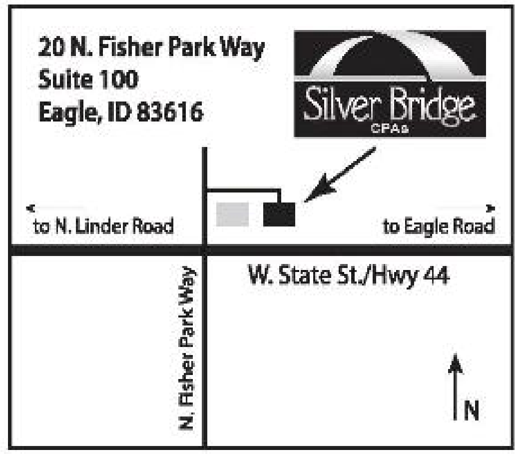
December 2015 Newsletter

News From Silver Bridge CPAs



Holiday Closures:

To celebrate the Christmas Holiday, we will be closed from 1:00 pm to 5:00 pm on Thursday, December 24, 2015 and Friday, December 25, 2015 through Friday, January 1, 2016.

When we return on January 4, 2016, our office hours will change to Monday through Friday from 8:00 am to 5:00 pm.

Tax Organizers:

We will send tax organizers out during the 1st two weeks of January. If you have a change of address or email, please be sure to let us know as soon as possible.

TAX NEWS

Breaking News: Tax Extenders Made Permanent!

As you may have heard, a number of popular tax breaks and business incentives expired on December 31, 2014. These tax provisions had also expired on December 31, 2013, but were extended for another year at the last minute in December 2014. Congress had become unable to do more than just delay the expirations of many of these tax breaks.

Well, this year Congress has apparently learned from its mistakes. The current bill is intended to end the last-minute extenders and provide certainty for taxpayers for 2015 and future years. Key provisions of the bill include the following:

Business Provisions:

- **Research and development tax credit:** Made permanent, and now permitted to offset AMT. Some small start-up businesses may even be able to offset payroll taxes with the credit!
- **Section 179 deduction:** The higher limit of $500,000 has been made permanent and indexed for inflation in future years. This also means Section 179 can be used for purchases of computer software and qualified leasehold, retail, and restaurant improvements.
- **Qualified leasehold, retail, and restaurant improvements:** If Section 179 deduction is not taken, these improvements have a 15-year depreciation life (rather than 39).
- **Section 1202 stock:** 100% of the gain on small business stock held for longer than five years may be eligible to be excluded from income. This applies to stock acquired in 2015 and later.
- **Built-in gains recognition for S corporation conversions:** The built-in-gains period is reduced from ten years to five for the disposition of appreciated assets owned by an S corporation previously taxed as a C corporation.
- **Bonus depreciation:** 50% bonus applies through 2017. Phased down to 40% for 2018 and 30% for 2019.

Individual Provisions:

- **American Opportunity Credit**: Now permanent.
- **$250 deduction for classroom materials for teachers**: Now permanent.
- **Child tax credit increase:** Now permanent.
- **State and local sales tax deduction**: Now permanent.
- **Mortgage insurance deduction**: Extended through 2016.
- **Tuition deduction:** Extended through 2016.
- **Cancellation of debt exclusion for principal residence mortgage debt:** Extended through 2016.
- **Earned Income Credit:** Now permanent.

NEW Tax Forms Required Under the Affordable Care Act for 2015

Employers with 50 or more full-time employees or equivalent employees are required to report health coverage information to employees and to the IRS. This information must be reported on Forms 1094-C and 1095-C in early 2016 for 2015, regardless of whether the employer offered health insurance coverage to the employee. This information helps the IRS determine whether the employer will be liable for the employer shared responsibility payment and is used in determining the employees' eligibility for the premium tax credit. Employers who are self-insured must also report information regarding employees and dependents who enroll in their coverage, regardless of whether the employees are full-time employees.

The following information forms will be provided to individual taxpayers enrolled in health insurance plans that meet ACA requirements:

1. **Form 1095-A** will be provided by the applicable health insurance exchange to report coverage purchased through the exchange and the advance premium tax credit, if any, applied for individuals in the household.

2. **Form 1095-B** will be provided by the entity providing the insurance to report the period for which coverage applies and the household members enrolled.
3. **Form 1095-C** will be provided by the applicable large employer to report health insurance coverage offered, if any, to employees.

   *Form 1095-A , B, and C should be provided to individuals by February 1, 2016 if they apply.

If you have questions about the Affordable Care Act and what it means for you or your business, please **contact us** for assistance.

TAX TIPS & TRICKS

Year-End Tax Strategies

The roster of traditional year-end tax planning strategies is lengthy and often involves methods to shift income between 2015 and 2016. To postpone income to 2016, taxpayers can consider delaying plans to sell appreciated assets, redeem U.S. savings bonds, complete Roth IRA conversions, and so on. If possible, it may be worthwhile to postpone any bonuses until after 2015. In contrast, some taxpayers may want to accelerate income into 2015. This can be particularly valuable if a taxpayer expects to be in a higher tax bracket in 2016 compared to 2015.

When considering traditional year-end techniques, keep in mind the 3.8-percent net investment income (NII) tax. The NII tax applies to the lesser of (1) an individual's net investment income (NII) or (2) the excess of the individual's modified adjusted gross income (MAGI) over the threshold amount. The thresholds are $250,000 for married taxpayers filing a joint return and surviving spouses; $125,000 for married taxpayers filing a separate return; and $200,000 for all other taxpayers.

Don't Forget about Gift-Making!

Gift-making is an important year-end tax strategy that can be overlooked. The Tax Code allows taxpayers to give away up to an "annual exclusion amount" per recipient per year free of gift tax. For 2015, the annual exclusion amount is $14,000. If property is given instead of cash, the value of the gift is the fair market value of the property. If spouses consent to split all gifts that are made by either one of them during any year and each spouse is also a U.S. citizen or resident, then the gifts can be deemed as having been made one half by each spouse. As a result, spouses who consent to split their gifts can transfer twice the annual per-recipient exclusion amount each year, free of gift tax ($28,000 for 2015).

The above are general suggestions that apply to many individuals. Tax laws are complex, and this advice is not meant to be comprehensive. Some of the above advice depends on your income level or tax bracket. As always, your CPA can design a more customized approach for your unique situation.