2014
CBIZ MHM Business Tax Planning Supplement

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Beyond the watershed American Taxpayer Relief Act of 2012, which was passed on New Year's Day 2013, little else happened last year in terms of important tax legislation – no significant progress on tax reform and no extension of popular business and personal tax breaks that expired at the end of the year.

2013 did lay the groundwork, however, for how taxpayers must comply with increasingly complex rules required by the Affordable Care Act, new tangible property regulations and/or the new net investment income tax. Albert Einstein famously said that the hardest thing in the world to understand is the income tax. Well, it's not getting any easier.

As a companion to our book on business tax planning, *Navigating the Business Lifecycle: Tax Strategies for Success*, this supplement recaps some of the key federal tax developments in 2013, discusses important changes for 2014 and provides some important rates, figures and thresholds to help you in your tax planning.

We hope that you will find this information useful as you plan for the coming year. Remember to refer back to *Navigating the Business Lifecycle: Tax Strategies for Success* for tax planning ideas that may be implemented throughout the year. To order a complimentary copy of *Navigating the Business Lifecycle: Tax Strategies for Success*, contact your local CBIZ MHM tax professional or order it directly from our website.

2013 ENDS WITH NO EXTENDERS ACT; FUTURE OF POPULAR TAX PROVISIONS UNCERTAIN

2013 may have started with a bang with the passage of the American Taxpayer Relief Act of 2012 ("2012 Tax Relief Act"), but it ended with a whimper as Congress failed to pass, or even make significant progress toward, comprehensive tax reform. The collateral damage from this failure was the expiration of several popular tax provisions (the "extenders") at the end of 2013. Congressional leaders have vowed to address the extenders in 2014, but the fate of the extenders is complicated by a mid-term election year and disagreements over how to pay for the extenders.

Provisions intended to stimulate the economy, such as bonus depreciation, may not be extended this time if enough legislators feel that the provisions do not provide enough economic stimulation to justify the cost. Meanwhile, widely popular provisions like the research tax credit may be extended, but the extension may come so late in the year that only taxpayers that were already conducting such activities would be able to benefit.

Here is a synopsis of some of the most popular business extenders that expired at the end of 2013 (not an all-inclusive list):

The research tax credit – The research tax credit is intended to encourage domestic research and experimentation by providing businesses a tax credit on a portion of their qualified research expenditures. Despite its popularity in Congress, the research credit is only extended for one or two years at a time because of its cost. The research credit frequently expires only to be retroactively reinstated, and one can anticipate more of the same in 2014. Unfortunately, this uncertainty may discourage some businesses from investing heavily in their research activities until the credit is officially reinstated.

The work opportunity tax credit (WOTC) – Another provision that is generally well-regarded on Capitol Hill,

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the WOTC gives employers incentive to hire from certain target groups, such as veterans, public assistance recipients and those with previous felony convictions. The WOTC is generally 40 percent of up to $6,000 of a qualified worker's qualified first-year wages for a maximum credit of $2,400 per qualified employee (higher credits for qualified veterans). Employers generally must apply for the WOTC within 28 days of when the employee begins employment. When the WOTC last expired and was retroactively reinstated, the IRS extended the deadline to apply for the WOTC, rewarding those employers who continued to hire from target groups during the expiration period.

Bonus depreciation – Since 2008, businesses have been able to immediately deduct 50 percent or more of the cost basis of qualified property (typically, personal property and qualified leasehold improvements). This provision no longer applies effective with property placed in service after December 31, 2013. Intended as an incentive for businesses to invest and expand, recent reports have suggested that bonus depreciation did not noticeably impact the economy or job creation, thus clouding its fate going forward.

Enhanced section 179 deduction – Businesses with taxable income and investments in equipment below a certain threshold can immediately deduct a specified amount of their purchases. This section 179 deduction had gradually increased under the Bush administration from $24,000 to $125,000 before increasing significantly from 2008 – 2013 in an attempt to boost the economy. Most recently, businesses could immediately deduct up to $500,000 of purchases in their 2013 tax year, subject to an overall investment limitation of $2 million. For 2014, the section 179 deduction limit plummeted to $25,000 with an investment limitation of $200,000. If Congress decides to increase the section 179 deduction at all, there is a good chance it will not return to the $500,000 level for the same reasons that threaten the future of bonus depreciation.

15-year straight line cost recovery for qualified leasehold, restaurant and retail improvements – Traditionally depreciable over 39 years, businesses for the last several years have been able to depreciate qualified leasehold, restaurant and retail improvements over 15 years. This provision no longer applies effective with property placed in service after December 31, 2013.

100 percent exclusion of gain from the sale of qualified small business stock – To encourage investments in small business, non-corporate investors can exclude a portion of the gain from the sale of qualified small business stock held for more than 5 years. Originally enacted to exclude 50 percent of qualifying gains, the exclusion percentage had increased to as high as 100 percent on stock issued in 2013. The exclusion drops back to 50 percent for stock issued on or after January 1, 2014.

Five-year recognition period for built-in gains of S corporations – The built-in gains (BIG) tax imposes a corporate level tax on the amount of gains inherent in assets that were held by a C corporation at the time it converted to an S corporation. If any BIG assets are sold within the recognition window, the S corporation pays tax on the net recognized BIG at the highest corporate tax rate and the total gain recognized (net of the tax on the recognized BIG) is taxed at the shareholder level. To facilitate sales of businesses, the recognition window had decreased in recent years, most recently to five years in 2013. The recognition window reverted to 10 years beginning in 2014.

AFFORDABLE CARE ACT UPDATE

While much of the media attention focused on the hiccups with the healthcare.gov website, the IRS and the Department of Health and Human Services (HHS) struggled to timely implement other facets of the Patient Protection and Affordable Care Act (ACA), most notably the employer shared responsibility payment.

Employer Shared Responsibility Payment Delayed

The employer shared responsibility payment is a nondeductible excise tax assessed on large employers who do not provide affordable and adequate health coverage to their full-time employees. Originally effective beginning in 2014, the Obama administration was forced to delay implementation of the employer shared responsibility payment until 2015 in order to allow the IRS additional time to flesh out the extensive annual reporting and disclosure requirements necessitated by the new excise tax. Implementation was further delayed until 2016 for certain employers to allow time to comply with final regulations issued in February 2014. With further delays unlikely, employers need to start planning now to ensure they understand the implications of the employer shared responsibility payment on their businesses.

When it becomes fully effective (see chart on page 6), large employers (generally those with 50 to 99 full-time employees or equivalents) must offer minimum essential coverage with minimum value at an affordable rate to 95 percent or more of their full-time employees (defined as those who work at least 30 hours per week) in order to avoid the excise tax. For those employers subject to the employer shared responsibility payment in 2015, the percentage of employees who must be offered coverage is decreased from 95 percent to 70 percent.

"Minimum essential coverage" means that the plan must pay for at least 60 percent of the total cost of "essential health benefits." Essential health benefits include: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services; prescription drugs; rehabilitative services and devices; laboratory services; preventive and wellness services; and pediatric services. Coverage is provided at an "affordable rate" if no employee's contribution, including salary reduction amounts, exceeds 9.5 percent of his or her household income, currently based on the cost of single coverage.

For employers who do not offer at least minimum essential coverage to at least 95 percent of their full-time employees, the annual excise tax is equal to $2,000 multiplied by the number of full-time employees less 30 (assuming at least one full-time employee is eligible for a federal subsidy, such as a premium assistance credit or cost-sharing assistance, and participates in an Exchange). For employers who offer coverage to all full-time employees, but the coverage is not affordable or does not provide minimum value, the annual excise tax is equal to $3,000 multiplied by the number of full-time employees eligible for a federal subsidy and participating in an Exchange. The total excise tax, however, cannot exceed $2,000 multiplied by the number of full-time employees less 30. In either case, the penalty is calculated on a monthly basis.

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A large employer, for purposes of the excise tax, is an employer who employed an average of at least 50 full-time employees on business days during the preceding calendar year. For purposes of determining if it is a large employer, an employer must also include, in addition to its full-time employees, a number of full-time equivalent employees determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month, by 120.

Employers who do not currently offer minimum essential coverage to at least 95 percent of their full-time employees should estimate what excise tax, if any, they will owe based on their current health plan structure. Then they will need to perform a cost-benefit analysis and the necessary modeling to determine the effects of the many variables inherent in changes to the cost and expanse of coverage as those variables affect and interact with the excise tax.

As mentioned above, the Obama administration has delayed implementation of the employer shared responsibility payment and also provided relief to large employers by phasing in the percentage of full-time employees who must be offered adequate coverage to avoid the excise tax. The chart below summarizes the requirements by year based on number of full-time employees or equivalents.

PERCENTAGE OF FULL-TIME EMPLOYEES WHO MUST BE OFFERED MINIMUM ESSENTIAL COVERAGE, BY YEAR

Full-time Employees	2014	2015	2016
Less than 50	N/A	N/A	N/A
50 to 99	N/A	N/A	95%
100 or more	N/A	70%	95%

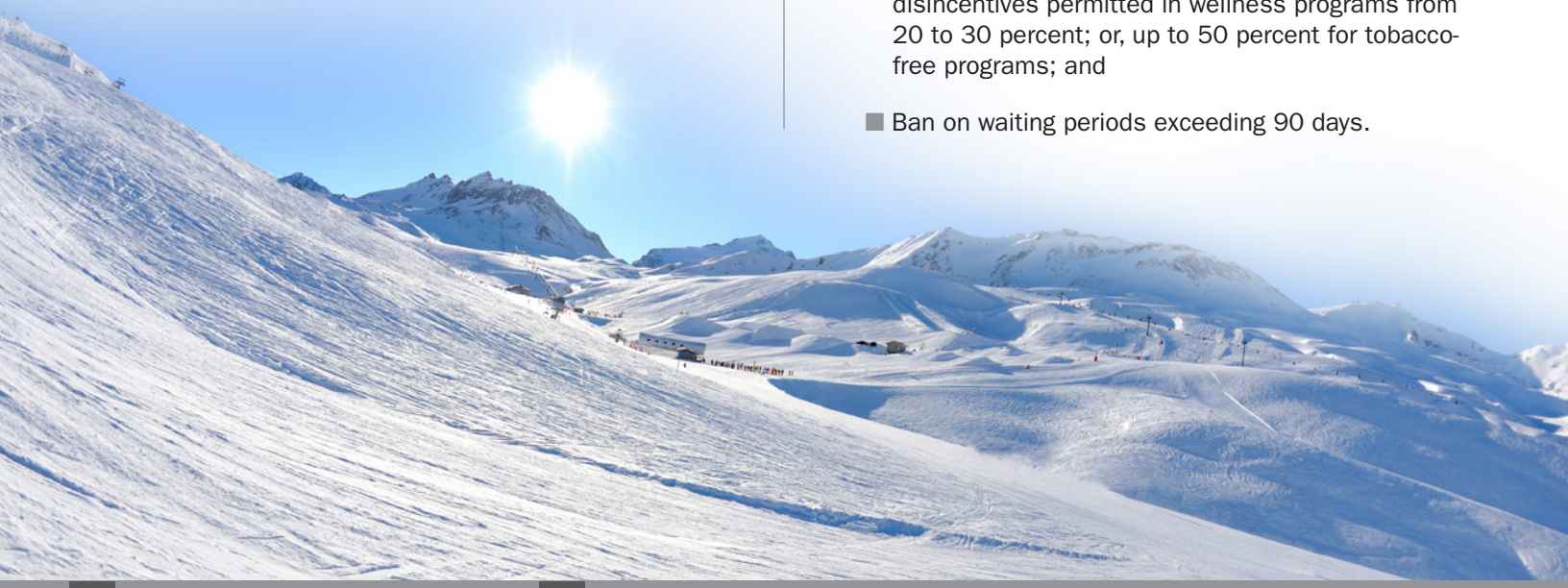
Other ACA Provisions Proceed as Scheduled

Not all facets of the ACA impacting employers were delayed. Provisions that went into effect in 2013 include:

- The 3.8 percent Medicare tax on net investment income (discussed on page 7);
- The 0.9 percent Medicare tax withholding requirement on wages in excess of $200,000;
- W-2 reporting of employee health benefits by large employers (2012 W-2s issued in 2013);
- The $2,500 cap on health flexible spending account contributions;
- The required notice of marketplace options to employees;
- Payment of the annual Patient-Centered Outcomes Research (PCOR) Institute fee on self-insured plans; and
- The medical device excise tax.

Certain ACA market reforms take effect on plan anniversaries on or after January 1, 2014. Specifically, all group health plans, including grandfathered and non-grandfathered health plans, are subject to the following provisions:

- Ban on preexisting condition exclusions imposed on anyone;
- Full implementation of ban on annual limits on the dollar value of essential health benefits;
- Extension of dependent coverage until age 26 (previously applied only to non-grandfathered plans);
- Increased limit in outcome-based incentives/ disincentives permitted in wellness programs from 20 to 30 percent; or, up to 50 percent for tobacco-free programs; and
- Ban on waiting periods exceeding 90 days.



IRS ISSUES GUIDANCE ON 3.8 PERCENT NET INVESTMENT INCOME TAX

In late November, the IRS issued final regulations on the new 3.8 percent Medicare tax on net investment income that went into effect in 2013. Because this new tax is assessed not only on traditional investment income such as interest, dividends and capital gains, but also on income from passive activities, it may significantly impact how business owners and investors structure their business investments. The late guidance left little time for year-end planning, but qualifying taxpayers may be able to make certain elections with the filing of their 2013 tax returns to mitigate the tax's impact.

Beginning in 2013, the net investment income surtax on individuals is equal to 3.8 percent multiplied by the lesser of:

- Net investment income (NII), or
- Modified adjusted gross income (AGI) in excess of $200,000 ($250,000 for married couples filing jointly).

Modified AGI is equal to AGI plus the foreign earned income exclusion, if applicable.

For purposes of the 3.8 percent Medicare tax, net investment income generally is the sum of the following items in excess of properly allocable deductions:

- Gross income from interest, dividends, annuities, royalties and rents;
- Other gross income from any passive trade or business or trade or business of trading in financial instruments or commodities, and;
- Net gains attributable to the disposition of property.

Investment income does not include:

- Investment income that is excludable from taxable income (*e.g.,* municipal bond interest, excluded gain from sale of personal residence);
- Qualified retirement plan distributions; and
- Income from the active trade or business of a partnership or LLC, S corporation or sole proprietorship in which the individual materially participates.

Rental Real Estate Activities

Rental real estate activities are "passive" by rule and, as such, rental real estate income generally is included in NII for purposes of the 3.8 percent Medicare surtax. Even in those instances when rental real estate income is treated as nonpassive, that income still could be includible in NII if the activity does not rise to the level of a trade or business under IRS rules. Unfortunately, the IRS has issued very little guidance on when a rental real estate activity is considered a trade or business. In the final regulations, the IRS refused to provide a bright-line test to determine when a rental activity rises to the level of a trade or business, although they did list some of the factors that would be considered, including:

- The type of property (*e.g.*, commercial real estate vs. residential real estate);
- The number of properties rented;
- The day-to-day involvement of the owner or its agent; and
- The type of rental (*e.g.*, short term vs. long term, net lease vs. traditional).

The final regulations also include two important safe harbors under which rental real estate activities are deemed to constitute a trade or business:

Real estate professionals – An individual generally qualifies as a real estate professional if more than 50 percent of his or her time and more than 750 hours are conducted in real property trades or businesses (such as rental, management, brokerage and development activities) in which he or she materially participates. Individuals can elect to group all rental real estate activities as a single activity for purposes of determining material participation. Qualifying as a real estate professional allows those taxpayers to treat rental real estate activities as nonpassive activities. Because rental real estate activities do not necessarily qualify as trades or businesses for purposes of avoiding the 3.8 percent NII tax, the IRS provides a safe harbor for real estate professionals. If a real estate professional participates in rental real estate activities for more than 500 hours per year, the rental income from those activities will be

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deemed to be derived in the ordinary course of a trade or business and, therefore, excluded from NII.

Self-charged rental income – Rental income is treated as nonpassive when the taxpayer rents the property for use in an activity in which the taxpayer materially participates (*e.g.*, when an individual rents a building to his or her wholly owned corporation) or when the activity is grouped with a nonpassive trade or business activity (groupings discussed below). The final regulations stipulate that self-charged rental income will be deemed to be derived in the ordinary course of a trade or business and, therefore, excluded from NII.

Grouping Activities

Income from an activity in which a taxpayer does not materially participate is considered passive income and is included in NII for purposes of the 3.8 percent Medicare tax. A taxpayer who otherwise does not satisfy the material participation tests with respect to an activity can make an election to group together activities that constitute an appropriate economic unit, thereby making the material participation tests easier to satisfy. Whether a group of activities constitutes an appropriate economic unit depends on facts and circumstances. Factors to consider include:

- Similarities and differences in types of trades or business;
- Extent of common control and ownership;
- Geographic location; and
- Interdependencies between the activities.

Once a taxpayer makes an election to group activities, he or she cannot change the groupings in subsequent years unless the grouping is clearly inappropriate, such as after a material change in facts and circumstances. Recognizing that taxpayers may want to change their groupings in light of the 3.8 percent Medicare tax, the final regulations provide taxpayers a one-time opportunity to regroup their activities. This opportunity generally is only available for 2013 (or the first year in which the taxpayer is subject to the 3.8 percent tax).

Whether electing to group activities in general or rental real estate activities specifically, taxpayers must consider several issues given the essential permanence of the election. Suspended passive losses from prior years potentially could be trapped until all of the activities in the grouping are disposed of. Also, passive income that is converted to nonpassive income because of the grouping election may avoid the 3.8 percent tax, but that income will no longer be able to offset passive losses from other activities. Taxpayers should carefully consider the impact of an election on all of their passive and rental activities, even those that aren't included in the election.

NEW TANGIBLE PROPERTY REGULATIONS TAKE EFFECT IN 2014

In September 2013, the Treasury Department issued final rules on the capitalization and deduction of costs incurred to acquire, maintain, repair and replace tangible property. These updated rules expand, clarify and simplify several provisions of the 2011 temporary rules by expanding safe harbors and switching some accounting methods to annual elections instead of permanent method changes. In January of 2014, the IRS issued a new Revenue Procedure containing guidance to assist taxpayers in the implementation of the new regulations. These provisions generally are effective for tax years beginning on or after January 1, 2014, but may be applied to tax years beginning on or after January 1, 2012. Taxpayers also have the option of applying the 2011 temporary rules to the 2012 and 2013 tax years, if desired.

Below are some of the key issues addressed in the regulations and the potential accounting method changes or annual elections that may result therefrom. Taxpayers should work with their tax advisors to evaluate which accounting method changes or elections are necessary and whether to adopt any of them prior to 2014. This may necessitate evaluating accounting policies, adjusting accounting systems and reviewing fixed asset and repairs expenditures from previous years to gauge compliance with these rules. Failure to comply with the new regulations not only will cause problems with the IRS but may also lead to ASC 740-10 (FIN 48) financial statement reporting issues.

De Minimis Safe Harbor Election

While it may not be formal or written, as a practical matter virtually every business has a capitalization policy. As a result, virtually every eligible business will benefit from the new *de minimis* safe harbor election. Without even contemplating whether additional amounts can be deducted under the *de minimis* safe harbor, most eligible businesses should make the election to protect the amounts they are currently deducting. Originally a permanent accounting method change under the temporary regulations, the *de minimis* safe harbor is an annual election under the final regulations, giving taxpayers more flexibility in choosing whether to apply the *de minimis* rule.

A taxpayer without an applicable financial statement (AFS) electing to apply the *de minimis* safe harbor must deduct any amount paid for the acquisition of tangible property or materials and supplies if:

- The taxpayer has at the beginning of the tax year accounting procedures (which do not need to be written) expensing for book purposes amounts paid for property costing less than a specified dollar amount or with an economic useful life of 12 months or less;
- The taxpayer consistently follows and applies these accounting procedures; and
- The amount paid for the property does not exceed $500 per invoice or item.

The same rules apply to a taxpayer with an AFS (generally an audited financial statement), with the following modifications:

- The accounting procedures must be written, and
- The amount paid for the property cannot exceed $5,000 per invoice or item.

While applicable beginning in 2014, transitional rules allow taxpayers to elect the *de minimis* safe harbor for 2013 (or 2012 with an amended return).

Whether to make the election typically requires little analysis as it protects from IRS scrutiny amounts deducted under a taxpayer's capitalization policy (up to the $500/$5,000 threshold) without requiring much deliberation or follow up. Taxpayers should review all capitalized amounts, however, to ensure they are comprised only of amounts above their capitalization threshold or they will be ineligible to make the election.

In some instances, the taxpayer either cannot or will not want to make the election, such as:

- When a taxpayer has an AFS but did not have a written capitalization policy as of the first day of the tax year;
- When a taxpayer has not followed its accounting procedures (written or unwritten) during the year and has capitalized amounts below its threshold; or
- When a taxpayer does not want to conform the book and tax treatment of applicable expenditures.

Routine Maintenance Safe Harbor

The routine maintenance safe harbor protects deductions as repairs for recurring maintenance activities that a taxpayer generally expects to perform at least twice during the depreciable tax life of the unit of property to keep it in its ordinarily efficient operating condition. For buildings, the taxpayer must expect to perform the maintenance activities at least twice every 10 years. Examples of routine maintenance activities included inspection, cleaning, testing and the replacement of parts.

The safe harbor would not apply to expenditures to replace a component of a unit of property if the taxpayer deducted a loss on that component, nor would it apply to expenditures to restore a unit of property that had deteriorated to a state of disrepair such that it was no longer functional. Taxpayers may want to apply for an accounting method change to adopt the routine maintenance safe harbor. They may also be able to deduct qualifying expenditures that were previously capitalized.

Improvements to Buildings

For purposes of assessing whether an expenditure constitutes an improvement to a building, the new regulations essentially divide a building into the building structure (the roof, walls, foundation, etc.) and its eight building systems (HVAC, plumbing, electrical, elevators, escalators, fire protection, security and gas distribution). Whether an expenditure constitutes an improvement will depend on its impact on that building system (or the building structure) rather than the entire building. Taxpayers may need to apply for accounting method changes to either deduct as repairs expenditures that were previously capitalized or to capitalize expenditures that were previously deducted as repairs.

Small Taxpayer Safe Harbor Election

The final regulations add a new safe harbor for taxpayers with gross receipts of $10,000,000 or less. The safe harbor is intended to simplify small taxpayers' compliance with the rules pertaining to capitalization of building improvements. Qualifying small taxpayers can elect not to capitalize improvements to a building with an unadjusted cost basis of $1 million or less if the total amount paid during the year for repairs, maintenance and improvements does not exceed the lesser of $10,000 or 2 percent of the unadjusted cost basis of the building. The safe harbor is elected annually on a building-by-building basis.

Materials and Supplies

Under the final regulations, non-incidental materials and supplies generally are deductible in the year consumed

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while incidental materials and supplies for which no record of consumption or physical inventory is maintained generally are deductible in the year purchased. These rules generally are the same as in previous iterations of the tangible property regulations.

The final regulations expanded the definition of materials and supplies to include property with an acquisition cost of $200 or less (increased from $100 under the temporary regulations). Materials and supplies are also covered under the *de minimis* safe harbor election discussed above which would enable taxpayers to deduct materials and supplies in excess of $200, subject to the limits of the taxpayer's capitalization policy (or the applicable $500/$5,000 threshold).

Election to Capitalize Repair and Maintenance Costs

The final regulations add a new election that allows taxpayers to treat amounts paid during the year for repairs and maintenance to tangible property as amounts paid to improve that property, thus enabling the taxpayer to capitalize the expenditure and claim depreciation deductions. The availability of this election reduces uncertainty of the proper treatment of a particular expenditure.

In order to elect this treatment, the taxpayer must also capitalize those expenditures on its books and records. In addition, the taxpayer must apply the election to all expenditures for repairs and maintenance to tangible property that it treats as capital expenditures on its books and records.

Partial Dispositions of Tangible Property

The final regulations issued in September did not address dispositions of tangible property; instead, the Treasury department issued new proposed rules. As with the final regulations, the new proposed regulations apply to tax years beginning on or after January 1, 2014, but may be applied to the 2012 and 2013 tax years. Alternatively, the 2011 proposed regulations can still be applied for the 2012 and 2013 tax years. The IRS issued implementation guidance for the new proposed regulations on February 28, 2014.

The 2011 regulations permitted a taxpayer to treat the retirement of a structural component of a building (*e.g.,* a roof) as a disposition, thus enabling the taxpayer to claim a loss on the remaining cost basis of that component. The proposed regulations replace that provision with a new one that achieves a similar result, while also expanding its applicability.

Under the proposed regulations, a structural component of a building is no longer a separate asset for disposition purposes; instead, the entire building is the asset. Taxpayers can make a partial disposition election, however, to claim a loss on the remaining cost basis of a retired component. This achieves the same result as the one afforded by the temporary regulations without forcing the taxpayer to account for retired components separately (without making a general asset account election).

The proposed regulations also expand the partial disposition rules to apply to significant components of tangible personal property (*e.g.,* an airplane engine) as well as to structural components of buildings.

In order to claim a partial disposition on an asset, the expenditure to replace the component must be capitalized. A partial disposition may not be claimed if the replacement expenditure was deducted as a repair. In instances where the IRS disallows a repair deduction for the amount paid to replace a portion of an asset and capitalizes that amount, the taxpayer may make a partial disposition election for the disposition of the related component by applying for an accounting method change.

The proposed regulations provide that taxpayers may use any reasonable method, consistently applied, to calculate the unadjusted depreciable basis of the component of an asset, and they provide some examples of reasonable methods, such as:

- Discounting the cost of the replacement asset to its placed-in-service year cost using the Consumer Price Index,
- A pro rata allocation of the unadjusted depreciable basis of the general asset account or multiple asset account, as applicable, based on the replacement cost of the disposed asset and the replacement cost of all of the assets in the general asset account or multiple asset account, as applicable, or
- A study allocating the cost of the asset to its individual components.

Taxpayers that have made major building renovations in the last few years, such as replacing a roof, should evaluate whether they can generate additional deductions by making a late partial disposition election accounting method change under the new proposed regulations and implementation guidance.

2014 TAX BRACKETS	
If taxable income is:	**Then income tax equals:**
Single (S)	
Not over $9,075	10% of taxable income
Over $9,075 but not over $36,900	$907.50 + 15% of the excess over $9,075
Over $36,900 but not over $89,350	$5,081.25 + 25% of the excess over $36,900
Over $89,350 but not over $186,350	$18,193.75 + 28% of the excess over $89,350
Over $186,350 but not over $405,100	$45,353.75 + 33% of the excess over $186,350
Over $405,100 but not over $406,750	$117,541.25 + 35% of the excess over $405,100
Over $406,750	$118,118.75 + 39.6% of the excess over $406,750
Married Filing Jointly (MFJ)	
Not over $18,150	10% of taxable income
Over $18,150 but not over $73,800	$1,815 + 15% of the excess over $18,150
Over $73,800 but not over $148,850	$10,162.50 + 25% of the excess over $73,800
Over $148,850 but not over $226,850	$28,925 + 28% of the excess over $148,850
Over $226,850 but not over $405,100	$50,765 + 33% of the excess over $226,850
Over $405,100 but not over $457,600	$109,587.50 + 35% of the excess over $405,100
Over $457,600	$127,962.50 + 39.6% of the excess over $457,600

OTHER 2014 TAX RATES / DEDUCTION LIMITATIONS	
Long-term Capital Gains / Qualified Dividends Rate	20% for taxpayers in 39.6% bracket 15% for taxpayers in 25%, 28%, 33% or 35% brackets 0% for taxpayers in 10 or 15% brackets
Overall Limitation on Itemized Deductions	Itemized deductions reduced by lesser of: 3% of the amount of AGI in excess of $305,050 MFJ ($254,200 S) or 80% of allowable itemized deductions
Phase-out of Personal Exemptions	Reduced by 2% for each $2,500 or fraction thereof in excess of $305,050 MFJ ($254,200 S)
Maximum Estate/Gift Tax Rate	40%

OTHER IMPORTANT INDEXED AMOUNTS FOR 2014	
Section 179 Expensing Limit	$25,000
Section 179 Investment Threshold	$200,000
Bonus Depreciation Percentage	None
Personal Exemption	$3,950
Individual AMT Exemption (MFJ)	$82,100
Individual AMT Exemption (S)	$52,800
Social Security Wage Base Limit	$117,000
Lifetime Gift / Estate Exclusion	$5,340,000
Annual Gift Exclusion	$14,000
Foreign Earned Income Exclusion	$99,200

QUALIFIED RETIREMENT PLAN AMOUNTS FOR 2014	
IRA Contribution Limitation	$5,500
IRA Age 50 "Catch Up" Contribution Limitation	$1,000
Section 401(k) Elective Deferral Limitation	$17,500
401(k) Age 50 "Catch Up" Deferral Limitation	$5,500
Section 408 SIMPLE Elective Deferral Limitation	$12,000
SIMPLE Age 50 "Catch Up" Deferral Limitation	$2,500
Section 415 Limit for Defined Contribution Plans	$52,000
Section 415 Limit for Defined Benefit Plans	$210,000
Section 404 Annual Compensation Limitation	$260,000

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