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Tax News and Industry Updates

Ashmead & Associates PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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Repairs and Improvements

If a taxpayer improves depreciable property, he or she must treat the improvement as a separate depreciable property. Improvement means an addition to or partial replacement of property that results in a betterment of the unit of property, restores the unit of property, or adapts the unit of property to a new use. The costs of improvements must be capitalized and then depreciated over a certain number of years.

Incidental repairs and maintenance of property are not capital expenditures. A taxpayer can generally deduct the cost of repairing business property in the same way as any other business expense. If a repair is made during the year, that expense is deducted in the year paid. However, if a repair or replacement is considered a betterment, restoration, or adaptation, it must be treated as an improvement and depreciated over a recovery period.

Some common examples of what constitutes repairs and improvements are listed in the chart below.

Repairs vs. Improvements

Repairs	*Improvements*
Costs that: • Keep the property in good operating condition. • Do not materially add value to the property. • Do not substantially prolong the property's life.	Costs that: • Improve or better the property, • Restore the property, or • Adapt the property to new or different uses.
Deductible as a current expense.	Must be capitalized and depreciated.*
Examples: • Repainting inside or out. • Fixing gutters. • Fixing damaged carpet. • Fixing leaks. • Plastering. • Replacing broken windows.	*Examples:* • Room additions. • Remodeling. • Landscaping. • New roof. • Security system. • Replacing gravel driveway with concrete.

* The cost of an improvement is depreciated according to the MACRS class and recovery period of the underlying property.

Example: *If Gina repairs a small section on one corner of the roof of her rental house, she deducts the cost as a repair expense. However, if she completely replaces the roof, the new roof is an improvement because it increases the value and lengthens the life of the roof. Gina would depreciate the cost of the new roof using the same MACRS class and recovery period used to depreciate the rental house.*

New Repair Regulations

In September 2013, the IRS issued final regulations to clarify the difference between capital improvements and repairs. The final regulations apply to taxable years beginning January 1, 2014. However, taxpayers may elect certain rules to be effective for tax years beginning January 1, 2012. (TD 9636)

Unit of property. Under prior regulations, the unit of property for a building consisted of the building and its structural components as one whole property. The new regulations separate buildings into eight components. [Reg. §1.263(a)-3(e)(2)(ii)(B)]

- Heating and air conditioning.
- Electrical system.
- Elevators.
- Escalators.
- Fire protection system.
- Gas distribution system.
- Plumbing.
- Security system.

Materials and Supplies

Materials and supplies are deductible in the year first used in the taxpayer's trade or business. Materials and supplies are non-inventory items purchased to repair, maintain, or improve a unit of property and include the following items. [Reg. §1.162-3(c)(1)]

- Components acquired to maintain, repair, or improve a unit of tangible property that are not acquired as part of a unit of property.
- Fuel, lubricants, water, and similar items that are reasonably expected to be consumed in 12 months or less.
- A unit of property with an economic useful life of 12 months or less.
- A unit of property with an acquisition or production cost of $200 or less.
- Rotable spare parts acquired for installation on a unit of property, removable from that property, generally repaired or improved, and reinstalled on the same or other property.
- Standby emergency spare parts acquired when machinery or equipment is acquired and set aside for use as replacements.

Election to capitalize certain materials and supplies. Taxpayers may elect to capitalize and depreciate amounts paid for only rotable, temporary, or standby emergency spare parts. This election can be revoked by filing a request for a letter ruling and obtaining the consent of the IRS.

Example: *Alfred owns a fleet of aircraft that he uses in his business. In 2013, Alfred purchases a stock of spare parts, not rotable or temporary spare parts, which he uses to maintain and repair his aircraft. In 2014, Alfred uses the spare parts for the repair and maintenance of one of its aircraft. The amounts Alfred paid for the spare parts are deductible in 2014, the taxable year in which the spare parts are first used to repair and maintain the aircraft.*

Example: *Elise operates a fleet of aircraft that carries freight for her customers. Elise has several storage tanks on her premises, which hold jet fuel for her aircraft. On December 31, 2013, Elise purchases a two-year supply of jet fuel. In 2014, Elise uses the jet fuel to fuel her aircraft. Elise may deduct in 2014 the amounts paid for the portion of the jet fuel used in the operation of her aircraft in 2014.*

Note: If the taxpayer elects to use the de minimis safe harbor method to expense and not capitalize certain expenses, the safe harbor method must also be used for all materials and supplies. [Reg. §1.162-3(f)]

Example #1: *George provides billing services to his customers. In 2013, George pays amounts to purchase 50 scanners to be used by his employees. Each scanner costs $150. In 2014, George's employees begin using 35 of the scanners, and George stores the remaining 15 scanners for use in a later taxable year. The scanners are materials and supplies, and the amounts George paid for 35 of the scanners are deductible in 2014, the taxable year in which each machine is first used in his business.*

Example #2: *Assume the same facts as Example #1, except that George's scanners qualify for the de minimis safe harbor and George makes the election to apply the safe harbor to amounts paid for the scanners rather than treat these amounts as costs of materials and supplies. George may deduct the amounts paid for all 50 scanners in 2013, the taxable year the amounts are paid.*

Improvements—Capitalization Required

The regulations require capitalization of permanent improvements, betterments, restorations, and adaptations as they relate to certain units of property. The expenses capitalized for improving property can be depreciated as if the improvement were separate property. [Reg. §1.263(a)-3]

De minimis safe harbor election. A taxpayer who has an applicable financial statement may elect annually to expense and not capitalize amounts paid for property not exceeding $5,000 per invoice (or per item as substantiated by the invoice). Taxpayers without an applicable financial statement, but with accounting procedures in place at the beginning of the tax year specifying how to treat certain expenses for non-tax purposes, may elect to apply the de minimis safe harbor to amounts paid for property that does not exceed $500 per invoice. [Reg. §1.263(a)-1(f)]

A taxpayer must have written accounting procedures in place at the beginning of the taxable year and treat amounts paid for property as an expense in accordance with those procedures. A taxpayer may not use an application for a change in accounting to later make the de minimis safe harbor election.

Note: If a taxpayer makes the de minimis safe harbor election, he or she must also apply the safe harbor to all eligible materials and supplies.

Applicable financial statement. An applicable financial statement is a financial statement required for SEC reporting, an audited financial statement by a CPA, or a financial statement required by certain government agencies. See Regulation section 1.162-3(c)(3)(iii) for details.

Small taxpayer safe harbor. A new election is available for qualifying small taxpayers who may elect to not apply the improvement rules to an eligible building property if the total amount paid during the taxable year for repairs, maintenance, improvements, and similar activities performed on the eligible building does not exceed the lesser of:

- $10,000, or
- 2% of the unadjusted basis of the building.
  [Reg. §1.263(a)-3(h)]

Qualifying small taxpayer. A qualifying small taxpayer is a taxpayer with gross receipts of $10 million or less.

Eligible building. An eligible building is a building unit of property that is owned or leased by the qualifying taxpayer with an unadjusted basis of $1 million or less.

Making the election. Under this election, a taxpayer includes amounts not capitalized under the de minimis safe harbor election and under the routine maintenance safe harbor to determine the annual amount paid for repairs, maintenance, improvements, and similar activities performed on the building. The election may be made annually on a building-to-building basis by including a statement on the taxpayer's timely filed (including extensions) tax return for the year the costs are incurred for the building. A taxpayer may not revoke this election.

Repairs

Routine maintenance safe harbor. Certain routine maintenance activities for property other than buildings or the structural components of buildings are not required to be capitalized as an improvement and may be deducted as repairs under the routine maintenance safe harbor. An amount paid is deemed not to improve a unit of property if it is for the recurring activities that a taxpayer expects to perform as a result of the taxpayer's use of the property to keep it in its ordinarily efficient operating condition. (Reg. §1.162-4)

Buildings. The routine maintenance safe harbor also includes buildings if a taxpayer reasonably expects to perform the relevant activities more than once during a ten year period.

Example: *In January, Yolanda purchased and placed in service a used machine for use in her manufacturing operations. When she placed the machine in service, she expected to perform manufacturer recommended scheduled maintenance on the machine every three years. The scheduled maintenance includes the cleaning and oiling of the machine, the inspection of parts for defects, and the replacement of minor items such as springs, bearings, and seals. The costs incurred by Yolanda to keep the machine in its ordinary efficient operating condition can be expensed in the year incurred as a deductible repair.*

Special Per Diem Rates

Cross References

- Notice 2013-65

The high-low substantiation method can be used by employers to pay employees a per diem travel allowance (hotels, meals, and incidentals) instead of using various rates that apply at different locations. By using this special per diem rate method, only two rates apply in the Continental United States (CONUS). The special high-low method is used only by employers to reimburse employees for their travel expenses. It cannot be used by employees or self-employed taxpayers to determine their un-reimbursed business expense deductions. Employer reimbursements within these limits are considered substantiated.

Effective Date	High-Cost Localities		Low-Cost Localities	
	Total Travel	*Meals Only*	*Total Travel*	*Meals Only*
Oct. 1, 2012	$242	$65	$163	$52
Oct. 1, 2013	$251	$65	$170	$52

High-cost localities. The following localities are high-cost localities for all of the calendar year or the portion of the calendar year specified in parentheses next to the key city name. Localities that are not listed below are low-cost localities.

Key City	County or Other Defined Location
Arizona	
Sedona (March 1 – April 30)	City limits of Sedona
California	
Monterey (July 1 – August 31)	Monterey
Napa (October 1 – November 30 and April 1 – September 30)	Napa
San Diego	San Diego
San Francisco	San Francisco
Santa Barbara	Santa Barbara
Santa Cruz (June 1 – August 31)	Santa Cruz
Santa Monica	City limits of Santa Monica
Yosemite National Park (June 1 – August 31)	Mariposa
Colorado	
Aspen (December 1 – March 31 and June 1 – August 31)	Pitkin
Denver/Aurora	Denver, Adams, Arapahoe, and Jefferson
Steamboat Springs (December 1 – March 31)	Routt
Telluride (December 1 – March 31 and June 1 – September 30)	San Miguel
Vail (December 1 – August 31)	Eagle
District of Columbia	
Washington D.C. (also the cities of Alexandria, Falls Church, and Fairfax, and the counties of Arlington and Fairfax, in Virginia; and the counties of Montgomery and Prince George's in Maryland) (See also Maryland and Virginia)	
Florida	
Boca Raton/Delray Beach/Jupiter (January 1 – April 30)	Palm Beach/Hendry
Fort Lauderdale (January 1 – May 31)	Broward
Fort Walton Beach/De Funiak Springs (June 1 – July 31)	Okaloosa and Walton
Key West	Monroe
Miami (January 1 – March 31)	Miami – Dade
Naples (January 1 – April 30)	Collier
Illinois	
Chicago (October 1 – November 30 and March 1 – September 30)	Cook and Lake
Louisiana	
New Orleans (October 1 – June 30)	Orleans, St. Bernard, Jefferson and Plaquemine Parishes
Maine	
Bar Harbor (July 1 – August 31)	Hancock
Maryland	
Baltimore City (October 1 – November 30 and March 1 – September 30)	Baltimore City
Cambridge/St. Michaels (June 1 – August 31)	Dorchester and Talbot
Ocean City (June 1 – August 31)	Worcester
Washington, D.C. Metro Area	Montgomery and Prince George's

Key City	County or Other Defined Location
Massachusetts	
Boston/Cambridge	Suffolk, City of Cambridge
Falmouth (July 1 – August 31)	City limits of Falmouth
Martha’s Vineyard (July 1 – August 31)	Dukes
Nantucket (June 1 – September 30)	Nantucket
New Hampshire	
Conway (July 1 – August 31)	Carroll
New York	
Floral Park/Garden City/Great Neck	Nassau
Glens Falls (July 1 – August 31)	Warren
Lake Placid (July 1 – August 31)	Essex
Manhattan (includes the boroughs of Manhattan, Brooklyn, the Bronx, Queens and Staten Island)	Bronx, Kings, New York, Queens, Richmond
Saratoga Springs/Schenectady (July 1 – August 31)	Saratoga and Schenectady
Tarrytown/White Plains/New Rochelle	Westchester
North Carolina	
Kill Devil (June 1 – August 31)	Dare
Pennsylvania	
Philadelphia	Philadelphia
Rhode Island	
Jamestown/Middletown/Newport (October 1 – October 31 and May 1 – September 30)	Newport
South Carolina	
Charleston (March 1 – May 31)	Charleston, Berkeley and Dorchester
Texas	
Midland	Midland
Utah	
Park City (December 1 – March 31)	Summit
Virginia	
Washington, D.C. Metro Area	Cities of Alexandria, Fairfax, and Falls Church; counties of Arlington and Fairfax
Virginia Beach (June 1 – August 31)	City of Virginia Beach
Washington	
Seattle	King
Wyoming	
Jackson/Pinedale (July 1 – August 31)	Teton and Sublette

Truckers/Transportation Industry. Effective October 1, 2013, the special meals and entertainment rates for taxpayers in the transportation industry are $59 for any locality of travel in the Continental United States (CONUS) and $65 for any locality of travel outside the Continental United States (OCONUS). These rates did not change from those rates that were effective on October 1, 2012.

Continuing Appropriations Act

Cross References

• H.R. 2775

On October 16, 2013, the Senate voted 81 to 18 in favor of H.R. 2775 with an amendment. The House then voted to agree with the Senate amendment by a vote of 285 to 144. On October 17, 2013, the President signed the bill into law. The Continuing Appropriations Act ends the 16-day federal government shutdown by continuing to fund all government operations, and by extending the debt ceiling.

Debt ceiling. The law allows the Treasury Department to borrow beyond the debt ceiling in order to fund the specified appropriations for the various federal programs listed in the law, plus amounts as may be necessary, at a rate for operations as provided in the applicable appropriations Acts for fiscal year 2013 that are not otherwise specifically provided for in this act.

Appropriations end February 7, 2014. The Treasury Department may continue to borrow money to meet existing commitments through February 7, 2014. After which a new suspension of the debt ceiling must be enacted by Congress and the President in order to continue to borrow money to pay for federal obligations.

Federal employees furloughed. Federal employees furloughed as a result of the government shutdown that began on October 1, 2013 will be compensated at their standard rate of compensation for the period they were furloughed as a result of the lapse in appropriations.

State funds used to continue federal programs. If a state used state funds to continue carrying out a federal program, the state will be reimbursed for expenses that would have been paid by the federal government during the period had appropriations been available.

Congressional pay. The law does not allow for any cost of living adjustments for members of Congress during fiscal year 2014.

New verification of income when applying for federal health insurance subsidies. The new law instructs the Secretary of Health and Human Services (HHS) to verify that individuals applying for premium tax credits under IRC section 36B and cost-sharing subsidies are eligible for such credits and cost-sharing reductions consistent with the requirements of the Health Care Reform Act of 2010. HHS must submit a report to Congress no later than January 1, 2014 that details the procedures employed by the health exchanges in verifying eligibility. In addition, the Inspector General for HHS must submit a report to Congress no later than July 1, 2014 regarding the effectiveness of the procedures and safeguards for preventing the submission of inaccurate or fraudulent information by applicants who enroll in health plans offered by the health exchanges.

Medical device tax. A provision in the Health Care Reform Act of 2010 imposes a new tax on the manufacture of certain medical devices. Certain members of Congress wanted a provision in the continuing appropriations act that would repeal the tax. However, that provision was removed in the Senate amendment. Thus, the new law does not repeal the medical device tax.

Miscellaneous appropriations. The law also gives $174,000 to Bonnie Englebardt Lautenberg, widow of Frank R. Lautenberg, the Senator from New Jersey who passed away this past summer. There is also $450 million appropriated to the Department of Transportation to fix roads damaged by flooding in the State of Colorado during 2013. The law also increases funding from $775 million to $2.9 billion for a construction project on the Ohio River in Illinois and Kentucky. Criticism from certain conservative groups claim it is a kickback to gain support for the legislation from Senate Minority Leader Mitch McConnell (R-KY).

Requirement to Have Health Insurance

On August 27, 2013, the IRS issued final regulations on the requirement contained in the Health Care Reform Act of 2010 that all non-exempt U.S. citizens and legal residents maintain minimum essential health insurance coverage. Beginning with the 2014 tax year, individuals who do not maintain minimum essential coverage will be subject to a penalty on their individual income tax return, unless they meet one of the exceptions to the penalty. The following information summarizes the final regulations and clarifies rules contained in IRC section 5000A.

Filing requirement threshold. Under the law, a taxpayer is exempt from the requirement to maintain minimum essential coverage if income is below the applicable filing requirement to file a tax return. The final regulations clarify that if the taxpayer is not required

to file a tax return due to being below the filing threshold, then the taxpayer is not required to file a return for purposes of claiming the exemption from the requirement to maintain minimum essential coverage. If the taxpayer does in fact file a return (even though not required to), then there will be a procedure on the filed return that allows the taxpayer to claim the exemption from the requirement to maintain minimum essential coverage.

The final regulations also clarify that if a taxpayer claims a dependent on the tax return, the filing requirement threshold exemption applies to the taxpayer who claims the exemption deduction for the dependent.

Coverage for a month. Under the law, an individual is required to maintain minimum essential coverage for each month beginning after 2013. Proposed regulations issued on February 1, 2013 interpreted this to mean an individual has minimum essential coverage for a particular calendar month if the individual is enrolled in and entitled to receive benefits under a plan for at least one day during the month (the one-day rule). Some interpreted the law to mean an individual was considered covered if he or she was enrolled in a plan for the majority of days during a month. However, the final regulations adopt the one-day rule from the proposed regulations.

Medicaid coverage. Medicaid coverage qualifies as minimum essential coverage under the law. The final regulations say that if an individual has submitted an application for Medicaid but is awaiting approval for enrollment, the individual will be considered to have minimum essential coverage only if the individual is eventually granted Medicaid coverage, since Medicaid is generally granted retroactively to the date the application is filed. If the application is eventually denied, the applicant will not be considered to have minimum essential coverage during the months the application was being processed.

Pregnancy-related Medicaid. States have the option to extend Medicaid coverage to pregnant women whose income and/or assets would otherwise not qualify them for Medicaid. Pregnant women receive care related to the pregnancy, labor, and delivery and any complications that may occur during pregnancy, as well as perinatal care for 60 days postpartum. The final regulations clarify that pregnancy-related Medicaid is not in itself minimum essential coverage. Some states may choose to provide pregnant women with full Medicaid coverage (in which case it would qualify as minimum essential coverage), but if a state does not, the coverage for pregnancy related expenses only, is not considered minimum essential coverage.

Medicaid premium assistance programs. Certain individuals may be eligible to receive full Medicaid benefits under a Medicaid premium assistance program. These programs help Medicaid-eligible individuals to enroll in employer-sponsored coverage if it is cost-effective for the state to do so. States exercising this option must also provide "wrap around" coverage to ensure covered individuals receive the same benefits that are provided under the state's Medicaid program for individuals not covered under an employer-sponsored plan. States also have the authority to create similar premium assistance programs for individuals enrolled in private coverage in the individual market. States also have the authority to provide Medicaid to disabled children without regard to the income of the child's parents. In some cases, the child may have private health insurance in addition to the Medicaid coverage, in which case Medicaid becomes the secondary payer covering costs that private insurance does not cover. In effect, the child receives full Medicaid benefits through the combination of private insurance and Medicaid. The final regulations clarify that all of these types of programs qualify as minimum essential coverage.

Dependent coverage. The law requires a taxpayer to maintain minimum essential coverage for his or her spouse and dependents. The final regulations clarify that a dependent is defined as a qualifying child, or a qualifying relative, under IRC section 152 in which the taxpayer may claim as a dependent on his or her tax return, even if the taxpayer chooses not to claim the dependent exemption deduction under IRC section 151. For example, high-income parents with a qualifying child in college choose not to claim the child as a dependent in order to allow the child to claim an education credit on the child's tax return. The parents are still responsible for maintaining minimum essential coverage for the child.

In the case of a divorce where the non-custodial parent has the legal obligation under the divorce decree to provide the child's health care, the requirement to maintain minimum essential coverage for a dependent still applies to the spouse entitled to claim the child as a dependent under IRC section 152. There is no provision in IRC section 5000A to assign the tax liability for the lack of minimum essential coverage for a dependent to another taxpayer, even if that other taxpayer has the legal obligation under the divorce decree to provide the child with health care coverage.

In the case of an adopted child in which a taxpayer may claim as a dependent, the taxpayer is not required to maintain minimum essential coverage for the child until the month after the child is adopted. Conversely, if the taxpayer gives up a dependent child for adoption,

the taxpayer is not required to maintain minimum essential coverage for the child for the month of the adoption and any following month.

Household income. Household income is used to determine if an individual can afford coverage. If the cost of coverage exceeds 8% of household income, the individual is exempt from the penalty for not having minimum essential coverage. Household income equals the modified AGI of the taxpayer plus the modified AGI of the taxpayer's family required to file a tax return.

The final regulations clarify that in the case where a parent elects to report a child's interest and dividend income on the parents' return (Form 8814), then household income includes the child's gross income reported on the parents' return and the child is treated as having no gross income.

After the proposed regulations were issued on February 1, 2013, several commentators suggested allowing an exemption or safe harbor for individuals whose income early in the taxable year appears to entitle them to the lack of affordable coverage exemption. Such individuals may not be able to afford coverage due to low-household income early in the year, but are still required to maintain minimum essential coverage due to their income increasing late in the year. The final regulations do not contain any exemption or safe harbor for such a case. The household income rule applies on a yearly basis, not on a monthly basis. However, such individuals may qualify for the hardship exemption based upon projected household income. Individuals may mitigate potential adverse consequences of mid-year increases in household income by applying for this hardship exemption prospectively.

Required contribution. The 8% of household income threshold is determined by the amount an individual is required to pay for health insurance when compared to household income. This required payment is defined as follows.

- For an individual eligible to purchase coverage through an eligible employer-sponsored plan, the portion of the premium which would be paid by the individual for self-only coverage, or
- For an individual eligible *only* to purchase coverage in the individual market within a state, the premium for the lowest cost bronze plan available in the individual market through the exchange in the state in the rating area in which the individual resides, reduced by the premium assistance credit for low-income individuals.

The final regulations clarify that an individual cannot be described in both groups. Thus, the law does not require an individual to test the affordability of coverage under both an eligible employer-sponsored plan and a plan in the individual market.

The final regulations also clarify that a retired (or former) employee who is eligible for continuation coverage in his or her former employer's plan is considered eligible in that plan only if the former employee enrolls in it. Thus, if the former employee does not enroll in the plan, and is not eligible under any other employer-sponsored plan, the individual is considered eligible only to purchase coverage in the individual market for purposes of the affordability of coverage rules.

Self-insured group health plans. IRC section 5000A(f)(1)(B) says coverage under an eligible employer-sponsored plan meets the definition of minimum essential coverage. IRC section 5000A(f)(2) says the term eligible employer-sponsored plan means a group health plan or group health insurance coverage offered by an employer to the employee which is either a governmental plan, or a plan offered in the small or large group market within a state. The final regulations clarify that a self-insured group health plan offered by an employer to its employees is an eligible employer-sponsored plan (assuming all other requirements are met), regardless of whether the plan could be offered in the large or small group market in a state.

Former employees. Employer-sponsored plans that provide coverage for former employees (such as retired employees) is minimum essential coverage under the final regulations, even if the coverage differs from coverage offered to current employees in terms of cost, scope of benefits, and enrollment opportunities.

Plans offered on behalf of employers. The final regulations clarify that a plan offered by an employer to an employee includes a plan offered to an employee on behalf of an employer, such as multi-employer plans, collectively bargained plans, and third party plans offered to employees through professional employer organizations or leasing companies. However, this rule does not infer that the third party is treated as the employer for this or any other provision under the Internal Revenue Code.

Inflation Adjusted Amounts for Tax Year 2014

Cross References

- IR-2013-86, October 31, 2013
- Rev. Proc. 2013-35
- www.ssa.gov

The IRS recently released the inflation adjusted amounts for tax year 2014. The following chart compares some of the common tax provisions to the 2013 tax year inflation adjusted amounts.

Tax Provision	2013	2014
39.6% top rate affects MFJ when income exceeds	$450,000	$457,600
39.6% top rate affects Single when income exceeds	$400,000	$406,750
Standard deduction for MFJ	$12,200	$12,400
Standard deduction for Single	$6,100	$6,200
Personal exemption	$3,900	$3,950
IRA contribution limits	$5,500	$5,500
IRA contribution limits (age 50 and over)	$6,500	$6,500
401(k) elective deferral limits	$17,500	$17,500
401(k) elective deferral limits (age 50 and over)	$23,000	$23,000
Defined contribution plan contribution limits	$51,000	$52,000
SIMPLE contribution limits	$12,000	$12,000
SIMPLE contribution limits (age 50 and over)	$14,500	$14,500
Annual exclusion for gifts	$14,000	$14,000
Estate tax exclusion	$5,250,000	$5,340,000
Maximum taxable Social Security earnings	$113,700	$117,000
Social Security earnings limit when under full retirement age	$15,120	$15,480
Social Security earnings limit for year of full retirement age	$40,080	$41,400
COLA increase for those receiving Social Security benefits	1.7%	1.5%

TheTaxBook 1040 Edition and Deluxe Edition will include all 2014 inflation adjusted amounts available as of December 1, 2013, in Tab 1. *TheTaxBook What's New In-Depth Edition* will include all 2014 inflation adjusted amounts available as of January 1, 2014, in Tab 1, *What's New Summary.* Any 2014 inflation adjusted amounts announced after these dates will be included in *TheTaxBook Update Service* on our website at www.thetaxbook.com.