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It's hard to believe that the year 2016 is coming to a close. Once again all of our tax preparers have completed a minimum of (2) full days of tax training, instruction and updates for the 2016 tax season and beyond. We are here and ready to serve you, our clients, on changes in the tax laws for 2016, and on how you can still make tax moves before the end of this year to save your tax dollars.

INCOME TAXES

Changes for 2016

<u>The Standard Deduction</u> for 2016 stays the same. Married taxpayers get $12,600; Singles get $6,300. If over 65 or blind there are additions to the standard deduction.
<u>Personal Exemptions</u> increase to $4,050 for filers and their dependents.
<u>Standard Mileage Rate</u> decreased to $.54 per mile.
<u>Mileage for Charity</u> remains at $.14 per mile.
<u>Mileage for medical and moving</u> decreased to $.19 per mile

Year End Tax Planning for 2016

Our new president elect says he will make tax law changes a priority for 2017. We can expect his tax reform will produce <u>lower</u> tax rates, a broader tax base and fewer deductions. He wants to consolidate the individual tax rates to three: 12%, 25% and 33%. While normally it pays taxwise to defer income to next year and accelerate deductions into this year, this strategy is even more important now in anticipation of lower tax rates next year. Deductions have more value when tax rates are higher so try to rack up as many deductible expenses as possible by year end so that you can take the write-off this year rather than next year. For example, pay your January mortgage payment by December 31, so you can deduct the interest on your 2016 tax returns. Also, consider paying your January, 2017 real estate taxes in December 2016 so you can deduct this tax in 2016. If you pay estimated tax, pay your State fourth quarter payment in December 2016. If you are working consider contributing to a retirement account. Remember you can make an IRA contribution all the way up to the April 15, 2017 filing deadline.

If you are thinking of making charitable contributions, make them by year end. If you own appreciated assets such as shares of stock, consider donating the shares, instead of cash. If you give the shares you get to deduct the full market value of the stock and not have to pay any tax on the capital gain, a double benefit.

IRA owners who turned 70 ½ this year should consider delaying withdrawals until April 1, 2017. Doing so not only delays the tax bill but could also save money if the tax rates decrease.

YOUR INVESTMENTS

Examine the unrealized gains and losses you currently have in your taxable accounts, not your retirement accounts.

Consider harvesting losses in securities. You can use realized capital losses to offset realized capital gains plus $3,000 of ordinary income such as wages, every year. Remember these losses are more valuable in 2016 than they are anticipated to be in future years. Unused losses carry forward for use in the future, they are not lost.

Also, consider selling securities in which you have a gain if you are in the 10% or 15% ordinary income brackets (up to $37,650 for single filers and $75,300 for joint filers). For these tax brackets there is still a 0% capital gains tax rate

GIFTS

You may give up to $14,000 tax-free to each person in 2016. The annual gift tax exclusion is doubled to $28,000 per recipient for joint gifts by a married couple.

You can make unlimited tax-free gifts to help someone with medical or education expenses when you pay the provider of the services directly. Medical expenses must meet the definition of deductable medical expenses. Qualified education expenses are tuition, books, fees and related expenses but not room and board.

Consider contributing to a 529 plan on behalf of a beneficiary. This qualifies for the annual gift-tax exclusion. Withdrawals used for qualified education expenses (tuition, books and computers) are income tax free. The tax law even allows you to give the equivalent of five years' worth of contributions up front with no gift tax consequences.

CHILDREN

Communicate with your working children regarding taxes. We had several instances where, in a haste to obtain their tax refund, working children filed on their own, claiming themselves as an exemption, when this benefit would be greater if the parent claimed the child as a dependent.

CHECK YOUR WILL

If you don't have a will, get one. If you have a will but have not updated it within the last five (5) years, make an appointment with your attorney for an update. Your intentions and assets may have changed and you need your wishes to be up to date.

HEALTH INSURANCE

As was the case in prior years, you need to have health insurance for you, your spouse and all those in your household or pay an additional tax. The tax for not having health insurance increases again in 2016.

If you purchased your insurance through an exchange you will need Form 1095-A from the exchange to document your coverage. We will need this form 1095-A to complete your tax return.
Medicare, Medicaid and veteran's coverage qualifies as coverage.
Members of certain religious sects are exempt but you must receive a code from the exchange to verify your exemption.
You must apply to the exchange to obtain your code. Without the exemption code you will be subject to the additional tax.