

TaxUpdate

2016 PREVIEW NEWSLETTER



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It's time to start thinking ahead. This PREVIEW edition gives you an update to key tax laws impacting 2016. Thinking ahead is more important than ever as you review the impact of the recently passed Protecting Americans from Tax Hikes Act.

Plan Now to Reduce Your 2016 Tax

Take a look at last year



The earlier you start, the more control you have over next year's tax. What can you do to minimize surprises at tax time? Often the answers can be found in last year's tax return. So before you put away that old tax return, grab your favorite beverage and spend a moment or two with your form 1040. Here are some things to review.

Refund or payment due? Did you owe last year? Have you made the necessary adjustments to lower the payment this year? A large refund should result in an adjustment to your paycheck withholdings.

Send in enough to cover your tax. You need to send in (withhold) enough to cover this year's tax burden or last year's tax to ensure there is not an underpayment penalty.* This process may require sending in quarterly estimated tax payments.

Look for the drivers of tax. Look at your income and deductions. Focus on the larger amounts. Is anything here worth reviewing?

Any major changes? Are you going to add a dependent? Lose one? Any change in your marital status? Any age changes that may help you? While complicated, these changes are often where tax surprises are created.

What deductions did you take? Look at the deductions and credits taken on last year's tax return. Will you qualify for all of them again this year?

New tax law. The Protecting Americans from Tax Hikes (PATH) Act passed in late 2015 impacts your 2016 tax deductions. Review this legislation for ideas to reduce your taxes this year. A recap of this legislation is included in this Tax Update.

Most of us can't wait to store last year's tax return as soon as it is filed. Perhaps by reviewing it before putting it into long-term storage, next year's tax filing experience can be a better one.

*Special rules apply if your income is \$100,000 or over.

2016 Social Security Benefits

2016 Key Social Security Benefits		
Maximum Taxable	\$118,500 (same as 2015)	
Retirement Earnings Test Limits	Under Full Retirement age	\$15,720/yr*
	In Year you reach full retirement age	\$41,880/yr†
<small>* One dollar in benefits will be withheld for every \$2 in earnings above limit (\$15,720 in 2015) † Applies to earnings in months prior to attaining full retirement age. \$1 in benefits will be withheld for every \$3 in earnings above the limit (\$41,880 in 2015)</small>		
SSI Federal Payment Standard	Individual	\$733/mo
	Couple	\$1,100/mo

The Social Security Income Benefits (SSI) will not increase in 2016. This lack of increase is based upon the Consumer Price Index over the past 12 months ending in September 2015. A recap of the key amounts is outlined here.

What does it mean for you?

Up to \$118,500 in wages will be subject to Social Security taxes in 2016 (This is unchanged from 2015). This amounts to \$7,347 in maximum annual employee Social Security payments. Any excess amounts paid

due to having multiple employers can be returned to you via a credit on your tax return.

For all retired workers receiving Social Security retirement benefits the estimated average monthly benefit will be \$1,341/mo. in 2016.

In addition, recent legislation has put limits on some retirement planning techniques used in determining the best time to start taking Social Security Retirement Benefits. Please have your situation reviewed prior to taking action.

Leverage New PATH Tax Legislation to Lower Taxes

In late December, Congress passed the Protecting Americans from Tax Hikes Act (PATH). This legislation has many popular tax savings initiatives. Here is what you need to know.



Many temporary tax laws are now **PERMANENT**.

⊗ **Teacher \$250 deduction for qualified classroom expenses.** Qualified elementary and secondary school educators can take this deduction even if you do not itemize. Starting in 2016, costs for professional development expenses can also apply for this deduction.

⊗ **Deduction for state and local general sales taxes (in place of state income tax deduction) as an itemized deduction.** If you are planning on making major purchases this year, make sure you keep the receipts.

⊗ **Tax-free charitable contributions from qualified IRAs for seniors age 70½ or over.** You can now plan to make these direct contributions of up to \$100,000 without having to claim the donation as income.

⊗ **Expansion of Section 179 expense.** Businesses can now expense up to \$500,000 (formerly \$25,000) of qualified capital purchases. This expanded provision is not only permanent, it is also updated each year for inflation beginning in 2016.

Transit benefit parity. Van pool, transit passes and qualified parking benefits are now to be set at the same price. For 2016 this amount is \$255.

Many popular laws are extended.

⊗ **Deductibility of home mortgage insurance premiums.** You can deduct these premiums as an itemized deduction through 2016.

⊗ **Tuition and fees deduction.** This popular educational tax benefit has also been extended through 2016.

⊗ **Additional first year depreciation deduction.** First year bonus depreciation is now available through 2019. The deduction amounts are 50% in 2015-2017; 40% in 2018 and 30% in 2019.

Please review your situation for 2016 in light of this good news. Adjust your withholdings for the year with the knowledge of these tax changes.

Income Brackets for 2016 Tax Rates

Tax Rate	Single	Married filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1– 9,275	\$1 – 18,550	\$1 – 13,250	\$1 – 9,275
15%	9,276 – 37,650	18,551 – 75,300	13,251 – 50,400	9,276 – 37,650
25%	37,651 – 91,150	75,301 – 151,900	50,401 – 130,150	37,651 – 75,950
28%	91,151 – 190,150	151,901 – 231,450	130,151 – 210,800	75,951 – 115,725
33%	190,151 – 413,350	231,451 – 413,350	210,801 – 413,350	115,726 – 206,675
35%	413,351 – 415,050	413,351 – 466,950	413,351 – 441,000	206,676 – 233,475
39.6%	Over \$415,050	Over \$466,950	Over \$441,000	Over \$233,475

Key 2015 Tax Information



Personal Exemption			
Item	2016	2015	Change
Personal Exemption	\$4,050	\$4,000	+\$50
Exemption phase-out		Reduce exemptions by 2% for each \$2,500 (or any part thereof & \$1,250 MFS) over the phase-out threshold amounts listed below.	
Single	259,400	258,250	+\$1,150
Married joint/widow	285,350	284,050	+\$1,300
Head of household	311,300	309,900	+\$1,400
Married filing separate	155,650	154,950	+\$700

Standard Deductions			
Item	2016	2015	Change
Single	\$6,300	\$6,300	—
Married joint/widow	12,600	12,600	—
Head of household	9,300	9,250	+\$50
Married filing separate	6,300	6,300	—
Elderly/blind: married	+\$1,250	+\$1,250	—
Elderly/blind: unmarried	+\$1,550	+\$1,550	—
Deduction phase-out		Itemized deductions can be reduced by 3% of the amount AGI exceeds the applicable thresholds listed below. Maximum deduction is 80% of itemized deductions.	
Single	259,400	258,250	+\$1,150
Married joint/widow	311,300	309,900	+\$1,400
Head of household	285,350	284,050	+\$1,300
Married filing separate	155,650	154,950	+\$700

Mileage Rates			
Item	2016	2015	Change
Business	54.0¢/mi	57.5¢/mi	-3.5¢
Medical/moving	19.0¢/mi	23.0¢/mi	-4.0¢
Charitable	14.0¢/mi	14.0¢/mi	—

Section 179			
Limits	2016	2015	Change
Annual Expense	\$500,000*	\$500,000	—
Property	\$2 million	\$2 million	—

* 2016 to be indexed for inflation.

Long Term Capital Gains			
Tax Rate if in...	2016	2015	Change
10% - 15% income tax brackets	0%	0%	—
25% - 35% income tax brackets	15%	15%	—
39.6% income tax bracket	23.8%**	23.8%**	—

** Includes Net Investment Tax

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.