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Newsletter

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Note these upcoming tax deadlines

- **February 2** – Employers must furnish 2014 W-2 statements to employees. Payers must furnish payees with Form 1099s for various payments made. (The deadline for providing Form 1099-B and consolidated statements is February 17.)
- **February 2** – Employers must generally file annual federal unemployment tax returns.
- **March 2** – Payers must file information returns, such as Form 1099s, with the IRS. This deadline is extended to March 31 for electronic filing.
- **March 2** – Employers must send Form W-2 copies to the Social Security Administration. This deadline is extended to March 31 for electronic filing.
- **March 2** – Farmers and fishermen who did not make 2014 estimated tax payments must file 2014 tax returns and pay taxes in full.

IRS adjusts 2015 tax numbers

The tax law requires that certain tax numbers be adjusted for inflation each year. Because inflation was minimal in 2014, most of these numbers are unchanged or change only slightly for 2015. Here are some of the 2015 tax numbers you'll need to use in this year's tax planning.

- The standard mileage rate for business driving increases from 56¢ per mile to 57.5¢ per mile, effective January 1, 2015. The rate for medical and moving mileage decreases from 23.5¢ per mile to 23¢ per mile. The general rate for charitable driving remains at 14¢ per mile.
- The maximum earnings subject to social security tax in 2015 is \$118,500. The earnings limit for those under full retirement age is \$15,720. For those at full retirement age, there is no earnings limit.
- The “nanny tax” threshold remains at \$1,900 for 2015. If you pay household employees \$1,900 or more during the year, you're responsible for payroll taxes.
- The “kiddie tax” threshold increases from \$2,000 to \$2,100 for 2015. If your child under age 19 (under age 24 for students) has more than \$2,100 of unearned income this year (e.g., dividends and interest income), the excess could be taxed at your highest rate.
- The maximum individual retirement account (IRA) contribution you can make in 2015 remains unchanged at \$5,500 if you're under age 50 and at \$6,500 if you are 50 or older.

- The maximum amount of wages employees can put into a 401(k) plan increases from \$17,500 to \$18,000. The 2015 maximum allowed for SIMPLE plans is \$12,500. If you are 50 or older, you can contribute up to \$24,000 to a 401(k) and \$15,500 to a SIMPLE plan.
- For 2015, the maximum amount that can be contributed to a health savings account (HSA) increases to \$3,350 for individuals and \$6,650 for families.

Tax legislation could change these and other important tax numbers at any time. Before making important business and personal financial decisions this year, contact us for the latest rules.

Analyze your breakeven point to make better business choices

Breakeven analysis is an important and useful tool in business. Whether starting a new business, expanding current operations, contemplating an acquisition, downsizing, or approaching banks and other potential lenders, one should know what the breakeven is.

Breakeven is simply the point at which costs equal income – no profit, no loss. It's an excellent starting point for finding out where the business is and where it can go. It's the first step in planning future growth. It shows how much sales volume is needed to cover fixed and variable expenses. Once a company has reached breakeven, all gross profit beyond that point goes directly to improving the bottom line.

There are certain limitations for the use of breakeven analysis. It ignores the importance of cash flow and makes the assumption that fixed and variable expenses will stay within the parameters used to calculate the breakeven. Sound business assessment will overcome these shortcomings.

• Calculating breakeven

Breakeven is relatively easy to understand and use. First, review the annual financial statement in order to figure out fixed and variable expenses. Fixed expenses are those that don't generally vary in relation to sales volume. Rent, for example, usually stays constant, whether sales are \$400,000 or \$500,000. The same is generally true for depreciation, utilities, insurance, and so on.

Variable expenses are the cost of goods sold and other costs of sales, such as direct labor and sales commissions.

There are, of course, some costs that are, or seem to be, part fixed and part variable. One must use good business judgment to split these items into reasonable proportions.

Knowing selling price and variable costs allows you to compute gross profit percentage. The rest is pure arithmetic. Divide your fixed costs by your gross profit percentage to arrive at breakeven. For example, if you have fixed costs of \$10,000 and your gross profit percentage is 25%, your breakeven point is sales of \$40,000 ($\$10,000 \div 25\% = \$40,000$).

Call us; we would be happy to assist you with calculating your business's breakeven point and evaluating your profit structure.

Budget cuts to impact IRS service levels

The IRS has revealed that its level of service to U.S. taxpayers is expected to decline due to a combination of factors – increased workloads and cuts to the agency's 2015 budget.

The increased workloads are partly associated with new tax issues related to the *Affordable Care Act*. The budget cuts will impact how the IRS is able to respond to customer service telephone and written inquiries. Also notable: the budget cuts could result in taxpayers experiencing delays in receiving their refunds.

On top of all this is the expectation that the IRS will have fewer resources to conduct audits, thus resulting in less revenue collection. IRS Commissioner John Koskinen says the decreased service levels are “unacceptable” and looks forward to finding a resolution.