments. Organizers are available on the website as well as a tax document checklist and several other items which might be useful to you at: <http://johngallocpa.com/forms/>

If you received this newsletter in the mail, there should be an organizer enclosed along with it. Please use the organizers and checklists to help you assure that you have all the necessary information together to prepare your income tax returns.

Please call to schedule your appointment as soon as possible. We are available most days if necessary. We do schedule most appointments for early morning, the evenings, or on Saturdays to try to work with your schedules as well as the schedules of our business clients. Make sure you have all information available prior to your appointment. We do expect scheduling to be fairly tight this year. If you have the ability to provide your information electronically or through the mail ahead of time, this would improve the efficiency of getting your return completed. We actually have a number of clients who do everything electronically and no longer have face to face meetings. We like to opportunity to meet with you, but we all have busy schedules and we can work in any manner that is beneficial to you.

Homework. It is not uncommon for clients to leave their tax appointment with "homework"-a list of information the tax preparer still needs in order to complete the return. Please provide this homework as soon as possible to avoid backlogs or delays in processing your returns. If homework is not furnished before March 15, you can expect that your return will be placed on extension. Note that you still must pay your taxes by April 15 even if you are on extension. Also, any clients who have not signed the electronic filing authorizations prior to April 10 will have their returns put on extension.

Our Newsletters. This newsletter as well as all our newsletters, organizers, website, and other documents are general in nature. No transaction should be completed without a professional consultation on its ramifications. Please pass this newsletter along to a friend or colleague when you have finished, or phone for an extra copy. Recent newsletters are also posted on our website.

New Clients. We thank you for the many nice referrals that you have sent to us over the past years. We have increased the amount of time available for new clients over the next year. This has opened up more capacity for income tax clients. So please keep us in mind if any of your friends, relatives or colleagues express a need for professional tax assistance. Good referrals are always appreciated. We are also expanding our business advisory and process improvement services. We are available on a year round basis for income tax, estate planning, business planning, process improvements, and personal financial planning consulting.

Teaching. We continue to teach a number of tax and business related courses during each year. We have specialized in teaching about using independent contractors compared to using employees and the understanding and preparation of 1099 forms. We also teach classes on starting businesses and entrepreneurship. There are e-books available on our website about these subjects. Please feel free to refer to them and if you are interested in additional information on the subjects, contact us.

Charitable contributions. Please be aware that the IRS is requiring that charitable contribution documentation be very detailed. If you give cash, you must have a receipt from the charity and that receipt must have "magic words" on it. Those words must be to the effect that you did not receive anything of value for your contribution (other than intangible benefits). Without those magic words, the deduction will be disallowed. Non-cash contributions must also have a receipt. The IRS is not accepting the receipts that are typically given by charitable organizations which pick up or accept delivery of goods. The receipt must be filled out in detail at the time of donation. The detail must include a listing of the items donated and the values assigned to those items.

Affordable Care Act. We are sure everyone has noticed that this health care law seems to be titled incorrectly, but there is a requirement with the 2014 tax returns that you have health care the full 12 months of the year. We will be needing documentation that you and all dependents had health care for the year. There are penalties for not having health care. There is a substantial list of exceptions to the penalties and if you did not have health care we will need to discuss your situation to assure that you fall into one of the exceptions.

Repair and Capitalization Policies. New regulations went into effect during 2014 which will affect everyone who operates a business or has rental property. We will discuss compliance with these regulations with each client who is subject to them, but there will be elections which have to be made on all tax returns with a business activity. It is quite possible that many of you will also have to file a form 3115 Change in Accounting Method form along with your tax returns. We are planning to make adhering to these new requirements as simple and inexpensive as possible, but there are steps which will have to be taken. The election every business activity will have to make will be to expense purchases which are lower than \$500.00 and capitalize purchases over \$500. This refers mostly to purchases of equipment, furnishings, fixtures or repairs betterment of those items.

Mileage. The standard mileage rate for business miles during 2014 was 2013 was .56. For 2015 it increases to .575. Charitable mileage is .14 per mile and it is 23.5 cents per mile for medical or moving purposes. The business standard mileage rate must be documented at the time the miles are driven. You need to have some sort of mileage log to keep track of these miles or the deduction for them will be disallowed. In some cases, it may be better to use actual expenses rather than the standard mileage rate. Please discuss this with us. In any case, even if using actual expenses, you must still maintain documentation of the business mileage.

Entertainment and meals. Another area where documentation must be kept in very good detail. First of all, meals are not deductible if you are just having lunch even if you are away from home. Meals are only deductible in a few very limited circumstances. If you are entertaining a customer, the meal is deductible up to 50% of the cost IF you properly document (usually on the receipt) who you were entertaining and what business was discussed during the meal. Those details must be listed or the deduction will be disallowed. (tips are 100% deductible in this situation). You may deduct 100% of meals provided to employees to facilitate overtime work, or for infrequent company parties.