

December 2013

### SAME SEX MARRIAGE

Effective for tax returns to be filed for 2013, same sex married couples may be able to file their Federal returns with a Married Filing Joint filing status. The key criterion is that the couple was married in a state that allowed same sex marriage at the time they were married. It is not necessary that the couple currently reside in a state in which same sex marriage is allowed. Registered Domestic Partners are not considered to be married for purposes of filing a joint Federal tax return.

### 3.8% MEDICARE TAX ON INVESTMENT INCOME

Check with us to see if some tax planning may reduce the impact of this tax. The 3.8% surtax will be imposed on the lesser of your net investment income for the tax year, or the amount by which your modified adjusted gross income (MAGI) exceeds the "threshold amount" for the year. The threshold for married filing jointly is \$250,000, \$125,000 if you are married filing separately and \$200,000 for everyone else.

Although the IRS issued more than 100 pages of regulations to define "net investment income" the term basically includes interest, dividends, annuities, rents, royalties and capital gains. Interest on tax-exempt bonds and distributions from qualified retirement plans are not included, nor is any gain excludable from income on the sale of your primary residence.

### THE 0.9% MEDICARE SURTAX ON EARNED INCOME

This tax applies to wages and self-employment income. The income thresholds are the same as the tax on net investment income above: \$250,000 for couples filing jointly, \$125,000 for those married filing separately and \$200,000 for other filers. The surtax applies only to the employee's portion of the Medicare tax. Employers are required to withhold the surtax once an employee's wages exceed \$200,000 in a calendar year.

**Caution:** If filing jointly, each spouse could earn less than the \$200,000 threshold and have no extra withholding on their wages during the year, however, if their combined wages exceed the \$250,000 threshold on their tax return, they will pay the surtax owed when filing their tax return. On the other hand, if one spouse's wages are over \$200,000 and the employer withholds the additional tax, but the other spouse earns less than \$50,000, then any extra surtax withheld would be credited on their tax return.

### ANNUAL GIFT TAX EXCLUSION

The amount of money that a taxpayer may gift to someone without having to file a Gift Tax return (Form 709) remains at \$14,000 for 2014. Please be aware that such a gift is not deductible on your personal income tax return.

## PENSION PLAN LIMITATIONS

Although many limitations remain unchanged for 2014, it is worth noting the maximum amounts that one may contribute to the various retirement plans for 2013 and 2014.

<u>Plan Type - 2013</u>	<u>Maximum Contribution</u>	<u>Catch-Up (50 &amp; over)</u>
401(k), 403(b), 457	\$17,500	\$5,500
IRA** & Roth IRA*	\$5,500	\$1,000
Simple IRA**	\$12,000	\$2,500
Defined Contr. Plans**	\$51,000	
Defined Benefit Plans**	\$205,000	

\*Adjusted Gross Income limitations apply; please contact us for more details.

\*\*Compensation limits or phase-outs may apply; please contact us for more details.

<u>Plan Type - 2014</u>	<u>Maximum Contribution</u>	<u>Catch-Up (50 &amp; over)</u>
401(k), 403(b), 457	\$17,500	\$5,500
IRA** & Roth IRA*	\$5,500	\$1,000
Simple IRA**	\$12,000	\$2,500
Defined Contr. Plans**	\$52,000	
Defined Benefit Plans**	\$210,000	

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## IRS WARNS OF PHONE SCAM

Another nationwide phone scam has begun. Callers claiming to be from the IRS tell intended victims they owe taxes and must pay using a pre-paid debit card or wire transfer. Refusal to pay is countered by threats of arrest, deportation or loss of a business or driver's license.

NOTE: The IRS will NOT ask for payment using a pre-paid debit card or wire transfer and will NOT ask for a credit card number over the phone.

Usually, but not always, the initial contact from the IRS will be by mail. Any time you are contacted by someone claiming to be from a tax agency, tell the caller that they should speak to your representative, give the caller our contact information, and let us know about it.

Be alert for phone and e-mail scams that use the IRS name. The IRS will never request personal or financial information by e-mail, texting or any social media. You can forward scam e-mails to [phishing@irs.gov](mailto:phishing@irs.gov). Do NOT open any attachments or click on any links in those e-mails.

You may read more about tax scams on the genuine IRS website, [IRS.gov](http://IRS.gov).