"My evil plot to rule the world is simpler than my tax form."

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2015 TAX PLANNING & TIPS

The tax laws continue to provide opportunities for the wise and traps for the unwary. Often, tax savings can be achieved by taking action before year-end. The information and strategies discussed here may or may not be appropriate for your situation. Remember to consult with your tax professional before implementing them.

New Tax Laws

On June 29, President Obama signed into law two major trade bills: (1) The Trade Preferences Extension Act of 2015; and (2) The Trade Priorities and Accountability Act of 2015. Both bills contain a number of tax provisions in addition to various trade measures.

Child Tax Credit. Under Code Sec. 24(a), for each qualifying child of a taxpayer for whom the taxpayer is allowed a dependency deduction, a $1,000 child tax credit is allowed against the taxpayer's income tax.

For tax years beginning before January 1, 2018, the child tax credit is refundable, but only to the extent of the greater of: (1) 15% of taxable earned income above $3,000, or (2) for a taxpayer with three or more qualifying children, the excess of his social security taxes for the tax year over his earned income credit for the year.

Under Code Sec. 911, a U.S. citizen or resident who lives abroad and meets certain requirements may be eligible to elect to exclude from U.S. taxable income certain foreign earned income regardless of whether any foreign tax is paid on the foreign earned income. For 2015, the maximum amount of foreign earned income that an individual may exclude is $100,800.

Effective for tax years beginning after December 31, 2014, any taxpayer who elects to exclude foreign earned income under Code Sec. 911 for a tax year may not claim the refundable portion of the child tax credit for that year.

Early Distributions from Governmental Plans for Federal Public Safety Workers. In general, any amount paid or distributed out of an individual retirement plan is included in the gross income of the payee. In addition, Code Sec. 72(t) imposes an extra 10% "early withdrawal" tax on distributions from qualified retirement plans, taken before the individual reaches age 59-1/2, unless the distribution falls within a statutory exception.

One such exception is for distributions from a Code Sec. 414(d) defined benefit governmental plan made to a "qualified public safety employee" who has separated from service after attaining age 50. An individual is a qualified public safety employee for this purpose only if he is an employee of a state or political subdivision (like a county or city) and his principal duties include services requiring specialized training in the area of police protection, firefighting services, or emergency medical services for any area within the jurisdiction of the state (or political subdivision).

Another exception to the early withdrawal tax is for distributions which are part of a series of "substantially equal periodic payments" made at least once per year for the life (or life expectancy) of the employee or the joint lives (or joint life expectancies) of the employee and his designated beneficiary. However, if this exception initially applies but the series of payments is later modified (other than because of death of disability), the early withdrawal tax will be imposed if the distribution method is changed either: (i) both before the close of the 5-year period that begins with the date of the first payment and after the employee reaches age 59-1/2; or (ii) before the employee reaches age 59-1/2.

Effective for distributions made after December 31, 2015, the category of eligible governmental workers who can qualify for the Code Sec. 72(t)(10) exception is broadened to include specified federal law enforcement officers, customs and border protection officers, federal firefighters, and air traffic controllers who have similarly reached age 50, and the types of plans from which distributions eligible for the exception can be made is broadened to include defined contribution plans and other types of governmental plans.

On November 2, 2015, President Obama signed into law the Bipartisan Budget Act of 2015 (BBA). The Act raises the federal debt ceiling and increases spending levels for defense and domestic programs. In addition, the new law contains some important provisions that are likely to be of interest to many taxpayers.

Social Security Benefits. Under the file and suspend strategy, an individual who has reached full retirement age (FRA) ***could*** apply for social security retirement benefits and then request to have the payments suspended. This entitled the individual's spouse to receive a spousal benefit (which is generally half of the higher earner's benefit) while the worker continued to earn delayed social security retirement benefits at the rate of 8% per year up to age 70. **The Bipartisan Budget Act changes the rules** so that if an individual suspends benefits, no one can claim benefits based on that individual's earnings record. This provision is effective for benefits payable beginning six months after the enactment of the Bipartisan Budget Act. Three things you should know about this provision:

1. Between now and six months after the bill is enacted, file-and-suspend is still in effect.

2. During that time, it will still be possible to file for a spousal benefit based on a spouse's suspended benefit.

3. Individuals who will be over 62 as of December 31, 2015 can still plan on filing a restricted application for spousal benefits when they turn full retirement age (FRA) over the next four years.

Medicare Part B Premiums. The standard monthly Medicare Part B premium is $104.90 in 2015. This premium was expected to increase in 2016 to $159.30 for the Medicare beneficiaries who are not held harmless. However, the Bipartisan Budget Act prevents this large premium increase by setting a new 2016 basic Part B premium of $120 for beneficiaries who are not held harmless. The $120 premium is the amount that the Part B premium would otherwise be for all beneficiaries in 2016 if the hold-harmless provision did not apply. In most years, Medicare cost increases are covered by the Social Security cost-of-living adjustment. However, there will be no Social Security COLA for 2016 because of low inflation.

Social Security wage base for 2016. Because there is no cost-of-living adjustment by the Social Security Administration for next year, the maximum amount of earnings subject to the Social Security tax for 2016 will remain at $118,500.

Additional Information

Standard mileage rate. Taxpayers can use the standard mileage rate (in lieu of actual expenses) in computing the deductible costs of operating automobiles owned or leased by them (including vans, pickups or panel trucks) for business purposes. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for business travel.

The following rates are applicable for the 2015 tax year:

Business	$.575
Medical	.23
Moving	.23
Charitable	.14

If you are an employee with unreimbursed travel, you may deduct an amount computed using the standard mileage rate only as a miscellaneous itemized deduction, subject to 2% floor of adjusted gross income.

New ACA information returns. Under the Affordable Care Act (ACA), the individual shared responsibility provision calls for each individual to have minimum essential health coverage for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return. ACA information returns included:

Form 1095-A for individuals who obtained their health insurance through the marketplace.

Form 1095-B, provided details about the health insurance coverage to report the months during which the employee was enrolled in the plan. This form is sent out by the insurance provider rather than the employer.

Form 1095-C, is issued by companies with 50 or more full-time employees. This form provides information on the coverage your employer offered and whether or not you chose to participate.

Remember, only one form is provided to you for all the individuals covered by your plan, so you may need to provide copies to your spouse or dependents, as necessary.

Note: It's important to save all information about health insurance coverage for yourself and your entire family, especially if you do not receive any of the above listed information returns.

Please bring, send or drop off any and **ALL** forms you receive relating to health insurance with your tax materials. These forms are **vital** to prepare a complete and accurate tax return. We will not be able to complete a return without them.

ABLE Accounts for the Disabled. In December 2014 Congress passed legislation allowing tax-advantaged savings accounts specifically targeted for individuals with disabilities. The Achieving a Better Life Experience Act of 2014 (ABLE Act) allows states to establish an "Achieving a Better Life Experience" (ABLE) program to assist persons with disabilities in building up tax-free (or in some cases tax-deferred) accounts to pay for qualified disability expenses. The accounts established under the ABLE program must meet the requirements of Code Sec. 529A.

Three things you should know about the ABLE accounts:

1. Contributions to an ABLE account are not deductible for income tax purposes.

2. The total annual aggregate contributions to an ABLE account are limited to the annual gift tax exclusion amount ($14,000 for 2015) and excess contributions are subject to a 6% excise tax.

3. Distributions from ABLE accounts are tax free to the extent they do not exceed the designated beneficiary's qualified disability expenses for the year.

Federal means-tested programs typically include income and resource limits that are designed to target benefits to individuals with limited income and other financial resources. These limits vary from program to program.

Amounts in an individual's qualified ABLE account (including earnings), contributions to the individual's account, and distributions to pay qualified disability expenses are disregarded for purposes of determining an individual's eligibility for, or the amount of, any assistance or benefit authorized by any federal means-tested program. This rule overrides any other federal law that requires those amounts to be taken into account.

Also keep in mind, families have to wait for their states to act, since the law allows them to open just one account per beneficiary and only in the state where the disabled person resides.

myRA (my Retirement Account). A new retirement savings vehicle, the myRA, is now one step closer to being available after the Department of the Treasury's final regulations became effective December 15, 2014. The myRA was first announced earlier in 2014 by President Obama in his State of the Union Address. The myRA is touted as a no-cost to employer and no fee investment option for employees who lack an employer sponsored retirement savings plan.

There are three ways you can put money into a myRA account. You can transfer after-tax dollars from your paycheck directly into your myRA, if your employer offers direct deposit. You can link it up with your checking or savings account and schedule one-time or regular contributions. Or, you can direct some of your tax refund to the account.

You can only open a myRA if you earn less than $131,000 if single, or $193,000 if married. And you can only contribute up to $5,500 per year, or $6,500 a year if you're age 50 and older. You can also have an IRA or Roth IRA account, but your total contributions to all of your IRA accounts cannot exceed those limits.

The amount you can save in **your myRA is capped at $15,000**, and you cannot have it open for longer than 30 years. At that point (whichever comes first) you must transfer your money to a Roth IRA.

Year-End Planning

Year-end planning is always complicated by the uncertainty of what the following year may bring, but this year presents an even bigger challenge. A combination of events – including a number of tax provisions that have expired at the end of 2014 and more provisions that are scheduled to expire at the end of 2015 make it even more difficult to plan for the future.

With that in mind, here are a few steps that you might consider to save you tax dollars if you act before the end of the year. Please note that all actions may not apply in your situation.

- You may be able to save taxes this year and next year by applying a bunching strategy to "miscellaneous" itemized deductions, medical expenses and other itemized deductions.

- Consider using a credit card to pay deductible expenses before the end of the year.

- Postpone income until 2016 and accelerate deductions into 2015 to lower your 2015 tax bill. This strategy may enable you to claim larger deductions, credits, and other tax breaks for 2015 that are phased-out over varying levels of AGI.

- Realize losses on stock while substantially preserving your investment position. For example, you can sell the original securities and then buy back the same securities at least 31 days later.

IRS Urges Public to Stay Alert for Scam Phone Calls

The IRS continues to warn consumers to guard against scam phone calls from thieves intent on stealing their money or their identity. Criminals pose as the IRS to trick victims out of their money or personal information. Here are several tips to help you avoid being a victim of these scams:

The IRS will not:

- Call you to demand immediate payment.

- Demand that you pay taxes and not allow you to question or appeal the amount.

- Require that you pay your taxes a certain way.

- Ask for credit card or debit card numbers over the phone.

- Threaten to bring in police or other agencies to arrest you for not paying.

If you know you owe, or think you may owe tax: Call the IRS at 800-829-1040. IRS workers can help you.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.

Office News

Debbie will be a grandma again in December. Her son, Nick and his wife, Betsy will be adopting a baby boy. Congratulations to the whole family!!

Susan may be retired but she keeps in contact with the office. *You can take the girl out of the accounting office but you can't take the accountant out of the girl.*

The office will be closed for the holidays:

Thursday, December 24
Friday, December 25

Thursday, December 31
Friday, January 1

We hope that you and your family are able to spend some time together and make wonderful memories this holiday season. And we wish you a happy, healthy & prosperous new year.

See you in 2016…