



Accountants and Consultants

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December 2015

Dear Clients and Friends,

This *Letter* is being sent to urge you to set aside time to do some year-end tax planning. Now is the ideal time to review your 2015 tax picture and to consider actions you can take before year-end to minimize your taxes. Please call/email if you would like to get together to discuss your tax-cutting options.

Our privacy and security initiatives are on-going. Be assured that your personal and business information is held in the strictest regard. We have policies and procedures in place to protect your information. Many of you are aware that we have a secure file portal on our website so our clients can send and receive tax documents safely.

Full information about our services can be found on our website at www.pk-cpas.com. Our website has many useful features and services on it, such as, financial calculators, monthly newsletters, tax links and more. We encourage you to bookmark www.pk-cpas.com for your business and personal financial needs. You can also subscribe to our monthly newsletter from our website.

Year-End Planning moves to cut 2015 taxes

At the end of every year, taxpayers wait anxiously for Congress to enact extensions of popular tax credits and deductions, and every year Congress waits until the last possible moment. The majority of the extenders enacted last December, are once again expiring without a further extension.

Currently expired business tax breaks include §168 bonus first-year depreciation; increased limits for §179 expensing; and the §41 research and development credit.

As of now, there is still no indication if they will be saved again, however, there are a number of steps businesses and individuals can take to reduce taxes. There have been few legislative changes thus far in 2015. Planning advice for 2015 includes strategies for accelerating deductions and deferring income as well as managing assets.

Deferring income to 2016

Cash basis businesses that want to defer income should consider delaying the sending of past due invoices, so payment is not received until 2016.

Accrual basis businesses should, if possible, hold off on providing goods or services to customers until after January 1, 2016. If you are paid in advance, you may be able to take advantage of deferred payment rules under Rev Procs. 2004-34 and 2011-18 in certain situations.

Bunch your deductions

Bunching your deductions means that you concentrate itemized deductions into the year offering the most tax benefit. Even if the current limitation on itemized deductions applies to you, bunching can be effective when combined with other tax planning.

One category of itemized deductions that lends itself to bunching is charitable contributions. In general, as long as you have written acknowledgment from a qualified charity, you can deduct the donations in the year you write the check or put the charge on your credit card.

Other itemized deductions you can control in order to maximize tax savings include real estate taxes and state income taxes, unless you are subject to AMT.

Contribute to Retirement Plan

When you have a business, contributions to a self-employed pension (SEP) reduces Adjusted Gross Income dollar for dollar. Depending on the plan you choose, you can setup the paperwork before year-end and make contributions by the due date of the return, including extensions. Traditional IRA contributions of \$5,500 for under age 50 or \$6,500 for age 50 and older, must be made no later than April 15th for the prior tax year. SEP plans allow for extensions, thereby deferring cash outlay for up to 9 1/2 months after year-end. 401(k) plan elective deferral limit is \$18,000 if you are under age 50 and \$24,000 for age 50 and older.

The Affordable Care Act: How will it affect your 2015 taxes?

Staggered start dates. Exceptions. Waivers. Are you still trying to determine how the health care laws will affect your 2015 personal and business federal income tax returns?

Here is a brief overview of some current rules.

Individual penalty: The 2015 Form 1040 has a new line for reporting the "individual responsibility payment." You will owe this penalty if you or your dependents did not have health insurance during the year and don't qualify for an exception.

The amount you will report on your 2015 tax return is the greater of \$325 per family member, up to a maximum family penalty of \$975, or 2% of your "household income formula."

Individual premium credit: Depending on your income, you may be eligible for a reduction in the cost of your health insurance premium during the year.

When you signed up for insurance on the health insurance exchange, you had the option to use the reduction to offset your premiums as you paid them or apply for the credit on your 2015 income tax return. The amount will depend on family size.

Business health insurance premium credit: If you paid at least 50% of the health insurance premium costs for your employees during 2015, had fewer than 25 full-time equivalent employees and paid them wages of less than \$50,800, you may be able to claim a credit of up to 50% of the premiums you paid.

Business fee for self-insured: When you self-insure your business health care expenses, you will be required to pay a \$5.50 per person insured per month fee to help fund the healthcare research institute. The payment for this is due by 1/15/16.

Employer penalties: Depending on the number of employees you have, you may be penalized for not providing health insurance and/or not providing affordable health insurance. Beginning January 1, 2015, the penalty will apply when 100 or more full-time employees work in your business. The penalty applies in 2016 when your business employs 50 or more full-time workers. If your workforce is under 50 employees, you are not subject to the penalty.

Employer reporting: The health care laws included a requirement for reporting on Forms W-2, the cost of the health insurance coverage you provide to your employees.

More ways to cut your taxes:

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. You can fully fund your HSA up to April 15th 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 help limit exposure to the "kiddie tax" on unearned income.

3) Gifting - Finalize any annual gifts you plan to make for 2015 by December 31, 2015. There is no tax on gifts up to \$14,000 per recipient. Married couples can make joint gifts of \$28,000 per recipient. You can transfer up to \$70,000 to a §529 Plan which represent 5 years of gifts (\$14,000 x 5) Lifetime Exclusion is \$5,430,000 for 2015.

4) Use your credit card - Pay deductible expenses with a credit card by 12/31 to defer the cash payment and take the deduction this year.

Tax Recordkeeping

Here are some suggestions that should help you determine what to keep and for how long.

Statute of limitations: This is three years (but four for New Jersey) from the later of the due date or the actual filing date of the return. The statute period can be extended to six years if your income is understated by more than 25%. There is no statute of limitations if fraud is involved.

Keep for seven years: Be safe and maintain the following records for seven years:

- W-2s, 1099s, annual brokerage statements, and other evidence to support taxable income.
- Receipts, cancelled checks, invoices, and other evidence to support tax deductions.
- IRA and other retirement plan contributions.
- Support for all charitable donations of any amount.

Keep indefinitely: Some records contain important information you may need years later. These records should be kept indefinitely.

- For example, keep copies of your filed returns. The IRS doesn't maintain copies after a period of time. Prior returns might be needed to correct an error in your social security wage history.

- Also keep information on your real estate holdings. Maintain documents supporting your basis along with improvements. Current tax laws give favorable treatment to your residence, but one Congressional act can change that. It's better to be prepared.

Good tax documentation starts with a commitment to action. If you need more information to organize your tax recordkeeping, give us a call.

How to organize: Three ring binders are a good collection device. They're easy to organize and maintain. Computerized records with scanned documents are another alternative.

This newsletter is issued to provide you with information about minimizing your taxes. Do not apply this general information to your specific situation without additional details. Be aware that 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.

Please call us to schedule your tax appointment, or mail your information as soon as it becomes available. In order to meet the initial filing deadline of April 15, 2016 for your 2015 income tax return, your completed tax organizer needs to be in our office no later than March 15, 2016. Information received after that date may require an extension of time to be filed for your return.

To help you gather what you need we would like to email you, upon your request, a personalized electronic tax organizer or a traditional paper organizer. Please email us at info@pk-cpas.com to receive your organizer.

Upon receiving your request, we will send you a password-protected email that you can download to your computer, print, fill out and mail back to us, or you can fill it out directly online on our website. Of course, W-2 forms, 1099s, year-end brokerage statements, K-1s and cancelled estimated tax payment checks will also need to be mailed or scanned and emailed to us at info@pk-cpas.com or brought to your appointment.

We truly appreciate the trust and loyalty shown to us and wish you and your family Happy Holidays and a New Year of peace and prosperity.

Sincerely,

P&K CPAs, LLC

P&K CPAs, LLC

John G Patrizio, CPA
Robert J Klausner, CPA

Individual Tax Brackets

Rate (%)	Single	HH	M - joint	M-separate
10	\$0-9,225	\$0-13,150	\$0-18,450	\$0-9,225
15	\$9,226-37,450	\$13,151-50,200	\$18,451-74,900	\$9,226-37,450
25	\$37,451-90,750	\$50,201-129,600	\$74,901-151,200	\$37,451-75,600
28	\$90,751-189,300	\$129,601-209,850	\$151,201-230,450	\$75,601-115,225
33	\$189,301-411,500	\$209,851-411,500	\$230,451-411,500	\$115,226-205,750
35	\$411,501-413,200	\$411,501-439,000	\$411,501-464,850	\$205,751-232,425
39.6	Over \$413,201	Over \$439,000	Over \$464,850	Over \$232,425

Additional Medicare Tax - applies to Wages/self-employment income in excess of:

.9	\$200,000	\$200,000	\$250,000	\$125,000
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Net Investment Income Tax - May apply if modified AGI exceeds:

3.8	\$200,000	\$200,000	\$250,000	\$125,000
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Capital Gain/Dividend Rates

20	Most investments held more than 1 year (if ordinary tax rate is 25% to 35%)
15	Most Investments (if ordinary tax rate is 25% to 35%)
0	Most Investments (if ordinary tax rate is 10% or 15%)
28	Collectibles gain
25	Real Estate gain
Up to 39.6%	Short term gains and nonqualified dividends

Corporate Tax Rates

If taxable income

is over	But not over	Your tax is	Of the amount over
\$0	\$50,000	15%	\$0
\$50,000	\$75,000	\$7,500 + 25%	\$50,000
\$75,000	\$100,000	\$13,750 + 34%	\$75,000
\$100,000	\$335,000	\$22,250 + 39%	\$100,000
\$335,000	\$10,000,000	\$113,900 + 34%	\$335,000
\$10,000,000	\$15,000,000	\$3,400,000 + 35%	\$10,000,000
\$15,000,000	\$18,333,333	\$5,150,000 + 38%	\$15,000,000
\$18,333,333		35%	\$0