

2016 TAX TIPS

Tax Tip #1

Marital status affects taxes

Your marital status on December 31 determines the tax status you'll claim on your return. If you're single, divorced, or legally separated on the last day of 2015, you will file as single. If you're legally married under state law, you can file jointly with your spouse or choose "married filing separately" status. If your spouse died during 2015 and you did not remarry, you can generally file a joint return.

Tax Tip #2

Check tax payments to avoid penalties

Are you paying enough tax through withholding or quarterly estimates? You may owe an underpayment penalty if your withholding and/or estimated tax payments are less than the amount you're required to pay. Generally, you won't face a penalty if you pay at least 100% of your prior-year taxes (110% if your adjusted gross income is over \$150,000), or if you pay at least 90% of what you'll owe for the current year.

Tax Tip #3

Do your children have a filing requirement?

If your dependent children have income, they may need to file a 2015 income tax return. Generally, a return is required if a child had wages of more than \$6,300, self-employment earnings over \$400, or investment income, such as dividends, interest, and capital gains, over \$1,050. Did your child have both earned and investment income? Then other thresholds apply. For filing assistance, give us a call.

Tax Tip #4

Will you pay tax on your social security benefits?

The answer depends on what's called your "provisional income." That's your adjusted gross income plus the sum of half of your benefits and your tax-exempt income. If the total is more than \$25,000 (for singles) or \$32,000 (for joint filers), between 50% and 85% of your benefits may be taxable on your federal income tax return. Contact us for details or tax filing assistance.

Tax Tip #5

Report household employee wages

You may know of the payroll rules relating to household employees as the "nanny tax." These rules apply when you employed a housekeeper, nanny, gardener, or other household worker in 2015 and paid that worker \$1,900 or more during the year. You may need to file payroll returns by February 1, 2016, as well as a special form with your income tax return. Contact us for assistance.

Tax Tip #6

No change to payroll tax

Payroll tax rates and the social security wage base remain unchanged for 2016. You'll withhold social security tax of 6.2% on an employee's wages up to \$118,500. In addition, you'll withhold basic Medicare tax of 1.45% on all wages, plus an additional 0.9% when you pay employees \$200,000 or more.

Tax Tip #7

File Forms 1099 on time

The due date for sending 2015 Forms 1099 to vendors and others who performed work for your business is February 1, 2016. The penalties for failing to do this have increased and can now be as much as \$250 per form. Generally, amounts paid to corporations are exempt from the filing requirement, but there are exceptions. Call us for details or filing assistance.

Tax Tip #8

Reminder: New information return due

Do you employ 50 or more full-time (or full-time equivalent) employees? You may have a new reporting requirement. Form 1095-C is an information return that you'll give to employees and file with the IRS to report information about offers of health coverage and enrollment in health coverage for your employees. The forms are due to employees by February 1, 2016, and to the IRS by February 29, 2016.

Tax Tip #9

Make the most of retirement plans

Retirement plan contributions save current-year tax dollars by reducing your taxable income and providing tax-deferred growth. For 2016, you can contribute up to \$18,000 to your 401(k). You can add an additional \$6,000 if you'll celebrate your 50th or older birthday this year. If you participate in a SIMPLE plan, the maximum contribution for 2016 is \$12,500, plus a catch-up contribution of \$3,000 when you're age 50 or over.

Tax Tip #10

Identity theft tax return

You can now request from the IRS copies of certain individual income tax returns that were fraudulently filed in your name. While some information will be blacked out on the released returns, you should be able to tell what personal information the thief was able to use. You can request the current year's return as well as up to six years of prior returns. Contact us for details about how to submit your written request.

Tax Tip #11

Easy retirement plan options are available

Setting up a retirement plan for your business can be simple. In fact, that word is included in the title of two plans that are small-business friendly. Adopting a Simplified Employee Pension (SEP) or a Savings Incentive Match Plan for Employees (SIMPLE) can offer tax savings as well as a way for you and your employees to save for retirement. To make the process even simpler, neither plan has a federal tax filing requirement.

Tax Tip #12

Does itemizing your deductions make sense?

Itemizing deductions such as home mortgage interest, out-of-pocket medical expenses, certain taxes, and charitable contributions makes sense in most cases when the total of allowable deductions exceeds the standard deduction. For 2015 returns, the standard deduction is \$12,600 if you're married and filing a joint return and \$6,300 when you're single. Call us for a complete review of deductible expenses.

Tax Tip #13

Working parents get a tax break

Do you work and pay someone to take care of a child or other dependent? The child and dependent care credit could save tax dollars. The credit is based on your income and is available if you work full- or part-time. You may be eligible if you work from your home office. Credits are valuable because they reduce the tax you owe dollar for dollar, so it's worth your while to give us a call for details.

Tax Tip #14

Is a myRA for you?

A myRA (my Retirement Account) is a retirement saving option that costs nothing to open, lets you start saving with any amount, and has no fees. myRAs follow Roth IRA rules, but your contributions are invested in a savings bond. The 2015 and 2016 contribution limit is \$5,500 (\$6,500 when you're age 50 or older). You can fund your account via payroll or direct deposits from a checking or savings account or with your federal income tax refund.

Tax Tip #15

Some income is not taxable

Several sources of revenue are not subject to federal income tax. Common items that you don't have to pay tax on include borrowed money from banks or personal loans, money received as a gift or inheritance from family or friends, and money paid on your behalf directly to a school or medical facility. If you have included any nontaxable items on your income tax return for the past three years, you can amend your return for a tax refund.

Tax Tip #16

Supporting a relative?

Do you provide over half the cost of a relative's living expenses? You may be eligible for tax breaks such as dependency exemptions, head-of-household filing status, medical deductions, and the dependent care tax credit. If you and other family members provide support for the same person, you can file a multiple support agreement so any one of you who individually provides more than 10% of the support can claim the exemption.

Tax Tip #17

Know the capital gain rules

Capital assets include almost everything you own and use for personal or investment purposes, and gains on sales of those assets are generally taxable. The taxable amount is the difference between the sales price and your basis, which is usually your cost. When you own a capital asset for more than one year, your gain or loss is long-term. For 2015, the maximum long-term capital gain rate is generally 20%.

Tax Tip #18

Take tax advantage of home ownership

Are you a homeowner? If you itemize, you can claim deductions for real estate taxes and mortgage interest, including points you paid on the home purchase. You may also be able to take a medical deduction for special equipment or improvements installed in your home if the main purpose is medical care for you, your spouse, or your dependent. Call us for a more complete review of homeowner tax breaks.

Tax Tip #19

Business tax loss?

Did your C corporation business deductions exceed corporate income in 2015? While operating losses can be discouraging, you may be able to turn the loss into a federal tax refund. One way is to file a refund claim. After you prepare your corporate tax return for 2015, use Form 1139, Corporation Application for Tentative Refund, to apply your net operating loss to prior years and to request a refund of the tax you paid in those years.

Tax Tip #20

This April 1 deadline is no joke

If you turned 70½ last year and decided to delay taking your first required IRA distribution, April 1, 2016, is an important deadline for you. You must take your first required minimum distribution by that date or face a 50% penalty tax on the amount not taken. If you're retired, this deadline also applies to other retirement plans, except for Roth IRAs. For details, contact our office.

Tax Tip #21

Got kids? Get tax benefits.

For 2015, parents can claim a dependency exemption of \$4,000 per child. Other available deductions include student loan interest and health insurance premiums. Tax credits include the child and dependent care credit and the child credit for eligible dependents. You may also benefit from credits for adoption and for higher education. Call us to find out what child-related tax benefits apply to you.

Tax Tip #22

Remember to report foreign assets

If you own foreign assets, you may have federal tax reporting requirements. For example, you may need to check a box on the Schedule B you file with your 2015 federal income tax return to indicate you have a foreign account. You may also need to complete Form 8938, Statement of Specified Foreign Financial Assets, which is also filed with your Form 1040.

Tax Tip #23

Watch out for stealthy AMT

The alternative minimum tax (AMT) rules recognize income and expenses differently than the rules used for your regular income tax. When your AMT income exceeds an allowable exemption amount, the tax may apply to you. The AMT exemption for 2015 is \$83,400 when you're married filing jointly and \$53,600 when you're single. The exemption is reduced if your income exceeds certain levels. Give us a call for details.

Tax Tip #24

Gifts: What are the tax filing rules?

Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, is due on the same day as your federal income tax return, though gift tax returns are filed separately. The general requirement for filing is based on the amount of gifts, such as money or property, you make during a calendar year. You'll typically have to file a gift tax return for 2015 if you gave someone more than \$14,000 during the year.

Tax Tip #25

IRAs offer an opportunity to save

You can make a 2015 contribution to your IRA up to the April 2016 tax filing deadline. If the contribution is to a traditional IRA, you can claim the deduction on your 2015 federal income tax return. (Your deduction may be limited if you or your spouse has a company retirement plan.) The maximum contribution is the lower of your 2015 earnings or \$5,500. If you are age 50 or older, you can make an additional \$1,000 "catch-up" contribution.

Tax Tip #26

Estimate your 2016 tax liability

You're generally required to pay taxes as you earn the related income. You can pay what you owe by having additional federal income tax withheld from wages, social security, pensions, and other income. If you're self-employed, you'll generally need to make estimated tax payments. The first estimate is due Monday, April 18, 2016. Need help running the numbers? Give us a call.

Tax Tip #27

Did you get a health insurance tax credit?

If you qualified for the health insurance premium tax credit, you'll need to file a federal income tax return in order to claim your benefit — even if you normally would not have to file. The credit is available in advance as a reduction to your health insurance premium, or it can be claimed on your tax return. Failing to file a return will prevent you from receiving advance credit payments in future years.

Tax Tip #28

Need an extension?

If you can't file your 2015 tax return by the April 18 deadline, you can request an extension until October 17, 2016, to file. The extension is automatic, meaning no explanation is necessary. Just be aware that an extension doesn't give you more time to pay the tax due for 2015. For help determining your 2015 tax liability so you know how much to send with your extension request, contact our office.

Tax Tip #29

Plan for your tax refund

Having a plan for what you'll do with your tax refund can help you make the most of the money you get back. Consider putting part of your refund in a readily accessible account (checking, savings, or money market) to weather short-term temporary setbacks. Or you might pay down high-interest credit cards, or use your refund to refresh career skills or to learn new ones. Give us a call for more recommendations.

Tax Tip #30

Should you update your W-4?

If you received a big tax refund or owed the IRS a lot of money for 2015, it's time to update Form W-4, Employee's Withholding Allowance Certificate. File a new Form W-4 with your employer to adjust income tax withholding and avoid overpaying or underpaying your 2016 taxes. The general rule: Pay 100% of last year's tax liability (110% if your adjusted gross income is over \$150,000) or 90% of what you'll owe for this year.