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Client Bulletin

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Calling all Snowbirds!!

Each year, thousands of Ohio residents split their time between Ohio and warm weather states, such as Florida. One important legal issue that arises is whether these "snowbirds" are obligated to pay Ohio income taxes. Well, take heart snowbirds, because on December 19, 2014 the Ohio legislature passed House Bill 494, which, among other things, extended the amount of time one can spend in Ohio without being considered an Ohio resident. The legislation modified Ohio Rev. Code §5747.24 - the "bright line" test to determine domicile for income tax purposes. Amended §5747.24, effective March 15, 2015, outlines three different tests to determine residency:

An individual who has <u>no more than 212 contact periods</u> in Ohio and who has at least one abode outside of Ohio is <u>presumed not to be domiciled in Ohio</u> for that taxable year. (A contact period is defined as being away from the individual's abode located outside of Ohio, and while away overnight from that abode spends at least some portion of two consecutive days in Ohio, however minimal.) The presumption that the individual was not domiciled in Ohio is irrebuttable *unless* the individual fails to timely file an Affidavit of Non-Ohio Residency/ Domicile with the Ohio Tax Commissioner.

An individual who spends <u>fewer than 213 contact periods</u> in Ohio, but does not qualify for the irrebuttable presumption described above, is presumed to be domiciled in Ohio. However, this presumption can be rebutted by a <u>preponderance of the evidence</u> to the contrary.

An individual who spends <u>213 or more contact periods</u> in Ohio is presumed to be domiciled in Ohio. The presumption can only be rebutted by <u>clear and convincing evidence</u> to the contrary.

You might be wondering whether you need to file an Affidavit of Non-Ohio Residency/ Domicile. You must file this yearly affidavit on or before the 15th day of the 4th month following the close of the taxable year if you either:

Filed an Ohio income tax return for the previous taxable year and for the current taxable year you are going to be claiming to be a nonresident/nondomiciliary of Ohio <u>OR</u>

For the current taxable year you have no intent to file an Ohio income tax return and you have (i) an abode in Ohio (ii) a contact period in Ohio and/or (iii) nexus with Ohio to the extent that the tax commissioner would have cause to question your nonfiling.

For more information on how to obtain and file the Affidavit of Non-Ohio Residency/ Domiciliary, contact the Ohio Department of Taxation at 1-800-282-1780 or tax.ohio.gov.

In summary, Ohio has eased up on how many times snowbirds can frequent the Buckeye State. This is good news for those of you who travel back and forth between homes in different states. For more information on whether you would be considered an Ohio resident, contact us at 740.363.1313.

Federal Estate and Gift Tax Exemptions

For 2015, the federal estate tax exemption increases to $5,430,000, from $5,340,000 for 2014. Due to portability for a married couple, the combined estate tax exemption for a married couple is effectively twice that amount—$10,680,000. The annual federal gift tax exemption is unchanged for 2015, remaining at $14,000 per taxpayer.

2015 Social Security Changes

In 2015, Social Security beneficiaries will receive a 1.7% cost-of-living adjustment. For 2015, the amount of earnings subject to Social Security payroll tax increase by $1,500, to $118,500 annual earnings. The employee and employer contribution rates are not changed for 2015, each remaining at 6.2%.

IRS Mileage Rates—2015

For 2015, the business mileage deduction rate increases to 57.5 cents per mile from 56 cents per mile in 2014, the charitable mileage deduction rate remains unchanged at 14 cents per mile, while the medical and moving mileage deduction rate drops from 23.5 cents per mile in 2014 to 23 cents per mile for 2015. We have yet to hear a creditable IRS explanation for the inconsistency in the changes for the three different deduction rates.

Qualified Plan and IRA Limits

For 2015, the 401(k), SARSEP, 403(B), and 457 deferral limits increase $500 to $18,000, and the additional "catchup" contributions for employees age 50 or older increase $500 to $6,000. The "simple" pension plan deferral limit and the additional "catchup" contribution limit for employees age 50 and older each increase $500, to $12,000 (deferrals) and $3,000 ("catch up"). Although the contribution limits for these qualified plans increases for 2015, the IRA contribution limits, regular and "catch up," remain unchanged for 2015 ($5,500 plus $1,000 for "catch up").

AV-Rated

The law firm has been advised that again for 2015, it will be Martindale-Hubbell® AV Preeminent™ rated (the highest rating), while Dennis L. Pergram and Stephen D. Martin will continue to be AV rated (the highest rating). Martindale-Hubbell® is the longest established lawyer evaluation service and is based upon confidential surveys of other attorneys and judges.

Notice

This bulletin provides general information and is not legal advice. Please contact us if you need legal advice.

If you have friends or associates who you think would enjoy receiving a copy of this Client Bulletin, please feel free to forward it on. Thank you.

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