Tax Season: 8 Questions to Ask Your CPA

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Preparing tax returns is rarely fun, but it's important. A good discussion with your tax preparer and financial advisor can help you manage your tax bill for both this year and next.

For many of us, meetings to prepare a tax return are like a trip to the dentist--we want to get in and out as quickly and painlessly as possible.

However, there are many new rules to consider and questions to ask your tax preparer and your financial advisor to make sure you're getting the best guidance possible. Use this list of questions to get the discussion going:

1. **How will major life events and changes in my personal life affect my taxes?**

   Many people don't realize how certain life events and milestones can affect their tax situation. That's why it's important to make your tax preparer aware of any life events or changes to your tax situation.

   If any of your children matriculated to a college in 2014, they may qualify for up to $4,000 in deductions for education costs, the American Opportunity Tax Credit, or the Lifetime Learning Credit.

   If you purchased a second home, you may qualify for a second set of home deductions for real estate taxes and mortgage interest.

   If you got married this year, had a child, got divorced, or lost a loved one, your filing status may have changed as well as your deductions.

2. **Should I have my employer make adjustments to my withholdings?**

   If you have had children, gotten married or divorced, or can no longer claim your adult children as dependents, consider making changes on your W-4 Forms to adjust your exemptions.

   In addition, if you are receiving large tax refunds (or are saddled with a large tax bill in April), you may want to adjust your withholdings in an effort to smooth your cash flow.

3. **Should I increase my retirement plan contributions?**

   Retirement plan contribution limits have been raised for 2015. Contributions to retirement plans and IRA's accomplish two things. First, they may reduce your taxable income, thereby lessening your tax burden, and second, they can help you fund retirement and stay on track to meet your financial goals.

Retirement Plan Contribution Limits

Retirement Plan	2014 Contribution Limit	2015 Contribution Limit
Employer sponsored 401(k), 403(b), and most 457 and thrift plans	$17,500	$18,000
Employer sponsored plan catch up contributions	$5,500	$6,000
IRA contributions	$5,500	$5,500
IRA catch up contributions	$1,000	$1,000

Source: IRS

If you are changing jobs in 2015, coordinate with your new company's human resources department to ensure that you do not exceed the maximum contribution to your 401(k) during the year due to making 401(k) contributions from both jobs.

Also consult with your tax professional regarding making contributions to a traditional or Roth IRA, in addition to your contributions to employer-sponsored plans. Contributions to an IRA are allowed regardless of income level and are not limited by contributions to an employer-sponsored plans (though the deductibility of contributions may be affected).

4. **Should I consider a conversion to a Roth IRA?**

   A Roth IRA conversion allows you to move assets from a tax-deferred IRA to a potentially tax-free Roth IRA. You would incur a tax liability for the amount you convert in 2015. However, the assets held in a Roth IRA are not subject to a required minimum distribution and can eventually be withdrawn tax-free.

   Ask your CPA to prepare a projection of the tax liability of a partial (or total) Roth IRA conversion. Roth conversions have tax, investing, and retirement considerations and the decision whether or not to convert should be made after a discussion with your tax professional and financial advisor.

5. **How has the Affordable Care Act (ACA) affected my taxes?**

   Last year, you may have been subject to the 3.8% Medicare surtax on net investment income over $250,000 for those married filing jointly ($125,000 if married filing separately and $200,000 for all other filers). This year, you will need to provide proof that you were insured for the entire year, or pay a penalty.

   If you secured coverage through a health care exchange, you will receive Form 1095-A. If your employer provides coverage, you will receive Form 1095-B or 1095-C (depending on whether the employer self-insures or provides a group plan).

   For some individuals, the ACA may be a net positive when it comes to taxes paid. Small business owners may qualify for tax credits up to 50% of the premiums paid for their employees' health insurance premiums. If you pay all, or part, of your employees' health insurance premiums, consult with your tax professional to determine if you qualify for a tax credit.

6. **Can you help me to estimate my 2015 tax bill?**

   Review your projected income, deductions, and planned sales of assets and other contemplated financial events with your tax professional. Ask your CPA to prepare a projection of your 2015 tax bill and help you strategize how to reduce your tax liabilities for the coming year.

   If you are self-employed, ask your tax professional if your quarterly payments will fall within the safe harbor to avoid paying penalties and interest for any additional tax you may own in 2015.

7. **How can I lower my tax bill next year?**

   Taxes are on the rise. After you receive your projected 2015 income and tax liability, ask if there is anything you can do throughout the year to reduce your tax burden. Your CPA can help you maximize your deductions, properly manage (and hopefully maximize) your retirement plan contributions, and take advantage of any tax credits that may be available to you.

8. **Is there anything that I should be reviewing with my financial advisor about my investments?**

   Various tax code changes including the 3.8% Medicare surtax, changes to capital gains tax rates, and compressed tax brackets for trusts are making tax considerations an increasingly important part of investments decisions.

   Ask your CPA about the effectiveness of tax-loss harvesting throughout the year. Or if you have a large IRA, you may want to pay fees using non-retirement funds in an effort to maximize your deduction for investment management.

Don't waste a good meeting!

Tax time is an opportunity to open the lines of communication between your tax professionals and your financial advisors. A good working relationship between all of your trusted advisors will help ensure you are getting tax-efficient management for all of your investments and financial affairs.

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