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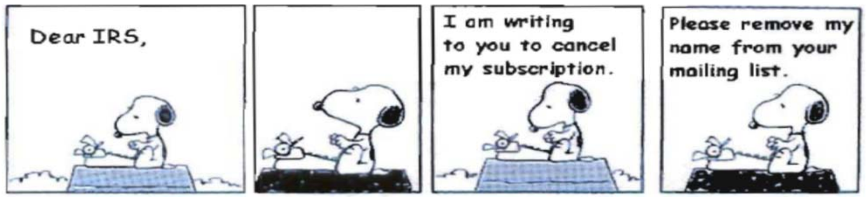
Tax Planning Letter



Year-End 2015

In This Issue:

Dear Clients and Friends,

The June Supreme Court decision upholding Affordable Care Act provisions eased some concern about the law's effect on 2015 tax returns. Yet as year-end approaches, Congress once again has a lot of work to accomplish. While comprehensive tax reform is not on the schedule in the final months of 2015, the perennial "extenders" legislation is. When the fate of these 50 or more tax provisions will be finalized is unclear.

What is clear is that delaying your tax planning will equal missed opportunities. Though making sound decisions in the face of uncertainty is difficult, informed action can put you in a position to take advantage of current developments as they unfold.

This Letter is intended to remind you that tax planning is a process, and successful planning favors the prepared. It's important to weigh the risks and rewards of tax-saving moves you can take now while maintaining the ability to respond rapidly and effectively to the inevitable changes. Get started by reading the suggestions in this Letter. Feel free to share the information with friends and associates. Then call with your questions and to schedule a time to discuss which options will work best for you.

"Can I write off last year's taxes as a bad investment?"

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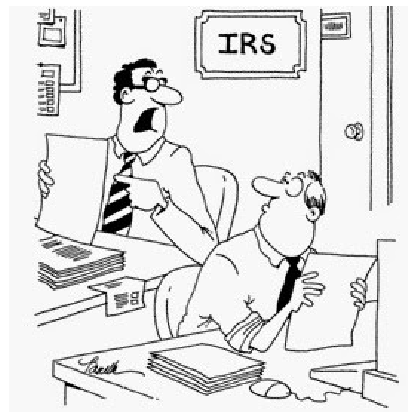
In anticipation of filing your 2015 tax return…

Affordable Care Act

All Americans will be affected in some manner by the Affordable Care Act from 2010 (Some people call it Obamacare). 5 new tax forms were released by the IRS as a result of this act for 2015. ***If you received a Form 1095 from any issuer or agency we MUST have all copies to prepare your tax return.*** If you did not receive a 1095 we must ask you a number of additional questions about insurance coverage so that we can help you avoid any penalties for failure to have health insurance.



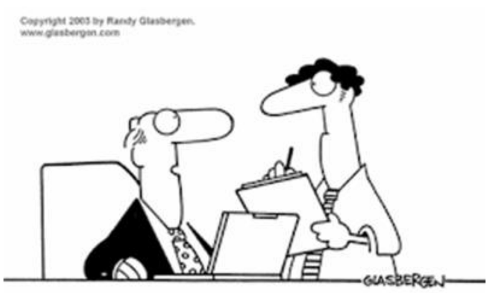
"This return looks mighty suspicious, Irv. This family spent less than they earned."

Health Care Deductions

2013's tax bill reduced your deduction for medical costs, including health insurance, for 2015. We will see very few deductions available for medical costs now unless you have substantial bills. The amount of your medical expenses in most cases must now be more than 10% of your income before we can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed we still need to know how much you paid for health insurance.

Charity

ALL deductions of any amount must have a receipt. Any individual contribution over $250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over $250, and should also state that no goods or services were received in return for the contribution.



"Our books are balanced. 50% of our numbers are real and 50% are made up."

Foreign Accounts

If you have read any news in the last year you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value over $10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mortgage Interest

We must obtain Form 1098 when you pay mortgage interest. Additionally we must obtain refinancing closing statements, and if you drew money out on a home mortgage or refinancing we need general information on the use of the money according to the IRS.

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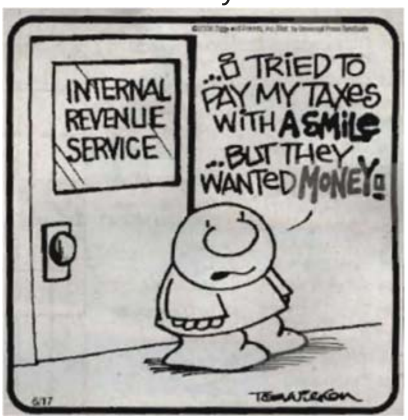
Education Credits

There are a few education credits and deductions available to taxpayers and their dependents enrolled in post-secondary courses. The credits are the Lifetime Learning Credit and the American Opportunity Credit. Both are available when you pay qualifying tuition and fees during 2015, including amounts paid for any academic period beginning between January 1 and March 31, 2016. Remember that credits reduce taxes directly, dollar-for-dollar. Deductions reduce taxable income.



Identity Theft

Under new policies announced the IRS, taxpayers may receive a letter when the service stops suspicious tax returns that have indications of involving identity theft but contain legitimate taxpayer's name and/or Social Security number. The IRS has agreed to reverse its policy and provide identity theft victims with copies of the fraudulent tax return that has been filed under their name by scammers, so they can take the proper steps to secure their personal information.

Roth IRA Conversions

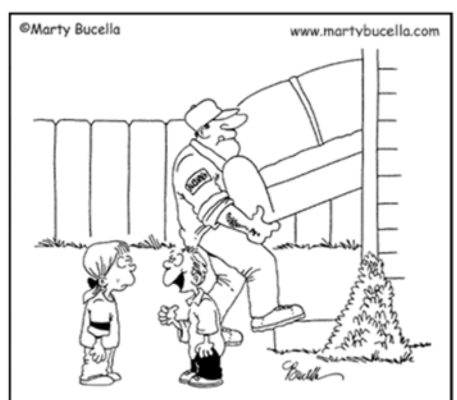
You will be continue to hear from lots of "experts" this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2015 without coming in to see us for an appointment to discuss both the positives and negatives. ***All conversions for 2015 must be completed by December 31, 2015.***

Gift Changes

Effective 1/1/2013 the amount you may give to one person in one year without any return filing requirements was increased to $14,000. Very, very few Americans need to worry about Federal estate taxes because of changes in the estate tax limit at the Federal level.

Tax Planning

There is still time to setup an appointment for year-end tax planning by December 31. We recommend a meeting if you have had any major changes during 2015 or are expecting major financial changes in 2016 or 2017 such as retirement, inheritances, etc.



"We're moving to a higher tax bracket!"

Future Income Tax Rates & Other

As of today Congress once again has failed to pass an extender bill. As a result many of your deductions and credits have been tentatively reduced. If Congress does get around to extending things be assured that we will be aware of it and prepare your return using the latest information.

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Include *Affordable Care Act* provisions in your planning

In June, a U.S. Supreme Court ruling allowed the Affordable Care Act to continue in its present form. That means you'll need to consider the law's provisions in your year-end planning. Here's a review.

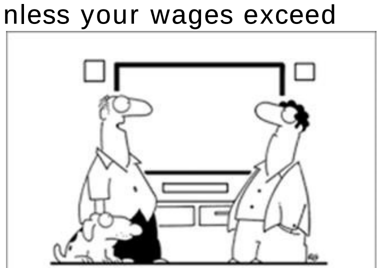
- **Premium credit for individuals.** This federal tax credit provides a subsidy to help pay health insurance premiums. The amount you can claim depends on income and family size. Planning tip: Adding a dependent or getting a raise can affect the amount of your credit. Run the numbers before year-end to avoid an April 15 surprise.

- **Individual penalty.** The penalty applies when you or your dependents do not have health insurance during the year and don't qualify for an exemption. The penalty for 2015 is the greater of $325 per adult ($162.50 per child) or 2 percent of income. Planning tip: If you were uninsured for no more than two months during 2015, the penalty doesn't apply.

"After federal, state, and local taxes, you get one-third of a wish."

- **Net investment income surtax.** The 3.8% surtax applies to net investment income when your adjusted gross income (AGI) exceeds $250,000 when you're married filing jointly ($200,000 when you're single or filing as head of household). Planning tip: Net investment income includes dividends, interest, and capital gains (minus related expenses). Consider tax-efficient moves such as rebalancing assets between taxable and tax-deferred accounts.

- **Medicare surtax on wages.** The 0.9% surtax applies to wages, compensation, and self-employment income when your AGI exceeds $250,000 and you're married filing jointly ($200,000 when you're single or filing as head of household). Planning tip: Your employer is not required to withhold for the surtax unless your wages exceed $200,000. If you're married and your joint income exceeds the threshold, revise 2015 estimates or withholding to avoid penalties.



"I can claim a 70-inch plasma TV as a business expense because my accountant said it's important to look at the big picture."

- **Employer penalties.** These penalties apply when you don't provide health insurance and/or affordable health insurance to employees. For 2015, the penalties can apply when 100 or more full-time employees work in your business. The penalties begin in 2016 when your business employs 50 or more full-time workers. When you employ fewer than 50 workers, you're not subject to the penalties. Planning tip: Make sure workers are classified correctly as employees or independent contractors.

If you have questions about the Affordable Care Act and 2015 tax planning, please call.

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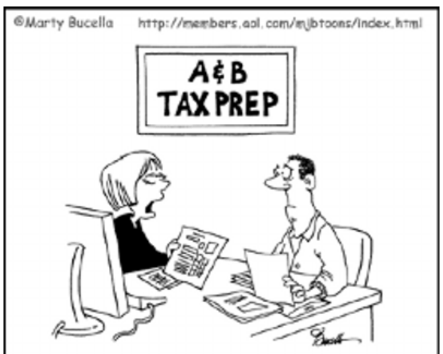
Seven more ways to cut your taxes

If you're looking for ways to cut your 2015 tax bill, you might check out the following suggestions to see if any fit your individual situation. But hurry; there's not a lot of time left in 2015 to make a difference in the taxes you'll pay this year.

1. Consider a health savings account (HSA). Investing in an HSA gives you a current-year tax deduction while providing a savings account to use to pay out-of-pocket medical expenses currently or in the future. An HSA is not a "use it or lose it" plan. Any funds in the plan at year-end can be used in future years. And be aware that you can fully fund your HSA up to April 15 of the following year.

2. Beat the "kiddie tax." Instead of transferring assets to your children to save for future education expenses, consider contributing to a 529 plan, which can limit exposure to the "kiddie tax" on unearned income.



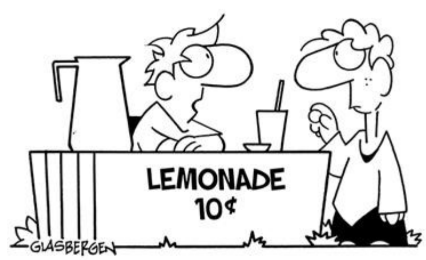
"Even if your dog does do 'his business' in your basement, you still can't deduct it as office space."

3. Use the new "streamlined" home-office rules. Many self-employed taxpayers declined to claim the home-office deduction because it was so complicated to compute. Now the deduction has been streamlined: It allows those who qualify to deduct $5 per square foot of a home office, up to a maximum of 300 square feet or $1,500.

4. Use this year's annual gift tax exclusion. Finalize any annual gifts you're making for 2015 by December 31, 2015. There is no gift tax on gifts of up to $14,000 per recipient. Married couples can make joint gifts of up to $28,000 per recipient.

5. Use your credit card to pay tax-deductible expenses by December 31 if you're short of cash. You can deduct the expenses on your 2015 return even though you pay your credit card bill in 2016.

6. Check dependent status. Keep your college student qualified as your dependent by meeting the "support" test. Generally, your child cannot provide over one-half of his or her own support during the year. Add up funds your child received from work, student loans, and other sources of income. Do you need to increase your level of support before year-end in order to claim the exemption?



"You can pay me next year. My tax guy advised me to defer my income."

7. If you're required to take distributions from your retirement plan, do so by December 31 or you face a 50% penalty. If you just turned 70½ this year, you could wait until April 1, 2016, to take a first distribution.

NOTE: This newsletter is issued annually to provide you with information about preparing for and minimizing your taxes. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.