



WRNewswire

An AALU Washington Report

Monday, 10 November 2014

WRN# 14.11.10

The *WRNewswire* is created exclusively for AALU Members by insurance experts led by Steve Leimberg, Lawrence Brody and Linas Sudzius. The *WRNewswire* provides timely reports and commentary on tax and legal developments important to AALU members, clients and advisors, delivered to your inbox as they happen.

TOPIC: Inflation Adjustments in Various Tax Benefits for 2015

CITES: [IR-2014-104](#) and [IR-2014-99](#). More detail will be available in Revenue Procedure 2014-61 scheduled to be published in Internal Revenue Bulletin 2014-47 on Nov. 17, 2014.

SUMMARY: Annual inflation adjustments for more than 40 tax provisions for tax year 2015 have been released by the IRS. These include income tax, estate and gift tax, and employee benefit changes. Because of their importance and for the convenience of readers, we will be departing from our usual format to provide a comprehensive and easy to use tool to keep track of key changes.

FACTS:

- **Standard deduction:**
Single filers and married persons filing separate returns - \$6,300
Married couples filing jointly - \$12,600
Heads of Households - \$9,250
- **Limitation for itemized deductions** claimed on tax year 2015 returns of **individuals** begins with incomes of **\$258,250** or more (**\$309,900** for **married couples filing jointly**).
- **Personal exemption** is **\$4,000** (subject to a **phase-out** that **begins** with **adjusted gross incomes of \$258,250** (**\$309,900 for married couples filing jointly**). It phases out completely at **\$380,750** (**\$432,400 for married couples filing jointly**).

- **39.6 percent rate** will affect **singles** whose **income exceeds \$413,200** (**\$464,850 for married taxpayers filing joint returns** (Other marginal rates—10, 15, 25, 28, 33 and 35 percent—and related income tax thresholds are described in the revenue procedure).
- **Alternative Minimum Tax exemption** amount for tax year 2015 is **\$53,600** (**\$83,400, for married couples filing jointly**).
- **Maximum Earned Income Credit** amount is **\$6,242** for taxpayers filing jointly who have 3 or more qualifying children.
- **Estate Tax, Gift Tax and GST Exemptions:** Each basic exemption amount during 2015 will be **\$5,430,000**.
- **Gift Tax Annual Exclusion: Unchanged - \$14,000.**
- **Gift Tax Exclusion for tax on a gift to a spouse who is *not* a U.S. citizen is \$147,000.**
- **Foreign earned income exclusion - \$100,800.**
- **Annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending arrangements (FSA) - \$2,550.**
- **Phase-Out under the small business health care tax credit** - maximum credit phased out based on the employer's number of full-time equivalent employees in excess of 10 and the employer's average annual **wages in excess of \$25,800** for tax year 2015.
- **Limitation on annual benefit** under Section 415(b)(1)(A) **defined benefit plan is unchanged - \$210,000.**
- **Limitation for defined contribution plans** under Section 415(c)(1)(A) - **\$53,000.**
- **Limitation** under Section 402(g)(1) on the exclusion for **elective deferrals** described in Section 402(g)(3) - **\$18,000.**
- **Annual compensation limit** under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) - **\$265,000.**
- **Top-Heavy Key Employee dollar limitation** under Section 416(i)(1)(A)(i) is **unchanged - \$170,000.**

- **ESOP** - Dollar amount under Section 409(o)(1)(C)(ii) for determining the **maximum account balance** in an employee stock ownership plan subject to a 5-year distribution period - **\$1,070,000**.
- **Dollar amount** used to determine the lengthening of the **5-year distribution period is unchanged** - **\$210,000**.
- **Highly Compensated Employee** - Limitation used in the definition under Section 414(q)(1)(B) - **\$120,000**.
- **Catch-Up Contributions** - Dollar limitation under Section **414(v)(2)(B)(i)** for contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over - **\$6,000**.
- **Catch Up Contributions** - Dollar limitation under Section **414(v)(2)(B)(ii)** for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over - **\$3,000**.
- **Eligible Participants** - Annual compensation limitation under Section 401(a)(17) in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, - **\$395,000**.
- **SEPs:** Compensation amount under Section 408(k)(2) - **\$600**.
- **SIMPLE:** Limitation under Section 408(p)(2)(E) - **\$12,500**.
- **State and Local Government Deferred Comp Plans:** Limitation on deferrals under Section 457(e)(15) for plans of state and local governments and tax-exempt organizations - **\$18,000**.
- **Controlled EE:** Compensation amount concerning the definition of "control employee" for fringe benefit valuation **is unchanged** - **\$105,000**. The compensation amount under Section 1.61-21(f)(5)(iii) - **\$215,000**.
- **Retirement Savings Contribution Credit:**
 - **Adjusted gross income limitation** under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for **married taxpayers filing a joint return** - **\$36,500**.
 - Limitation under Section 25B(b)(1)(B) - **\$39,500**.
 - Limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) - **\$61,000**.
- **Retirement Savings Contribution Credit:**

- **Adjusted gross income limitation** under Section 25B(b)(1)(A) for taxpayers filing as head of household - **\$27,375**.
- Limitation under Section 25B(b)(1)(B) - **\$29,625**.
- Limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) - **\$45,750**.
- Limitation under Section 25B(b)(1)(A) for all other taxpayers - **\$18,250**.
- Limitation under Section 25B(b)(1)(B) - **\$19,750**.
- Limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) - **\$30,500**.
- **Section 219(b)(5) Qualified Retirement Plan Contributions Deduction** - **unchanged** - **\$5,500**.
- **Section 219(g)(3)(B)(i) applicable dollar amount for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return** or as a qualifying widow(er) - **\$98,000**.
- **Section 219(g)(3)(B)(ii) applicable dollar amount for all other taxpayers** (other than married taxpayers filing separate returns) - **\$61,000**.
- **Section 219(g)(3)(B)(iii) applicable dollar amount under for married individual filing separate return** - not subject to annual cost-of-living adjustment – **\$0**.
- **Section 219(g)(7)(A) applicable dollar amount for taxpayer not an active participant but whose spouse is active participant** - **\$183,000**.
- **Roth IRA Contribution: Adjusted gross income limitation** under Section 408A(c)(3)(B)(ii)(I) **for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er)** - **\$183,000**.
- **Adjusted gross income limitation** under Section 408A(c)(3)(B)(ii)(II) **for all other taxpayers** (other than married taxpayers filing separate returns) - **\$116,000**.
- Applicable dollar amount under Section 408A(c)(3)(B)(ii)(III) for married individual filing separate return - no annual cost-of-living adjustment - **\$0**.
- **Excess employee compensation with respect to a single-employer defined benefit pension plan:** Dollar amount under Section 430(c)(7)(D)(i)(II) if special election under Section 430(c)(2)(D) has been made - **\$1,101,000**.

RELEVANCE: These changes afford a marketing opportunity by helping clients:

- review contributions to retirement plans,
- help advise them on income tax planning tactics and
- revisit estate planning tools and techniques.

WRNewswire #14.11.10 was written by Steve Leimberg of [Leimberg Information Services, Inc. \(LISI\)](#) and [Leimberg and LeClair, Inc.](#) (NumberCruncher Software).

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