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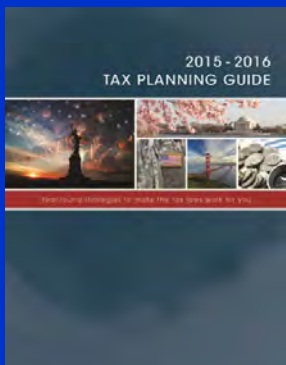
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Tax Planning Guide



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January 2016

Tax extender act renews tax breaks

In mid-December, Congress renewed a long list of tax breaks known as “extenders” that have been expiring on an annual basis. This year many of the rules are retroactive to the beginning of 2015, and you can benefit from them as you prepare your 2015 federal income tax return.

In addition, the *Protecting Americans from Tax Hikes Act of 2015*, which was signed into law on December 18, 2015, makes some of the rules effective through December 31, 2016. Others are effective through 2019, and some are effective permanently. Provisions in the *Act* also make changes to existing tax rules that were not part of the extenders. All of these changes will affect your tax planning for 2016 and future years. Here’s an overview of selected provisions.

- When you’re age 70½ and over, you can make a tax-free distribution of up to \$100,000 from your IRA to a charity. This provision was reinstated for 2015 and is now permanent.
- The deduction for up to \$250 of out-of-pocket eligible educator expenses is available for your 2015 return. It’s now permanent and will be indexed for inflation beginning with 2016 tax returns.
- You can choose to claim the itemized deduction for state and local sales taxes in lieu of deducting state and local income taxes on your 2015 return. This break is now permanent.
- The tuition and fees above-the-line deduction for qualified higher education expenses is available for 2015 and 2016.
- If you’re a homeowner, you can exclude mortgage debt cancellation or forgiveness of up to \$2 million in 2015 and 2016. Discharges of qualified mortgage debt can also be excluded after January 1, 2017, if you have a binding written agreement in effect before that date. This tax break is only available for your principal residence.
- The maximum Section 179 deduction for qualified business property, including off-the-shelf software, is available for 2015 and is now permanently set at \$500,000 (subject to a taxable income limitation). The deduction is phased out above a \$2 million threshold. Both thresholds will be indexed for inflation beginning in 2016.
- The additional first-year depreciation deduction, known as “bonus depreciation,” is available for 2015 when you buy qualified business property. The deduction is extended through 2019.
- You can claim the work opportunity tax credit for 2015 if you hired eligible



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individuals last year. This credit is extended for five years (through 2019).

Because the Act was passed so late in the year, you'll have to review your 2015 transactions to take advantage of applicable breaks and claim them on your 2015 federal income tax return. Also, with the rules now extended through 2016 (and in some cases beyond), you can begin to update your current tax plan with some measure of certainty.

Give us a call for more information and for help in determining which changes affect you.

Standard mileage rates reduced for 2016

- **Business.** Starting January 1, the standard mileage rate for driving a vehicle for business purposes is set at 54 cents per mile. That's down from 57.5 cents in 2015.
- **Medical and moving.** The rate for medical and moving mileage decreases from last year's 23 cents a mile to 19 cents a mile.
- **Charity.** The general rate for charitable driving remains at 14 cents a mile.

Keys to effective cash management

Add cash management to your list of business goals for 2016. Commitment to effective practices and techniques can be the key to keeping your business operating on a sound footing. Some tips:

Reduce lag time. Reducing the time between sending out invoices and receiving payment may take the form of giving incentive discounts to customers who pay early. On the expense side, aim for just-in-time inventory to reduce holding costs.

Establish a line of credit. To cover shortfalls resulting from excessive lag time, unforeseen business disruptions, or weakening in your particular market, set up a line of credit with your local financial institution. *What to watch out for:* The tendency to let short-term credit develop into a crutch that props up poor cash management.


Check out new customers. Assess whether new clients are likely to pay on time before extending credit. Deadbeat clients can squeeze your firm's cash flow quickly.

Grow with caution. Expanding into new markets can bring momentum and additional sources of income. But developing new product lines, expanding facilities, hiring employees, and ramping up your marketing budget all consume cash. Be sure your cash forecasts are accurate. Review and update them on a regular basis.

Be aware of these tax deadlines

A new year means tax return filing season has arrived once again. Among the tax deadlines you may be required to meet in the next few months are the following:

- **January 15** – Due date for the fourth and final installment of 2015 estimated tax for individuals (unless you file your 2015 return and pay any balance due by February 1).
- **February 1** – Employers must furnish 2015 W-2 statements to employees. Payers must furnish 1099 information statements to payees. (The deadline for Form 1099-B and consolidated statements is February 16.)
- **February 1** – Employers must generally file 2015 federal unemployment tax returns and pay any tax due.
- **February 29** – Payers must file information returns (except Forms 1095-B and 1095-C) with the IRS. (March 31 is the deadline if filing electronically.)
- **February 29** – Employers must send W-2 copies to the Social Security Administration. (March 31 is the deadline if filing electronically.)

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- **March 31** – Large employers must furnish Form 1095-C to employees.
 - **May 31** – Forms 1095-B and 1095-C due to IRS. (June 30 is the deadline if filing electronically.)

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

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