

Checkpoint Contents

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RIA Federal Tax Handbook

¶ 105. What's New on the 2015 Form 1040?

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Here are the changes with the greatest impact on the preparation of 2015 individual returns, cross-referenced to where they are discussed in the Handbook, and referenced to the appropriate lines on the Form 1040 and related Schedules. The changes described below are based on IRS-issued draft 2015 forms, as the final versions had not yet been released at the time we went to press.

FORM 1040-ITEMS THAT ARE NOT SPECIFIC TO SPECIFIC LINES ON THE FORM

Due date. Form 1040's due date is Apr. 18, 2016, except for residents of Maine or Massachusetts, for whom the due date is Apr. 19, 2016. That latter date is because of the Patriots' Day holiday in those states. (¶ 4716)

Extensions. In past years, a taxpayer could obtain an automatic 6-month extension if, no later than the date his Form 1040 was due, he filed Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. For 2015 returns, a taxpayer can also apply for an automatic extension by making an electronic payment by the due date of his return. (¶ 4717)

Expired provisions. As further explained at ¶ 1115 , certain tax benefits that historically have been extended have not yet been extended and have expired effective Jan. 1, 2015. In certain cases, IRS has put the word "Reserved" on the Form 1040 line that, in 2014, was used for a now-expired provision. For additional information, see coverage of specific Form 1040 lines, below.



RIA caution: Check tax.thomsonreuters.com/federaltaxhandbookupdates to see if any of these provisions have been revived and extended.

FORM 1040-GROSS INCOME

Line 15. Pensions and annuities. A qualified charitable distribution (QCD) is a distribution made directly by the trustee of an IRA (other than an ongoing SEP or SIMPLE IRA) to an organization eligible to receive tax-deductible contributions (with certain exceptions), on behalf of a taxpayer who was at least age 70 ½ when the distribution was made. The QCD rule expired as of Dec. 31, 2014 and has not yet been extended by Congress. In previous years, a QCD was not taxable, so the QCD itself was reported

on Line 15a, and no amount of the QCD was reported on Line 15b. (¶ 4357)



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Line 21. Other income-adoption exclusion. For 2015, the maximum exclusion for employer-provided adoption assistance is \$13,400 per eligible child. The excludable amount is phased out for taxpayers with adjusted gross income (as specially computed) over \$201,010 and is fully eliminated when AGI reaches \$241,010. (¶ 1254)

Line 21. Other income-distributions from ABLÉ accounts. The Achieving a Better Life Experience (ABLE) account is a new type of savings account for individuals with disabilities and their families. Distributions from this type of account may be taxable if they (a) are more than the designated beneficiary's qualified disability expenses, and (b) were not included in a qualified rollover. Those taxable amounts should be shown on Line 21. (¶ 2234)

Line 21. Other income-death of a public safety officer. Effective May 22, 2015, certain amounts received because of the death of a public safety officer are nontaxable.

FORM 1040-ADJUSTED GROSS INCOME

Line 23. Reserved. In previous years, this line was used to show the deduction for educator expenses. The educator expense deduction expired as of Dec. 31, 2014 and has not yet been extended by Congress. (¶ 2229)



RIA caution: Check tax.thomsonreuters.com/federaltaxhandbookupdates to see if this provision has been revived and extended.

Line 26. Moving expenses. The 2015 standard mileage rate for moving expenses is 23¢ per mile. (¶ 1646)

Line 32. IRA deduction. In general, an individual who isn't an active participant in certain employer-sponsored retirement plans, and whose spouse isn't an active participant, may make an annual deductible cash contribution to an IRA up to the lesser of: (1) a statutory dollar limit, or (2) 100% of the compensation that's includible in his gross income for that year. For 2015, the statutory dollar limit is \$5,500, plus an additional \$1,000 for those age 50 or older. If the individual (or his spouse) is an active plan participant, the deduction phases out over a specified dollar range of modified AGI (MAGI). For 2015, a taxpayer may be able to take an IRA deduction if he was covered by a retirement plan and his 2015 MAGI is less than \$71,000 (\$118,000 if married filing jointly or qualifying widow(er)). If the taxpayer's spouse was covered by a retirement plan, but the taxpayer was not, he may be able to take an IRA deduction if his 2015 MAGI is less than \$193,000. (¶ 4352)

Line 34. Reserved. In previous years, this line was used to show the deduction for tuition and fees. The tuition and fees deduction expired as of Dec. 31, 2014 and has not yet been extended by Congress. (¶ 2231)



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FORM 1040-TAX AND CREDITS

Line 40. Itemized deductions or standard deduction. For 2015, the standard deduction is \$6,300 for single filers and for married persons filing separately, \$12,600 for joint filers and qualifying widow(er)s, and \$9,250 for heads of household. (¶ 3112)

Line 42. Exemptions. The amount for each exemption for 2015 is \$4,000. Exemptions are reduced for taxpayers with AGIs in excess of the "applicable amount" (\$309,900 for joint filers or a surviving spouse, \$284,050 for a head of household, \$258,250 for a single individual who isn't a surviving spouse, and \$154,950 for marrieds filing separately). (¶ 3117)

Line 45. Alternative minimum tax. Under **Code Sec. 55(d)**, the alternative minimum tax (AMT) exemption amount for 2015 is \$53,600 (\$83,400 if married filing jointly or a qualifying widow(er); \$41,700 if married filing separately). The AMT exemption amount is reduced if alternative minimum taxable income is above statutorily-defined amounts that depend upon filing status. (¶ 3203)

Line 53. Residential energy credit. One of the types of credits that was previously shown on this line, the nonbusiness energy property credit, expired as of Dec. 31, 2014 and has not yet been extended by Congress. (¶ 2353)



RIA caution: Check tax.thomsonreuters.com/federaltaxhandbookupdates to see if this provision has been revived and extended.

Line 54. Other credits. For 2015, the maximum adoption credit is \$13,400 per eligible child for both non-special needs adoptions and special needs adoptions. (¶ 2349)

FORM 1040-OTHER TAXES

Line 57. Self-employment tax. Maximum amount of self-employment income subject to FICA tax is \$118,500; there is no ceiling on Medicare wage base. (¶ 3140)

An individual may use the farm optional method only if (a) his gross farm income was not more than \$7,320 or (b) his net farm profits were less than \$5,284. Using this method, farm self-employment earnings equals the smaller of (1) two-thirds of gross farm income, or (2) \$4,880. (¶ 3149)

An individual may use the nonfarm optional method only if (a) his net nonfarm profits were less than \$5,284 and also less than 72.189% of his gross nonfarm income and (b) he had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. Individuals may compute their self-employment earnings as the smaller of two-thirds of gross nonfarm income or \$4,880. (¶ 3149)

A self-employed individual with both farm and nonfarm incomes is allowed to use both optional computation methods if the farm income qualifies for the farm optional method and the nonfarm income qualifies for the nonfarm optional method. If both optional methods are used to compute net earnings from self-employment, the maximum combined total net earnings from self-employment for any tax year can't be more than \$4,880. (¶ 3149)

Line 59. Additional tax on IRAs, other qualified retirement plans, etc. This line is used to report additional taxes on excess contributions to, and certain distributions from, IRAs, etc. New for 2015, this line should be used for excess contributions to, and certain distributions from, ABLE accounts. (For more on ABLE accounts, see Line 21 above.) (¶ 2234)

Line 61. Health care: individual responsibility. As was the case in 2014, a taxpayer must either:

- indicate on line 61 that he, his spouse (if filing jointly) and his dependents had health care coverage throughout 2015;
- claim an exemption from the health care coverage requirement for some or all of 2015 and attach Form 8965; or
- make a "shared responsibility payment" if, for any month in 2015, he, his spouse (if filing jointly), or his dependents did not have coverage and do not qualify for a coverage exemption.

However, the monthly shared responsibility payment amount has increased for 2015. For 2015, it is lesser of (i) the sum of the monthly penalty amounts for months in the tax year during which one or more failures occurs, or (ii) the sum of the monthly national average bronze plan premiums for the plan. The monthly penalty amount is equal to 1/12 of the greater of \$325 or 2% of the amount by which the taxpayer's household income exceeds the filing threshold.

And the Form 1040 instructions for this line have been greatly expanded. (¶ 4896)

FORM 1040-PAYMENTS

Line 66. Earned income credit (EIC). The maximum credit is higher, and the AGI-based phaseout figures are revised. (¶ 2338)

Line 67. Additional child tax credit. Effective for tax years beginning after Dec. 31, 2014, any taxpayer who elects to exclude foreign earned income for a tax year may not claim the additional (refundable) child tax credit for that year. (¶ 2351)

Line 71. Excess social security and RRTA tax withheld. Maximum Social Security (OASDI) tax for 2015

is \$7,347 (computed on the first \$118,500 of wages) for purposes of credit for excess tax withheld. (¶ 1108)

Line 73. Credits. Line 73, box b is labeled as "Reserved." The draft instructions contain no information on this box. The final version of 2014 Form 1040 also had this box labeled as "Reserved."

Line 73, box d is labeled "8885" for Form 8885; Form 8885 is entitled "Health Coverage Tax Credit." The health coverage tax credit (HCTC) expired at the end of 2013 but was subsequently reinstated retroactive to Jan. 1, 2014. (¶ 2343)

Line. 76. Amount refunded to you. The Department of the Treasury has provided for a new type of Roth IRA, the myRA, that it now administers directly for employees of private sector companies. Various Form 1040 instructions that refer to IRAs now also refer to myRAs, including the instruction for direct depositing refunds; refunds can be direct-deposited into myRAs.

FORM 1040-SCHEDULE A, ITEMIZED DEDUCTIONS

Line 1. Medical and dental expenses. The 2015 standard mileage rate for medically-related use of an auto is 23¢ per mile. (¶ 2148)

If, during 2015, the taxpayer was an eligible trade adjustment assistance (TAA) recipient, an alternative TAA (ATAA) recipient, reemployment TAA (RTAA) recipient, or Pension Benefit Guaranty Corporation (PBGC) pension recipient, he must complete Form 8885, Health Coverage Tax Credit, before completing Schedule A, Line 1. When figuring the amount to report on Line 1, the taxpayer must reduce his insurance premiums by any amounts used to figure the health coverage tax credit. (¶ 2343)

Line 5b. Reserved. In previous years, this line was used to show the deduction for state and local general sales tax in lieu of local income taxes. The sales tax deduction expired as of Dec. 31, 2014 and has not yet been extended by Congress. (¶ 1756)



RIA caution: Check tax.thomsonreuters.com/federaltaxhandbookupdates to see if this provision has been revived and extended.

Line 13. Reserved. In previous years, this line was used to show the deduction for mortgage insurance premiums. The mortgage insurance premiums deduction expired as of Dec. 31, 2014 and has not yet been extended by Congress. (¶ 1736)



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Line 16. Gifts to charity-Gifts by cash or check. Cash contributions made between Jan. 1, 2015 and Apr. 15, 2015 to benefit the families of slain New York detectives Wenjian Liu or Rafael Ramos could be

deducted on 2014 Form 1040. Any amounts so deducted should not be shown on 2015 Schedule A.

Line 21. Unreimbursed employee expenses. The 2015 standard mileage rate for business travel is 57.5¢ per mile. (¶ 1558)

Line 29. Limit on itemized deductions. Itemized deductions for taxpayers with adjusted gross incomes in excess of the "applicable amount" (\$309,900 for joint filers or a surviving spouse, \$284,050 for a head of household, \$258,250 for a single individual who isn't a surviving spouse, and \$154,950 for marrieds filing separately) may be reduced. (¶ 3114)

FORM 1040-SCHEDULE B, INTEREST AND ORDINARY DIVIDENDS

Line 1. Interest. Accrued interest on Series EE U.S. savings bonds issued in '85 is taxable. (¶ 1334)

Line 3. Excludable interest on Series EE or Series I U.S. savings bonds. The exclusion for education related savings bond interest phases out at higher income levels. For 2015, the phaseout begins at modified AGI above \$77,200 (\$115,750 on a joint return). (¶ 2220)

FORM 1040-SCHEDULE C, PROFIT OR LOSS FROM BUSINESS

Part II. Expenses. Line 9. Car and truck expenses. The 2015 standard mileage rate for business travel is 57.5¢ per mile. (¶ 1558)

Part II. Expenses. Line 13. Depreciation and section 179 expense. See entries for Form 4562, see below.

FORM 4562, DEPRECIATION AND AMORTIZATION

Part I. Election to expense certain tangible property under Sec. 179. For tax years beginning in 2015, the maximum section 179 expense deduction is \$25,000. This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds \$200,000. (¶ 1941)



RIA observation: In 2014, the maximum amount that could be expensed was \$500,000, with a \$2 million investment ceiling. Although these higher limits have been routinely extended in recent years, no such action has been taken for the 2015 tax year despite the provision generally enjoying broad bipartisan support. Thus, the above limits will be in effect unless Congress chooses to retroactively change them.

Part V. Listed property. First-year luxury auto limits for vehicles first placed in service in 2015 are \$3,160 for autos and \$3,460 for light trucks or vans. (¶ 1953)

FORM 1040-SCHEDULE D, CAPITAL GAINS AND LOSSES

Line 18. Gains taxable at 28% rate. The 28% Rate Gain Worksheet is used to compute the amount on

this line. Line 2 of that worksheet has been revised to account for the various exclusion percentages that can apply under **Code Sec. 1202** . (¶ 2607)

Form 1040-SCHEDULE E, SUPPLEMENTAL INCOME AND LOSS

Standard mileage rate. The 2015 standard mileage rate for miles driven in connection with the taxpayer's rental activities is 57.5¢ per mile. (¶ 1558)

FORM 1040-SCHEDULE F, PROFIT OR LOSS FROM FARMING

Part II. Farm Expenses-Cash and Accrual Method. Line 10. Car and truck expenses. The 2015 standard mileage rate for business travel is 57.5¢ per mile. (¶ 1558)