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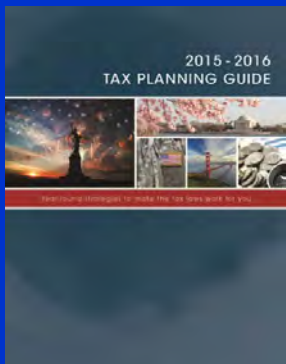
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Tax Planning Guide



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February 2016

Note upcoming tax deadlines

- **February 29** – Payers must file information returns, such as Forms 1099, with the IRS. This deadline is extended to March 31 when the forms are filed electronically.
- **February 29** – Employers must send W-2 copies to the Social Security Administration. This deadline is extended to March 31 for electronic filing.
- **March 1** – Farmers and fishermen who did not make 2015 estimated tax payments must file 2015 tax returns and pay taxes in full to avoid a penalty.
- **March 15** – 2015 calendar-year corporation income tax returns are due.
- **March 15** – Deadline for calendar-year corporations to elect S corporation status for 2016.
- **March 31** – Large employers must furnish Forms 1095-C to employees.

Be aware of inflation-adjusted 2016 tax numbers

Certain tax numbers are adjusted for inflation each year. This year, many of the numbers are unchanged or change only slightly from 2015 amounts. Here are some of the tax numbers to use in your 2016 tax planning.

- The maximum earnings subject to social security tax in 2016 is \$118,500, unchanged from 2015. The \$15,720 earnings limit for those under full retirement age is also unchanged. If you've reached full retirement age, there is no earnings limit.
- The "nanny tax" threshold is \$2,000 in 2016, up from \$1,900 for 2015. If you pay household employees \$2,000 or more during the year, you're generally responsible for payroll taxes.
- The "kiddie tax" threshold remains \$2,100 for 2016. If your under-age 19 child (under age 24 for students) has more than \$2,100 of unearned income, such as dividends and interest income, this year, the excess could be taxed at your highest rate.
- The maximum individual retirement account (IRA) contribution you can make in 2016 remains unchanged – \$5,500 if you're under age 50 and \$6,500 if you are 50 or older.
- The maximum amount of wages employees can put into a 401(k) plan remains at \$18,000. The 2016 maximum allowed for SIMPLE plans is \$12,500. If you are 50 or older, you can contribute up to \$24,000 to your 401(k) and \$15,500 to your



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SIMPLE plan.

- For 2016, the maximum amount you can contribute to a health savings account is \$3,350 for individuals and \$6,750 for families. The catch-up contribution when you're age 55 or older is \$1,000.

Contact us for additional information about these and other inflation-adjusted tax numbers.

Make time for a conversation with your parents about finances

Discussing finances with your parents may be a talk none of you are eager to tackle. But addressing the topic can benefit your entire family by clarifying your parents' wishes and enabling you to help establish a joint plan for carrying those wishes to fruition. Here are questions that can start the dialogue.

- **Legal** – Do your parents have a will and an estate plan? Have they executed a trust, a durable power of attorney for finances, or an advance healthcare directive? Will they allow you to review the documents and/or speak with their attorney?
- **Medical** – What medical insurance policies are in place? Do your parents have long-term care insurance? Who is their personal physician and what significant medical issues exist?
- **Income, expenses, and debt** – What are the sources and amounts of your parents' income and expenses? To whom do your parents owe money, and how much do they owe?
- **Records** – Where do your parents keep tax returns, bank and brokerage statements, and similar records? Who are their tax preparers, financial advisors, and/or stockbrokers? Will your parents allow you current access to those records and advisors?

Talking about finances with your parents can be a daunting prospect. Give us a call if you'd like us to be part of the conversation. We're here to help.

Get the right paperwork to claim charitable deductions


What supporting documentation do you need to claim charitable deductions on your federal income tax return?

In general, you can support monetary contributions of any amount with a cancelled check, credit card statement, proof of payroll deduction, or a receipt from the charity. The paperwork must show the organization's name and the amount and date of your contribution.

When you contribute cash of \$250 or more, get a written acknowledgement from the charity. The receipt must show the name of the charity, the date of your donation, and the amount donated, as well as a description and the estimated value of any nondeductible item (such as a book or dinner) provided to you.

For property donations, keep copies of support for the value you claimed. The allowable deduction for a property donation is generally limited to the lesser of cost (or other basis) or fair market value. That means you'll need records showing what you paid for the item, as well as support for the current value. For example, you might use ads from second-hand stores or consignment shops to determine the fair market value of donated clothing and household items.

Be aware that the higher the value of a property donation, the more support you need. When you donate an item with a value under \$250, ask for a receipt from the charity showing the organization's name, the date and location of the contribution, and a description of the property. For items valued up to \$500, the receipt also needs to include a statement indicating whether you were given any goods or services in exchange for your contribution. In addition, the receipt must provide a description and estimated value for those goods or services. If you donate property with a value between \$500 and \$5,000, your paperwork must show how and when you got the property and its cost or other basis. Items valued over \$5,000 generally



need a written appraisal from a qualified appraiser.

Additional requirements apply when you donate property that has appreciated in value. Call us for more information.

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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