Tax Planning Guide

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Tax planning is essential for second marriages

Wedding bells bring rejoicing – and financial changes. If you're marrying for the second time, the changes might seem overwhelming. On the surface, tax and financial planning for a second marriage is similar to that of a first marriage.

For example, no matter what month you hold the ceremony, the IRS will consider you married for the full year. That means employer-provided fringe benefits and taxes withheld from your paychecks could require adjustment. Depending on how much each of you earns and your past financial history, you'll have to decide what filing status will be most beneficial, and how best to take advantage of tax breaks that may become available.

With a second marriage, you have even more decisions to make, including how you'll merge your assets. Will you purchase a new home? If both of you already own separate homes, you may each qualify for a $250,000 federal income tax exclusion on the profit from the sale, as long as you have lived in the home for at least two of the last five years. If only one of you meets the requirements for the exclusion, consider selling the qualifying home and living in the other for a while.

You or your spouse might also have substantial debt or financial obligations. Discuss your financial histories, including alimony or child support still owed and past bankruptcies. Decide who will provide for the college expenses of the children in your now-combined household. Depending on your age, you may want to investigate the effect of the marriage on your social security benefits.

A second wedding is a joyful event for you, your new spouse, and your extended families. To give your marriage an added advantage, call us before you say, "I do." We'll offer our congratulations – followed by useful financial and tax planning advice.

Maximize tax benefits of carryforwards and carrybacks

Although the tax code contains some exceptions, income is generally taxable in the tax year received and expenses are claimed as deductions in the year paid. But "carryforwards" and "carrybacks" have special rules. In this case, certain losses and deductions can be carried forward to offset income in future years or carried back to offset income in prior years, providing tax benefits.

- **Capital losses.** After you net annual capital gains and capital losses, you can use any excess loss to offset up to $3,000 of ordinary income. Remaining losses can be carried over to offset gains in future years. The carryforward continues until the excess loss is exhausted.

- **Charitable deductions.** Your annual charitable deductions are limited by a "ceiling" or maximum amount, as measured by a percentage. For example, the

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general rule is that your itemized deduction for most charitable donations for a year can't exceed 50% of your adjusted gross income (AGI). Gifts of appreciated property are limited to 30% of your AGI (20% in some cases) in the tax year in which the donations are made. When you contribute more than these limits in a year, you can deduct the excess on future tax returns. The carryover period for charitable deductions is five years.

● **Home office deduction.** If you qualify for a home office deduction and you calculate your deduction using the regular method, your benefit for the current year can't exceed the gross income from your business minus business expenses (other than home office expenses). Any excess is carried forward to the next year. Caution: No carryforward is available when you choose the "simplified" method to compute your home office deduction.

● **Net operating losses (NOLs).** Business NOLs can be carried back two years and forward 20 years. Tip: As an alternative, you may opt to forego the carryback and instead carry the entire NOL forward.

Give us a call for help in maximizing the tax benefits of carryforwards or carrybacks.

Refocus your business

Are problems beginning to surface in your business? Have profits been dwindling? Are customers complaining with greater frequency? Are competitors encroaching on your market share? These are warning signs that you're headed in the wrong direction – and you don't want to ignore them until it's too late. Here are suggestions for turning things around.

☐ **Focus on the money-makers.** Perhaps your business has developed products your customers aren't willing to buy. If so, it may make sense to redirect your company's available resources. Does that mean you should never create new product lines or expand into new markets? No. But new products must eventually improve the bottom line. If they don't make money within a reasonable time, refocus.

☐ **Establish (or reestablish) your brand.** Identify what you do best; then tell everyone. Your goal is to educate customers, vendors, and employees on the reasons why your product or service is better than the competition. Be specific. Of course, to remain credible you must back up your claims, so be realistic as well. Win trust by following through.

☐ **Track results.** Once you're refocused on the money-making segments of your business, keep a close eye on the numbers. Know whether customer complaints are down, cash flow is improving, back orders are declining, and market share is holding steady or increasing. If profits aren't showing an upward trend, take another look – then adjust and remeasure.

For help getting your business back on track, give us a call.

Tax filing reminder

July 31 is the deadline for filing 2015 retirement or employee benefit returns (5500 series) for plans on a calendar year.

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