



THIS MONTH:

- **Special Tax Benefits for Members of the Armed Forces**
- **2015 Filing Season is Underway**
- **What to Look for in a Tax Preparer!**

Special Tax Benefits for Members of the Armed Forces

Did you know some types of military pay are not taxable? Special tax benefits as well as special rules may apply to some tax deductions, credits, and deadlines for members of the U.S. Armed Forces. Below are a listing and explanation of those benefits.

- 1. Deadline Extensions.** Military personnel on duty outside of the U.S. and Puerto Rico are allowed an automatic extra two months to file a return, and those serving in combat zones are automatically extended an additional 180 days to file and pay tax.
- 2. Combat Pay Exclusion.** Compensation for active service while in a combat zone is not taxable. The pay will not need to be reported on the tax return, since the combat pay isn't included in the wages reported on Form W-2. Service in support of a combat zone may qualify for this exclusion.
- 3. Earned Income Tax Credit.** Nontaxable combat pay can be included to calculate EITC. If the combat pay increases the amount of the credit, it will still remain nontaxable.

- 4. Moving Expense Deduction.** Members of the U.S. Armed Forces on active duty who move because of a permanent change in station may be able to deduct some of the unreimbursed moving costs.
- 5. Uniform Deduction.** The costs to purchase and maintain certain uniforms that regulations prohibit military personnel from wearing while off duty are deductible. The deduction is reduced by any allowance received for these costs.
- 6. Signing Joint Returns.** If one spouse is absent due to certain military duty or conditions, the other spouse may be able to sign for him or her. In other cases when your spouse is absent, a power of attorney is needed to file a joint return.
- 7. Reservists' Travel Deduction.** Members of a reserve component of the Armed Forces who travel more than 100 miles away from home to perform reserve duties, may deduct those unreimbursed travel expenses. The deduction is limited to the amount the federal government pays its employees for travel expenses.
- 8. Nontaxable ROTC Allowances.** Some active duty ROTC pay, such as summer advanced camp, is taxable, but some amounts paid for advanced training are not taxable. This applies to educational and subsistence allowances.
- 9. Civilian Life.** Those leaving the military may be able to deduct some job hunting expenses incurred when looking for work. Such expenses include costs of travel, preparing a resume, and job placement agency fees.
- 10. Tax Help.** Most military bases offer free tax preparation and filing assistance during the tax filing season.



2015 Filing Season is Underway

The IRS began accepting and processing all returns, whether e-file or paper, on January 20th. The IRS is expecting to receive about 150 million individual tax returns this year, with the majority of those returns electronically filed. E-filing, combined with direct deposit, is the fastest way to receive your refund with 9 out of 10 refunds issued within 21 days! Due to an increase in fraudulent returns being filed with refunds deposited into incorrect accounts, the IRS is limiting direct deposited refunds to three accounts. Refunds above the limit will be converted to paper checks and sent to the address on file.

You can still file by paper but the IRS warns to expect delays of a week or more on your refunds over the normal 6 week processing times, due to budget cuts and hiring freezes. You can check the status of your refund using the “Where’s My Refund” tool located on the IRS website at www.irs.gov/Refunds. Before checking the status of your refund, the IRS suggests waiting 24 hours after they have received your e-filed return or 4 weeks after mailing your paper return.

As a result of the Affordable Care Act, most of you were required to have health insurance coverage last year or pay a penalty when you file your 2014 tax return. Those of you who purchased insurance through the federal or state exchanges should have received Form 1095-A that you will need to prepare your individual income tax return. Make sure the information on the form matches your records. If you think the information is incorrect, contact the Market Call Center to have a corrected 1095-A issued before filing your return. Expect more complexities when preparing your return this tax season, so it may be worth the peace of mind to hire a tax professional. For some tips on choosing a tax professional, see the related article “What to Look for in a Tax Preparer,” below. Contact us for more information.

What to Look for in a Tax Preparer!

Below are a few things to consider when selecting a tax preparer for your business.

1. **Check the preparer’s credentials.** Does the preparer have a valid Preparer Tax Identification Number (PTIN)? The IRS requires anyone who prepares or assists in preparing federal tax returns for compensation to have a valid PTIN before preparing returns. In addition to having a PTIN, does the preparer have a professional designation such as a Certified Public Accountant or Enrolled Agent that requires them to attend continuing education classes?
2. **Check the preparer’s history.** Consider how long the preparer has been in practice, reputation in the community, professional network, and resources. Check for any disciplinary actions and licensure status through the state boards of accountancy, the state bar associations for attorneys, and the IRS office of Enrollment for enrolled agents.
3. **Ask about the preparer’s area of specialization.** Most tax preparers develop a focus, for example, trusts and estates, or small business returns. Make sure they specialize in an area that meets the specific needs of your business.
4. **Make sure the tax preparer is accessible.** Can you contact them year round or are they only available during tax season? Are they staffed properly and ready to serve their clients?

Contact us for more information.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.