

## Large Ticket Items That Are Definitely Available To Taxpayers

I have already mentioned the uncertainty surrounding the many tax laws that congress has yet to act upon. The following are large items that are set in law already that you can count on for the up-coming tax filing season.

### Retirement Plan Contributions

The limit on contributions to 401(k), 403(b) and most 457 Plans for 2015 is \$18,000. If you are age 50 or older, then additional catch-up contributions are allowed up to \$6,000.

### Roth and Traditional IRA Contributions.

Limits are \$5,500 plus an additional \$1,000 catch-up for those age 50 and older.

### Child Credits

Each qualifying child under age 17 knocks off up to \$1,000 (subject to limitations) from your tax bill.

### College Education

Two big credits are available. The American Opportunity Credit can reduce your tax bill by up to \$2,500 per eligible student or up to \$2,000 through the Lifetime Learning Credit.

### 0% Capital Gains Rate!

This capital gains rate is available to all taxpayers in the 10% and 15% tax brackets. Married taxpayers qualify for the 0% rate if their taxable income is

\$74,900 or less, for single taxpayers \$37,450 or less.

### Tax Free Gains on Home Sales

Married couples can exclude up to \$500,000 in gain from their income on the sale of their home, for single taxpayer the maximum exclusion is \$250,000.

### Energy Savings Credits

You can claim a credit for up to 30% of the cost of buying and installing solar panels, solar water heaters, geothermal heat pumps and small wind

See "Large Ticket Items" on page 3

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## TAX NEWS & TIPS

YEAR END 2015

### April 18, 2016 Is Just Around The Corner Spend A Little Time Each Week To Be Prepared!

Did I say April 18, 2016? Yes, most taxpayers have four extra days to file their 2015 Tax Returns if the tax filing season starts on time. Why is that?

For one thing, 2016 is a leap year so you get an extra day for February 29. Additionally, Emancipation Day in Washington D.C. is Saturday, April 16th. So what? Holidays in Washington D.C. usually affect the rest of the nation and Emancipation Day is celebrated on the closest weekday to April 16th... which is Friday, April 15. So, in 2016 the IRS Tax Filing deadline is moved to Monday, April 18, 2016 (Maine & Massachusetts taxpayers' deadline is Tuesday, April 19, 2016). This gives most taxpayers an additional three filing days for a total of four extra filing days. Confused? Knowing the rules is half the battle! Help me help you. Preparing your tax information is easy if you start early so that you have everything ready at the time we start to prepare your return.

Most tax records will show up in the mail in January. Keep all of these together in a special place. Collecting all of your tax-related documents is important so we report a complete and accurate return.

The IRS also gets copies of many of these documents...we don't want to miss any!

Let's review what you should be looking for...

**W-2s.** Read them carefully. Contact your employer if there is a problem or if you don't receive them by the end of January.

**Form 1098.** Reports mortgage interest paid to a bank, savings & loan or credit union. These forms may also report real estate taxes (if payments are escrowed by the lender) and mortgage insurance premiums, if applicable.

**Form 1098T.** Shows college tuitions. These forms are mailed to the student. Make sure Johnny and Sally watch for these forms – you'll need them. I need these forms as well as details on the payments and all other expenses including books and class supplies.

**1099s.** You get 1099-INT or 1099-DIV for any accounts that pay interest or dividends. Even tax-exempt interest will be reported. IMPORTANT: "Corrected" forms are always a possibility. Be alert for any announcements that warn you of these situations.

**Other 1099s.** Real estate sales are reported on 1099-S. Stock sales on 1099-B. Pension, 401K and IRA distributions are reflected on 1099-R. Pay special attention to forms 1099-A and 1099-C. These report foreclosures and debt consolidations...these may or may not result in taxable income. We need to see them to correctly prepare your return. Always look for "Important Tax Information Enclosed" on the envelope.

**1095-A, 1095-B & 1095-C.** You will receive these forms if you

purchased Health Care through the Health Insurance Marketplace and had part of your premium offset by the new Premium Tax Credit.

**Other Income.** Look for reports of state tax refunds, unemployment income, prizes or gambling winnings or rents that you collect. Read each one carefully and keep them with all

See "Be Prepared" on page 3

### Heading Into An Election Year, Tax Extenders Still On Hold

Efforts by the Senate to renew the 50+ temporary tax laws continue to be delayed as we believed months ago. These laws expired at the end of 2014 and hopefully will be renewed at least through 2015. With any luck, Congress could pass a big "extenders" bill in December.

Some of the specific items that are on the table until Congress acts are big ticket business items such as the research and development tax credit, Section 179 expensing and bonus depreciation. Waiting for extension on the personal side are the deductions for charitable tax-free IRA distributions to charities, the \$4,000 tuition & fees deduction, energy savings tax credits for home improvements, the deduction for mortgage insurance premiums and many more.

At any rate, tax time is rapidly approaching and at this point we are forced to look at the laws as they exist today. With an election year coming up, no Congress member wants to lose their seat by taking tax deductions away from voters. Be prepared! Collect information on these and we will use them if the laws are extended.

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SAMPLE

### Your Tax Calendar

- Dec 31 A check mailed today counts for 2015. Last chance for deductions. • State estimated taxes paid today are deductible on your 2015 Federal Return.
- Jan 15 4th Quarter estimated tax payments due.
- Feb 1 Employer – Quarterly payroll & FUTA due. • W-2s and 1099s due to recipients.
- Feb 29 W-2s and 1099s due to IRS.
- Apr 18 2015 Tax Returns due.
- Anytime you have any questions, don't hesitate to call me. I am here for you!

### Got Everything We Need?

Here is a list of frequently missed items. Check these against your list.

**Refinances.** I need to see the settlement statement. Collect all documents associated with a refinance if you are unsure.

**Child Care Expenses.** I need the full name, address, telephone number and tax ID number of your care providers.

**Estimated Tax Payments.** Find the date and amount for payments. Look at dates near payment due dates. April

15, 2015, June 15, 2015, September 15, 2015 and January 15, 2016. A January 2015 payment would have been claimed on your 2014 return.

**Sales of Property.** The most important thing is the settlement statement. Gather all related documents also.

**College Tuition.** Form 1098-T lists tuitions. I need these forms as well as details on the courses, all expenses and who the "student" was.

See "Got Everything?" on page 3

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## Tax Tips For You... Now!

### Roth IRA Conversions & Re-characterizations.

Conversions generally come at an immediate tax cost but could result in major tax-free gains over the years as distributions begin. Managing the tax impact of a Roth IRA conversion requires careful analysis. Ideally, we should review the transaction carefully. Higher-income filers have to deal with phase-outs on itemized deductions and personal exemptions which can make computing taxable income more complex.

There are also other things to consider. Your conversion must be completed by December 31. Estimating your taxable income may be tricky until you've received all your tax reporting documents, which typically aren't available until well after December 31. So your income may end up being higher or lower than you expected. A solution: a re-characterization. It allows you to "undo" some, or all, of a conversion made the prior year. You have until October 15 of the year following conversion to re-characterize. This may be a solution if the tax on your conversion ends up exceeding your estimate.

### Required Minimum Distributions.

Once you reach age 70½, you're generally required to start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (special rules apply if you're still working and participating in your employer's retirement plan). You have to make the required withdrawals by the date required—the end of the year for most individuals—or a 50% penalty tax applies.

The following is a portion of the law that has not yet been extended. If this one gets extended then you'll be able to make qualified charitable contributions (QCDs) of up to \$100,000 from an IRA directly to a qualified charity if you're 70½ or older. Such distributions may be excluded from income and count toward satisfying any RMDs you would otherwise have to receive from your IRA in 2015.

### Re-align Your Portfolio.

Many taxpayers have taken gains on investments up to this point in 2015. The markets have become increasingly volatile and by selling some losing investments to offset the gains you may also reduce your risk to further downturns in the markets. Remember, if you have more losses than gains the IRS will allow you to take up to \$3,000 of net losses to reduce your income.

### Increase or Accelerate Your Charitable Contributions.

The joys of giving cannot only help those in need, but can also help you as your donations to charitable organizations may count as tax deductible expenses! Make sure that all contributions are made by December 31 and that a receipt of your gift is included in your tax documents.

### Make State Tax Estimates By December 31, 2015.

Most of these estimated payments are not due until January 2016 but if you make the payment in 2015 you will get the deduction on your 2015 tax return. Get the deduction a year earlier by making the payment a few weeks earlier.

Other Deductions. Medical expenses such as hospital bills, doctor's charges and prescriptions can create sizable itemized deductions. Look for any balances still owed on medical related bills and pay them before the end of 2015.

Beware! Scam IRS Phone Calls Continue. The Internal Revenue Service has issued a consumer alert providing taxpayers with additional tips to protect themselves from telephone scam artists calling and pretending to be with the IRS.

These callers may demand money or may say you have a refund due and try to trick you into sharing private information. These con artists can sound convincing when they call. They may know a lot about you, and they usually alter the caller ID to make it look like the IRS is calling. They use fake names and bogus IRS identification badge numbers. If you don't answer, they

often leave an "urgent" callback request.

The IRS reminds people that they can know pretty easily when a supposed IRS caller is a fake. Here are five things the scammers often do but the IRS will not do. Any one of these five things is a tell-tale sign of a scam. The IRS will never:

1. Call to demand immediate payment, nor will they call about taxes owed without first having mailed you a bill.
2. Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
3. Require you to use a specific payment method for your taxes, such as a prepaid debit card.
4. Ask for credit or debit card numbers over the phone.
5. Threaten to bring in local police or other law-enforcement groups to have you arrested for not paying.

If you get a phone call from someone claiming to be from the IRS and asking for money, here's what you should do:

If you know you owe taxes or think you might owe, call the IRS at 1.800.829.1040. The IRS can help you with a payment issue.

If you know you don't owe taxes or have no reason to believe that you do, report the incident to the Treasury Inspector General for Tax Administration (TIGTA) at 1.800.366.4484 or at [www.tigta.gov](http://www.tigta.gov). You can file a complaint using the FTC Complaint Assistant; choose "Other" and then "Impostor Scams." If the complaint involves someone impersonating the IRS, include the words "IRS Telephone Scam" in the notes.

Remember, too, the IRS does not use unsolicited email, text messages or any social media to discuss your personal tax issue. Be on alert!

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This publication has been sent to you by your tax advisor for informational purposes only. The tax opinions are generalizations and may not apply to all taxpayers.

## Happy New Year!

*May 2016 bring peace, health and prosperity to both you and your family.*

## "Be Prepared" from page 1

of your other tax documents. We don't want to miss anything!

Your Records. Check all of your records for income or deductions. Review everything that occurred during the past year. Checking registers or calendars will help jog your memory. Look for medical related receipts as well as receipts for any taxes paid. If you recall paying a deductible expense but don't have a receipt, claim it. Charitable contributions are different – you *must* have receipts or your deduction could be challenged and denied!

Start now. Make a list of any items that you will need. Write down questions you might have for me.

You will be prepared if you take a few minutes each week to gather and review your documents and records. Short reviews help you remember items that you are missing or might have forgotten.

It's your money at stake here – let's make sure that you protect it!

Need To Send 1099s? You may need to send Form 1099 to someone else. Here are a few cases:  
**Businesses.** You must report payments for services.

## "Got Everything?" from page 4

**Sales of Stock.** Form 1099-B shows sale price and lots of other confusing data. If this form does not show the original purchase price you will need to find the original "buy" confirmation or ask your broker for the data.

**Business Records.** Be careful to separate purchases of major equipment from other supplies.

**Employer Reimbursements.** If your employer reimburses an expense, we need records to be sure we claim only the excess. An example is reimbursement of business travel miles at less than the Federal reimbursement amount (57.5 cents per mile up from 56 cents in 2014).

**Partnership Information.** Schedule K-1 from partnerships and LLCs always seem to arrive late. Don't worry. We can do the rest of your return and be ready to finish when the K-1 arrives. Make special note here... we don't want to file your return only

"Nominee" amounts. If you are named as receiving income, but part or all of the income really belongs to someone else, you are a nominee.

You must send Form 1099 to the other party by January 31. IRS wants their copy from you by February 29. You pay a penalty for not sending them! Call me to discuss these situations... we don't want to miss these filing deadlines.

Businesses. If you paid \$600 or more to anyone during 2015 you may need to issue a form. Look at "business" expenses only.

Some bills show both labor and materials. If any of the payment is for service, report the total amount on Form 1099-MISC. Paying for merchandise alone doesn't count. Look for painters, consultants, builders and the like. If you are unsure... call me.

You will need name, address and tax ID number for these people. Call them or send Form W-9 to request the information. If someone uses their own name, they should provide their Social Security Number (like 555-55-5555). If they give you a business name, you should use their Employer ID Number (like 55-5555555).

to find out we were still waiting for a Form K-1.

**Social Security Benefits.** Find Form 1099-SSA. We must report the gross amount and not just your net monthly benefit. Your Medicaid Premiums listed on the Form may also get you a medical deduction.

**Special Accounts.** Do you contribute to an IRA, Roth IRA or Health Savings Account? These and others can cut your taxes. Make sure that I have all of the information on contribution amounts and dates of the contribution.

**Complex Transactions.** Please call if you have an unusual or difficult transaction. Foreclosures, sales or exchanges of real estate, casualties and the like can cause a lot of extra work. We may need to schedule a special meeting and I may need extra time. Have all of the details... *help me help you!*

Nominees. If you get a payment in your name and then pay part to another you must file the form. You file the same 1099 as you received but you are filing as the "middle man". Usually these are Form 1099-INT or 1099-DIV.

Getting The Forms. The IRS can send you the forms. Start early. Let me know if you need my help. Call the IRS at 1-800-829-3676 for forms. You can see the forms on the IRS website at [www.irs.gov](http://www.irs.gov) but you will need the official paper forms for filing. You will need to use the proper Form 1099 and Form 1096 as a cover sheet.

## "Large Ticket Items" from page 4

**Caring for a Parent.** Most people are aware of their ability to claim tax credits for child care, but don't forget that you can also claim a credit for the care of a dependent parent. Total annual expenses up to \$3,000 may be used to calculate the credit when it comes to taking care of a parent.

The credit is based on a percentage of the amount of work-related expenses you pay to a caregiver to take care of your parent. The Dependent Care Credit can be claimed for your dependent parent who is physically or mentally incapable of taking care of themselves. The deduction is based on your annual income.

**Cancelled Debt on Primary Residence.** This one is not yet on the books for 2015, but could be a major tax savings for those taxpayers affected if it is included for passage by Congress with the other tax "extenders". Before the Mortgage Forgiveness Debt Relief Act of 2007, Americans who lost their homes to foreclosure or did a short sale owed tax on the forgiven debt. That means if you owed \$250,000 on your house, and it was sold in a short sale or foreclosure sale for \$125,000, you would owe regular income tax on the difference, or \$125,000. That's a hefty sum for someone who couldn't pay the mortgage. The extension could mean that debt forgiven on a mortgage for a primary residence (up to \$2 million) is not taxed.