

O'MALLEY NEWS & VIEWS

a publication by

Winter 2015

Accounting
and tax
preparation
for today

Financial
planning
for
tomorrow

O'MALLEY & O'MALLEY, LLP
A Family Business since 1945
AICPA • AAA-CPA • NATP Members
Accounting and Tax Preparation for Today
Website: www.omalleycpa.com
3112 Woodhaven Drive
TEL (856) 829-9100 or (856) 235-0495

■ Certified Public Accountants
■ CERTIFIED FINANCIAL PLANNERS™
■ Licensed in NJ & PA
■ Financial Planning for Tomorrow
■ E-mail: omalleycpa@omalleycpa.com
■ Cinnaminson, NJ 08077
■ Fax (856) 829-4422

©Copyright 2015

IN THIS ISSUE...

In addition to Chuck's "Washington Watch," this issue also provides information about the tax laws affecting the preparation of your 2014 tax return, including the figures subject to annual adjustment in an easy-to-read **Tax Reference Guide**, see page 4. An expanded multi-year guide is accessible on either the "Home" page or the "Resources" page at our website www.omalleycpa.com



CLIENTS, FRIENDS & FELLOW PROFESSIONALS – A SPECIAL THANKS!

Our continued success would not be possible without your support and recommendations. **We are actively looking for new clients – businesses, estates & trusts and/or individuals.** 2014 was our best year ever and we are excited about the future. Your continued confidence and referrals are appreciated. Thank you for giving us the opportunity to serve you, your business associates, family members and friends.

WHAT'S NEW AT O'MALLEY & O'MALLEY, LLP

During January, Kathy visited all of her cancer doctors and was advised that she is still in remission. Please continue to keep her in your prayers, they are working.

Continued on page 3

Washington Watch by Charles K. O'Malley, CPA, CFP®

ALL EYES ARE ON 2016 AND WHO WILL RUN!

The primaries and conventions are more than a year away, but the GOP has enough potential candidates to stage their own presidential Super Bowl, thus all of the talk is about 2016. However, this new GOP-controlled Congress is just getting started and has over 20 months to perform their legislative tasks before the next election.

According to the Kiplinger Letter, "...The window to act is narrow...before the August recess. After that, presidential politics will get in the way..."

The really important legislation issues have not changed. Twenty-three years ago, James Carville coined a slogan for Bill Clinton's 1992 election campaign that is as true today as it was then.

"IT'S (STILL) THE ECONOMY, STUPID".

Yes, the economy has improved for many, but not for all. Most of the lengthy recession is behind us. GDP is up, the Dow and S&P are up (but still volatile) and unemployment is down, 5.7% now versus 9.9% at the end of 2009, per the U.S. Department of Labor. However, Jim Clifton, Chairman and CEO of Gallup, Inc. (an American research-based, global performance-management consulting company) claims that the unemployment rate is not the whole story. He states that approximately 30 million Americans are either out of work or severely underemployed. Gallup defines a good job as 30 plus regular hours every week and, as of today, only 44% of the adult population (18 years and older) fit their definition of full-time employment. 10 million new, good jobs are needed to reach a 50% rate and replenish America's middle class. Gallup pegs their current unemployment rate at 7.1%, still down from their 10.9% rate at the beginning of 2010. It is possible that these rates are closer to what your family is experiencing and why many middle-class working Americans do *not* believe that they are getting ahead.

However, "buried" in these unemployment rates are people who lack the required job skills for what is available today. This is not a new problem, but, as the technology skill level of the available jobs advances faster than the applicants' skill levels, this variance will widen. This may be one of the reasons why the President has called for free community college education and lower cost colleges and/or more tuition assistance. Sounds good in theory, but it is doubtful that it will get much legislative support.

Continued on page 2

There are still many important issues from Congress's last four years that have not been solved:

- **Immigration Reform.** A big, controversial problem that has now stalled a spending bill in the Senate for the Department of Homeland Security, over GOP attempts to restrict the funds from being used to implement President Obama's executive immigration orders. Immigration Reform may not be solvable until after the 2016 election.
- **Healthcare, ObamaCare, Affordable Care Act.** Whatever title or name you may wish to call it, is still a highly debated issue. Yes, it is now the law and does affect your 2014 tax return, due by April 15, 2015, but the House of Representatives on February 3, 2015 voted again (67th time) to repeal, defund, or change it; 239 GOP "yes" votes to 183 Democratic "no" votes, plus 3 GOP "no" votes, with 8 representatives not voting. The House GOP leaders said that this vote was to give the newly elected members of Congress an opportunity to go on the record against the law. The House Democrats called it "Groundhog Day". On February 4th, the Senate placed it on their legislative calendar under "Read the First Time". Senator Ted Cruz (R-TX) introduced a similar bill, with 44 co-sponsors, to repeal the Healthcare Law in the Senate. The GOP House has 56.6% control, while the GOP Senate has 54% control, thus getting a two-thirds (67%) veto-proof vote from both the House and the Senate may be impossible, but their repeal efforts will not stop. Later this year, possibly in July, the Supreme Court will rule on the availability of tax credits for participants in 37 states that rely solely on the Federal Insurance Exchange. The final resolution of how to handle healthcare for all Americans still remains a hotly contested debate. See my Blog Topics: "Could Medicare For All Be An Acceptable Alternative?"
- **Keystone Pipeline.** On January 29th, with a 62 to 36 vote that included 9 Democrats, the Senate approved a bipartisan bill, including 41 amendments from members of both parties, and sent it back to the House for their approval. The House is expected to pass it before their President's Day recess. This \$8 billion, 1,179 mile long, 3 foot wide pipeline, (safer and cheaper than using railroad tank cars) for transporting oil from the oil sands field of Alberta, Canada to the Gulf States oil refineries, is still meeting resistance and objections because it may cause 17% more greenhouse gas pollution. This reason may enable the President to keep his vow to veto Congress' attempt to greenlight the pipeline. If a veto happens, it is doubtful that either Congressional branch can achieve the necessary two-third (67%) majority to override his veto. However, later this year the Keystone Pipeline bill could be attached to a must-pass spending bill. That's the way Congress works. Additionally, the current falling price of a barrel of oil to substantially below the \$65 per barrel (a price level for the sands oil to be profitable) may also delay its actual construction.
- **Energy and Environment.** These two important and necessary items, which frequently are in conflict with each other, will not be easily solved or reconciled. As noted above, the Keystone Pipeline may be the next test of which party has the most support, but the quest for "clean" energy and governmental support for clean, environmentally safe energy will continue worldwide, and beyond 2015.
- **Infrastructure and Economy.** They are related because government sponsored (federal, state or local) highway and other transportation projects create good paying jobs, which has a tremendous domino effect on the overall economy. The balancing act is, "How to Pay for Them?" None of us want to pay more taxes, but that's the source of revenue to pay for infrastructure projects. Stay tuned! Updating America's infrastructure is going to continue to be a bumpy ride. Both party's want it, but they cannot agree on how to pay for it.
- **Education and Unemployment.** Go back to the beginning of "*Washington Watch*". We need workers with 21st century skills for our rapidly advancing industrial technology, but again, "How Do We Pay For It?" The cost of education at all levels from pre-school to grad school is beyond the financial capability of many, yet future workers will require more education to do their job.
- **Budgets and Deficits.** That annual political battle, which has forced our government to use Continuing Resolutions to avoid government shut downs, will not go away. Currently, it is being used as a method to limit the effect of presidential executive orders, and may be used to force changes in the health care law or the Keystone Pipeline or other disputed issues. Control of the money flow does have the ability to set policy and determine the outcome of issues.

- **Presidential Budget.** Congress will debate and massage it beyond recognition. It contains too many requests for additional taxes on the wealthy. According to the Tax Policy Center, the average federal tax rate now paid by the top 1% has increased by 6% due to the 2013 bipartisan fiscal cliff compromises, to an estimated average of 33.8%.

Additionally, taxes have also increased on single taxable income over \$200,000 and married/joint taxable income over \$250,000 due to:

- the phase-out limits on personal exemptions and itemized deductions;
- the 0.9% increase in Medicare tax;
- the 3.8% net investment tax.

In addition to the reasons above, taxes have additionally increased on single taxable income over \$400,000 and married/joint taxable income over \$450,000 due to:

- 4.6% top rate increase (35% to 39.6%);
- 5% tax rate increase in capital gains tax (15% to 20%).

The proposed Presidential Budget requests an additional 4.2% increase on capital gains (20% to 24.2%).

- **Meaningful Tax Reform.** The President's new budget proposal contained a lot of new tax ideas, but it is doubtful that any of them will get passed. Paul Ryan (R-WI) is now the Chairman of The House Ways & Means Committee, the House tax writing authority. It is assumed that reconciling the GOP's desire to reduce all forms of taxes versus President Obama's desire to raise taxes on the "wealthy" is a non-starter. In the past, stranger tax compromises have happened, but the political conditions that existed in 1986, the last time a major tax code change was approved, do not appear to exist today. Approximately 50% of the members of Congress have signed "The Taxpayer Protection Pledge" to oppose any effort to increase tax rates or eliminate any deductions or credits without reducing tax rates. This is the equivalent of employers saying "No more raises". Meaningful tax reform may have to wait until after the 2016 election.

Watch "Washington Watch" and our Blog for changes as we keep our eye on what's happening.

"WHAT'S NEW AT O'MALLEY & O'MALLEY, LLP" _____ *continued from page 1*

Our website has again been updated, thanks to the great work done by "Total Web Company". It contains a totally new presentation, we think you will like it. Please check it out, www.omalleycpa.com and we welcome your comments. It now includes a Blog Section with a long list of topics, in addition to our most recent "Washington Watch" and "What's New at O'Malley & O'Malley, LLP". The Blog Topics are the topics that in prior years always appeared in our Winter Newsletters. Now we will be able to update existing topics when and as needed, plus add new topics when they become relevant. Additionally, the complete Annual Tax Reference Guide is accessible from either our "Home" page or our "Resources" page.

While we are trying to use technology to keep the content of our newsletters current and its delivery faster, we understand that not everyone is computer-savvy. If anyone is unable to access our website or just prefers a printed copy of Blog Topics and/or our Annual Tax Reference Guide, please call our office, (856) 829-9100 and we will be happy to mail you a copy.

Included in our 2014 Year-End Planning Newsletter was a full page of "What's New at O'Malley & O'Malley, LLP". (To refresh your memory, go to our website blog, "What's New".) 2014 was our best growth year, thanks to all of our clients', friends and the merger of Jay R. Conway, P.C. – a New Jersey Licensed Public Accountant. This growth and expansion required equipment upgrading, so at the end of the year we installed two new Canon multi-purpose printers (copy, scan, fax, etc. – one even does it in color), plus a new computer server and 7 monitors.

This newsletter is designed to provide general information about the subject matter. It does not constitute professional advice. As required by United States Treasury Regulations, you should be aware that this communication is not intended to be used, and it cannot be used, for the purpose of avoiding penalties under the United States federal tax laws.

If you would like to discuss a particular item of interest please call our office – 856-829-9100

Annual Tax Reference Guide – The More Popular Items
See www.omalleycpa.com “Home” page or “Resources” page for a more complete list

