Maximize Retirement Plan Contributions

There are a variety of retirement plan options available to most working taxpayers. Each has its own limits on contributions and benefits. Contribution amounts for all plans did not increase for 2016. The maximum you can contribute to a 401(k), 403(b), most 407 plans and the federal government’s Thrift Savings Plan will remain at $18,000. The catch-up contribution will remain the same, too — you can contribute an extra $6,000 if you’re 50 or older anytime in 2016. IRA and Roth IRA maximum contributions aren’t changing either. You will be able to contribute up to $5,500 to an IRA in 2016, plus an extra $1,000 if you’re 50 or older. The Roth IRA will not result in an immediate reduction to your tax burden. The Roth IRA will benefit you by eliminating taxes on future distributions.

Deduction For Work Clothing? Some clothing is tax-deductible. Most isn’t. The only type of clothing for which you may take a deduction is clothing that is specifically required by your employer and is not suitable to wear outside of work.

Your Masthead, CPA, EA

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Your Tax Calendar

Sep 15 3rd quarter estimated tax payments due.
Sep 15 Deadline for extended return for Corporation, Partnerships and fiduciaries.
Oct 1 Deadline to establish a SIMPLE IRA for self-employed or small business.
Dec 31 Last chance for deductions for 2016.
Jan 17 (2017) 4th quarter estimated tax payment due.

Anything you have any questions, don’t hesitate to call me. I am here for you!

Maximize Retirement Plan Contributions

Requirements

1. If you are an employee, you can contribute up to $18,000 to your 401(k).
2. If you are self-employed, you can contribute up to $56,000 to your SEP.
3. If you are an eligible teacher or principal, you can contribute up to $56,000 to your 403(b).
4. You can contribute up to $5,500 to a traditional IRA.
5. You can contribute up to $6,500 to a Roth IRA.

Tips

1. Consider making a contribution to your 401(k) and Roth IRA to take advantage of the maximum contribution limit of $18,000.
2. If you are self-employed, consider contributing to a SEP plan to take advantage of the maximum contribution limit of $56,000.
3. If you are an eligible teacher or principal, consider contributing to a 403(b) plan to take advantage of the maximum contribution limit of $56,000.
4. If you are not contributing to a retirement plan, consider contributing to a traditional IRA to reduce your taxable income.
5. If you are not contributing to a retirement plan, consider contributing to a Roth IRA to avoid paying income taxes on your contributions.

Adjustments to Income

Deductions For Everyone (Almost!)

1. Educational Expenses. If you are an eligible teacher, counselor, principal, or aide, you likely have unreimbursed expenses of classroom books, supplies and other related expenses. Keep track of these receipts as you are allowed to write off $2,500 as a deduction. We can deduct any excess of that amount as an itemized deduction.
2. Health Savings Accounts. Contributions to these types of accounts are not available if your medical premiums are good enough for reducing your tax liability. Maximize your contributions to these plans. Contributions that exceed your eligible expenses in a given year are generally carried forward to the following year.
3. Moving Expenses. This could be a big one. With the uncertain economy many people are uprooting to move where the jobs are. If your move is job-related and you meet the time and distance tests, we can take deductions for the cost of the move and your lodging (but not your meals).
4. Self-Employed Health Insurance. We don’t want to miss this one! If you are self-employed, you may be able to deduct the premium paid for health insurance and qualified long-term care insurance for you, your spouse and your dependents.

IRS Phone Scams Still Lurking!

Many phone scams use threats to intimidate and bully a victim into paying. They may even threaten to arrest, deport or revoke the license of their victim if they don’t get the money. Scammers often alter caller ID numbers to make it look like the IRS or another agency is calling. The callers use IRS titles and fake badge numbers to appear legitimate. They may use the victim’s name, address and other personal information to make the call sound official.

Here are five things the scammers often do but the IRS will not do:
1. Ask for credit or debit card numbers.
2. Demand that you pay taxes using a specific method of payment (such as a pre-paid card).
3. Ask for your Social Security number or tax return preparation PIN over the phone.
4. Threaten to bring in local police or other law-enforcement groups to arrest you if you do not pay.
5. Require you to use a specific payment method to pay taxes, or have any relationship with a debt collector.

See “Adjustments” on Page 3.
Refund Excess Social Security Taxes Withheld

Did you have more than $3,747 of social security taxes withheld from your wages? The refund procedure depends on whether the excess withholdings were caused by multiple employers exceeding the maximum of $7,347 per taxpayer. Multiple employers: For tax year 2016, you’ll have excess social security withholdings if the sum of all employer withholdings exceeds $7,347 per taxpayer. You don’t need to take any action. I will automatically add the excess to your federal tax refund or subtract it from federal taxes you owe, whichever applies when I complete your return. The excess will appear as a tax credit on your Form 1040.

Are you a taxpayer age 70 1/2 or older and need to take a required minimum distribution (RMD)? Can a distribution paid directly to a charity save additional taxes?

Children heading off to college? Want to know if tax-advantage options are available?

Could saving your money for education expenses be a big tax saver...do I qualify? Do my bonds qualify?

Starting distributions from a retirement plan? Lump-sum distribution possible? What are the tax consequences?

Tax Extensions & Tax Payments

Are you a candidate?

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Tax Extensions & Tax Payments

Myth: Filing a tax extension postpones my tax payments and avoids any IRS penalties.

Truth: Even if you get an extension, you still have to pay at least 90% of your tax liability due to avoid the late tax payment penalty. The penalty for not filing a tax return or an extension by Tax Day is small. Not paying your tax by Tax Day may cost you your business. This means that you can’t deduct any expenses for a principal office outside of your home, in addition to your office home.

Rent Your Residence For Less Than 15 Days

There is a special rule if you use a dwelling as a personal residence and rent it for fewer than 15 days. In this case, do not report any of the rental income and do not deduct any expenses as rental expenses.

Exemptions Expire October 17

A few of you still have not filed for 2015. Please make every effort to find remaining missing forms or information. We have very little time remaining to file your return. Contact me as soon as possible.

The Five Biggest Tax Credits – (Just The Basics)

1) Earned Income Tax Credit (EITC)

One of the most substantial credits is the Earned Income Tax Credit. The EITC is determined by income and is phased in according to a single status: single, married filing jointly or either of those with children (head of household). Eligibility and the amount of the credit are based on adjusted gross income, earned income and investment income. Caution: “married filing separately” does not qualify for the EITC.

2) American Opportunity Tax Credit (AOTC)

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3) Lifetime Learning Credit

The Lifetime Learning Credit is available for an unlimited number of years for both non-degree and degree programs. It is available to people whose modified adjusted gross income is $100,000 or less, or $160,000 or less for married couples filing jointly. These income limits are higher than those for another education credit, the Lifetime Learning Credit.

4) Child and Dependent Care Credit

The Child and Dependent Care Credit is available to people who must pay for childcare for their dependent under age 13 in order to work or look for work.

5) Savers Tax Credit

The Savers Tax Credit is for eligible retirement plan contributions such as qualified investment retirement accounts, 401(k)s and certain other retirement plans. Income limits apply to all of these credits. Remember, if your income is greater than the credit limit, any adjustment discussed earlier may reduce your income to an eligible level. Using an adjustment may get you a credit!

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