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Dear Client:

Year-End Tax Information and Planning for Individuals

Recent years have brought some significant changes to federal tax laws and the environment remains uncertain. Comprehensive, long-term tax reform continues to be a hot topic in Washington, but because the president is now in his last years of office, questions about when tax reform will happen, continue to remain unknown.

Congress has yet to act on a host of tax breaks that expired at the end of 2014. Last December, in a dramatic rush to beat the clock, the Tax Increase Prevention Act of 2014 was signed into law. This measure retroactively extended for 2014 taxes a variety of relief provisions that had expired at the end of 2013. Even with the extenders passed, many valuable tax breaks for individuals and businesses, were not extended into 2015.

Some of these tax breaks may be retroactively reinstated and extended. These breaks include, for individuals: the option to deduct state and local sales and use taxes instead of state and local income taxes; the above-the-line-deduction for qualified higher education expenses and the $250 teachers' classroom expense deduction; tax-free IRA distributions for charitable purposes by those age 70-1/2 or older; the exclusion of up to $2 million of mortgage debt forgiveness on a principal residence; 50% bonus first-year depreciation for most new machinery, equipment and software; and the $500,000 annual expensing limitation.

The most important thing you can do this year for your tax planning is to keep an eye on Congress to see whether lawmakers manage to extend popular tax provisions before the end of 2015.

As the end of the year approaches, it is a good time to think of planning moves that will help lower your tax bill for this year and possibly the next.

We are giving you below some current tax rules, which may help you save tax dollars if you act before year-end. Not all actions will apply in your particular situation, but you (or a family member) will likely benefit from many of them. We can narrow down the specific actions that you can take once we talk with you to tailor a particular plan. In the meantime, please review the following list and contact us at your earliest convenience so that we can advise you on which tax-saving moves to make:

1 - Defer Your Income - Usually it makes tax sense to accelerate as many deductible expenses into the current tax year as you can and defer income to the next year to the extent possible. This can reduce current-year tax and defer some tax to future years. In some cases it may even permanently lock in tax savings. But there are also situations where this strategy could be costly. To time income and deductions to your tax advantage, you must consider the potential impact on your particular situation.

Income is taxed in the year it is received, but why pay tax today, if you can pay it tomorrow instead. It's tough for employees to postpone wage and salary income, but you may be able to defer a year-end bonus into the next year, as long as it is a standard practice in your company to pay year-end bonuses the following year.

If you are self-employed, or do freelance or consulting work, you have more leeway. Delaying billings until late December, for example, can ensure that you won't receive a payment until the next year.

Of course, it only makes sense to defer income if you think you will be in the same or a lower tax bracket next year. You don't want to be hit with a bigger tax bill next year, if additional income could push you in to a higher tax bracket.

2 - Accelerate You Deductions - Just as you may want to defer income into next year, you may want to lower your tax bill by accelerating deductions this year.

For example, contributing to a charitable organization is a great way to get a deduction. If you donate appreciated stocks or property, rather than cash, and you owned the stocks or property for more than one year, you get a double tax benefit from the donation. You can deduct the property's fair market value on the date the gift is given to the charity and you avoid paying capital gains tax on the built-up appreciation.

If you plan on giving to a charity before the end of the year, remember that a cash contribution must be documented in order to be deductible. If you claim a charitable deduction of more than $500 in donated property, you must attach Form 8283. If you are claiming a deduction of $250 or more for a car donation, you will need a written acknowledgement from the charity that includes a description of the car. Remember, you cannot deduct donations to individuals, social clubs, political groups or foreign organizations.

Other expenses that you can accelerate include estimated state income tax, real estate taxes, medical expenses, mortgage interest, higher education expenses, and student loan interest and child care expenses. If you are paying alternative minimum taxes, an accelerated payment of taxes most likely will not reduce your tax bill. In addition, some other credits and deductions are phased out, based on your income, so these suggestions do not apply to every taxpayer.

Many expenses can be deducted only if they exceed a certain percentage of your adjusted gross income (AGI). Bunching itemized deductible expenses into one year can help you exceed these AGI floors. Consider scheduling your costly non-urgent medical procedures in a single year to exceed the 10 percent AGI floor for medical expenses (7.5 percent for

taxpayers age 65 and older). This may mean moving a procedure into this year or postponing it until next year. To exceed the 2 percent AGI floor for miscellaneous expenses, bunch professional fees like legal advice and tax planning, as well as unreimbursed business expenses such as travel and vehicle costs.

Further, if your adjusted gross income exceeds the applicable threshold, certain deductions are reduced by 3% of the AGI amount that exceeds the threshold (not to exceed 80% of otherwise allowable deductions. For 2015 the thresholds are $258,250 (single), $284,050 (head of household), $309,900 (married filing jointly) and $154,950 (married filing separately).

Also, you may want to settle an insurance claim in order to maximize your casualty loss deduction.

3 - Sell Securities at a Loss to Offset Earlier Gains - If you have realized gains earlier in the year from sales of stock held for more than one year (long-term capital gains) or from sales of stock held for one year or less (short-term capital gains), take a closer look at your portfolio with a view of selling some of the losers - those shares that now show a paper loss. The best tax strategy is to sell enough of the losers to generate losses to offset your earlier gains, plus an additional $3,000 loss. Selling to produce this amount of loss is a good idea from the tax viewpoint because a $3,000 capital loss (but no more) can offset a like amount of ordinary income each year.

Suppose that you believe that the shares showing a paper loss still have the potential to turn around and eventually generate a profit. You can sell and then repurchase the shares without forfeiting the loss deduction only if you avoid the wash-sale rules. This means that you must buy the new shares outside of the period that begins 30 days before and ends 30 days after the sale of the loss stock. However, if you expect the price of the shares showing a paper loss to rise quickly, your tax savings from taking the loss may not be worth the potential investment gain that you may lose by waiting more than 30 days to repurchase the shares.

On the other hand, if you have capital losses on sales earlier in the year, in excess of $3,000, you should consider whether you should take capital gains on some stocks that you still hold. For example, if you have appreciated stocks that you would like to sell, but don't want to sell if it will cause you to have taxable gains this year, consider selling just enough shares to offset your earlier-in-the-year capital losses (except for $3,000 of those losses which can be used to offset ordinary income). If you believe the stocks that you will sell will continue to appreciate in value, you can always buy them back again, and decrease the future capital gains that would have to be reported on your tax return.

4 - Contribute the Maximum to Retirement Accounts - There may be no better investment than tax-deferred retirement accounts. They can grow to a substantial sum because they compound over time free of taxes. Company-sponsored 401(k) plans may be the best deal because employers often match contributions. Try to increase your 401(k) contribution so that you are putting in the maximum amount of money allowed ($18,000 for 2015, ($24,000 if you are age 50 of over)). If you can't afford that much, try to contribute at least the amount that will be matched by your employer.

If you are self-employed, the retirement plan of choice is a Keogh plan. These plans must be established by December 31, but contributions may still be made until the tax filing deadline, including extensions for your 2015 return. For a defined contribution plan, the maximum amount you can contribute in 2015 is $53,000, but not more than 100% of your compensation.

In addition, there are other retirement plans that can be set up.

5 - IRA Information - Also consider contributing to an IRA. You have until April 15, 2016 to make IRA contributions for 2015, but the sooner you get your money into the account, the sooner it has the potential to start to grow tax-deferred. You can contribute a maximum of $5,500 to an IRA for 2015, plus an extra $1,000 if you are 50 or older. Your contribution to a deductible IRA is based on whether or not you have a pension plan at your job, and it also is based on your income, so contact us, and we will let you know if your IRA contribution is deductible or not.

If you believe a Roth IRA is better than a traditional IRA, and want to remain in the market for the long term, consider converting traditional IRA money invested in beaten-down stocks (or mutual funds) into a Roth IRA if eligible to do so. Keep in mind, however, that such a conversion will increase your adjusted gross income for 2015.

If you converted assets in a traditional IRA to a Roth IRA earlier in the year and the assets in the Roth IRA account declined in value, you could wind up paying a higher tax than is necessary if you leave things as is. You can back out of the transaction by characterizing the conversion—that is, by transferring the converted amount (plus earnings, or minus losses) from the Roth IRA back to a traditional IRA via a trustee-to-trustee transfer. You can later reconvert to a Roth IRA.

IRA Rollovers – The IRS has placed a new restriction on IRA-to-IRA rollovers. Generally, only one 60 day rollover is allowed per year. However, you still can have funds directly transferred between IRA accounts, as frequently as you wish, if you do trustee-to-trustee transfers.

IRAs also can be perfect for teenagers because they likely will have many years to let their accounts grow tax-deferred or tax-free. The 2015 contribution limit is the lesser of $5,500 or 100% of earned income. A teen's traditional IRA contributions typically are deductible, but distributions will be taxed. Roth IRA contributions aren't deductible, but qualified distributions will be tax-free. Choosing a Roth IRA is typically a no-brainer if a teen doesn't earn income that exceeds the standard deduction ($6,300 for 2015 for single taxpayers), because he or she will likely gain no benefit from the ability to deduct a traditional IRA contribution. Even above that amount, the teen probably is taxed at a very low rate, so the Roth will typically still be the better answer.

If your children or grandchildren don't want to invest their hard-earned money, consider giving them up to the amount they're eligible to contribute. But keep the gift tax in mind. (See #9 below).

If they don't have earned income and you own a business, consider hiring them. As the business owner, you can deduct their pay, and other tax benefits may apply. Warning: The children must be paid in line with what you'd pay nonfamily employees for the same work.

***my*RA Retirement Accounts** - In November, President Obama signed a presidential memo directing the Department of Treasury to create the government-backed retirement accounts. The accounts are targeted for the low and middle-income Americans who don't have access to employer-sponsored retirement plans. The White House says it will "aggressively" encourage employers to offer the program, noting that the employers won't have to administer or contribute to the accounts.

*my*RAs will initially be offered through a pilot program to workers whose employers sign on by the end of 2015. Individuals can contribute to their *my*RA accounts with as little as a few dollars a month up to $5,500 per year (or $6,500 per year for those age 50 and over). These new accounts will help force millions of Americans who aren't saving to start their retirement savings. *my*RA is a Roth IRA retirement savings account. Contributions to *my*RA accounts are invested in a new United States Treasury security, which safely earns interest at the same variable rate as investments in the government securities fund for federal employees. This investment is backed by the United States Treasury and the account carries no risk of losing money. Annual and lifetime contribution limits and annual earned income limits will apply.

6 - Distributions From Retirement Plans - When you take a distribution from a qualified retirement plan before the end of 2015, if you are facing a penalty for underpayment of estimated tax, withhold more federal and state taxes from the required distribution.

Take required minimum distributions (RMDs) from your IRA or 401(k) plan (or other employer-sponsored retirement plan). RMDs from IRAs must begin by April 1 of the year following the year you reach age 70-1/2. That start date also applies to company plans, but non-5% company owners who continue working may defer RMDs until April 1 following the year they retire. Failure to take a required withdrawal can result in a penalty of 50% of the amount of the RMD not withdrawn.

If you turned age 70-1/2 in 2015, you can delay the first required distribution to 2016, but if you do, you will have to take a double distribution in 2016—the amount required for 2015 plus the amount required for 2016. Think twice before delaying 2015 distributions to 2016, as bunching income into 2016 might push you into a higher tax bracket or have a detrimental impact on various income tax deductions that are reduced at higher income levels. However, it could be beneficial to take both distributions in 2016 if you will be in a substantially lower bracket that year.

The required minimum distributions apply to traditional IRAs. They do not apply to Roth IRAs. One of the advantages of Roth IRAs is that the original owner is never required to withdraw money from the accounts.

7 - Flexible Spending Accounts (FSA) - Increase the amount you set aside for next year in your employer's flexible spending account (FSA) if you set aside too little for this year.

Flexible spending accounts, also called flex plans, are fringe benefits which many companies offer that let employees steer part of their pay into a special account which can then be tapped to pay child care or medical bills. The advantage is that money that goes into the account avoids both income and Social Security taxes. The catch is the notorious "use it or lose it" rule. You have to decide at the beginning of the year how much to contribute to the plan and, if you don't use it all by the end of the year, you forfeit the excess. With year-end approaching, check to see if your employer has adopted a grace period permitted by the IRS, allowing employees to spend 2015 set-aside money as late as March 15, 2016. If not, you can do what employees have always done and make a last-minute trip to the drug store, dentist or optometrist to use up the funds in your account.

You can redirect pretax income to an employer-sponsored Medical Flexible Spending Account up to an employer-determined limit — not to exceed $2,550 in 2015. In addition, you can contribute up to $5,000 pretax to an employer-sponsored child and dependent care Flexible Spending Account. If married and filing separately the limit you can contribute is $2,500.

8 - Health Savings Accounts (HSA) - If you can make yourself eligible to make health savings account (HSA) contributions by December 1, 2015, you can make a full year's worth of deductible HSA contributions for 2015. If you're covered by qualified high-deductible health insurance, you can contribute pretax income to an employer-sponsored Health Savings Account — or make deductible contributions to an HSA you set up yourself — up to $3,350 for self-only coverage and $6,650 for family coverage for 2015. Plus, if you're age 55 or older, you may contribute an additional $1,000. HSAs can bear interest or be invested, growing tax-deferred, similar to an IRA. Withdrawals for qualified medical expenses are tax-free, and you can carry over a balance from year to year.

9 - Gifts - Make gifts sheltered by the annual gift tax exclusion before the end of the year and thereby save gift and estate taxes. The exclusion applies to gifts of up to $14,000 made in 2015, to each of an unlimited number of individuals, or $28,000 per recipient if your spouse elects to split the gift with you. You can't carry over unused exclusions from one year to the next. The transfers also may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax.

10 - Estate Tax – The top federal estate tax rate is currently 40%, and it is scheduled to remain at that level. The estate tax exemption increased to $5.43 million for 2015 and it will continue to be adjusted annually for inflation.

To avoid unintended consequences, review your estate plan in light of the changing exemption. A review will allow you to make the most of available exemptions and ensure your assets will be distributed according to your wishes.

Exemption Portability - If one spouse dies and part (or all) of his or her estate tax exemption is unused at his or her death, the estate can elect to permit the surviving spouse to use the deceased spouse's remaining estate tax exemption. The portability is available only for the most recently deceased spouse and it must be elected on an estate tax return for the deceased spouse, even if there is no tax due. The portability election will provide flexibility if proper planning hasn't been done before the first spouse's death.

11 - Avoid the Kiddie Tax - Congress created the "kiddie tax" rules to prevent families from shifting the tax bill on investment income from Mom and Dad's high tax bracket to junior's low bracket. For 2015, the kiddie tax taxes a child's investment income above $2,100 at the parents' rate and applies until a child turns 19. If the child is a full-time student who provides less than half of his or her support, the tax applies until the year the child turns age 24.

So be careful if you plan to give a child stock to sell to pay college expenses. If the gain is too large and the child's unearned income exceeds $2,100, you'll end up paying tax at 15 or 20 percent on the gain, rather than the zero percent rate that is applicable for most children.

12 - Additional 0.9% Medicare Tax - If you're thinking about timing income consider the additional 0.9% Medicare tax. This tax applies to FICA wages and net self-employment income exceeding $200,000 per year ($250,000 for joint filers and $125,000 for married filing separate filers). You may be able to implement income timing strategies to avoid or minimize the tax, such as deferring income or accelerating deductions.

Employers must withhold the additional tax beginning in the pay period when wages exceed $200,000 for the calendar year, without regard to an employee's filing status or income from other sources. So your employer might withhold the tax even if you aren't liable for it, or it might not withhold the tax even though you are liable for it. If you don't owe the tax, but your employer is withholding it, you can claim a credit on your 2015 income tax return. If you do owe the tax, but your employer isn't withholding it, consider filing a W-4 form to request additional income tax withholding, which can be used to cover the shortfall and avoid interest and penalties.

13 - Passive vs. Non Passive Investments - If you are an owner of a business activity you should materially participate in the business enough so that you are not considered a "passive investor", if possible. Material participation is almost any work performed in a business that is regular, continuous and substantial. Work performed in the capacity as an investor does not count as material participation, unless the taxpayer is directly involved in the day-to-day management of the activity.

Your losses from the business would be allowed and you may not need to pay a 3.8 percent Medicare tax on your business income, if you are considered a non passive investor. You must document the hours you are spending with calendar and appointment books, emails and narrative summaries and you must meet the material participation rules.

14 - Take a Closer Look at Your State Residency Status - For individuals who split their time in two different states throughout the year, now is an excellent time to consider where you may be taxed as a resident for 2015. To make it more likely that the high-tax jurisdiction will respect the move and not continue to tax you as a resident, you should track the number of days you are spending in each jurisdiction. Generally, if you reside in a state for 183 days or more, that state will assert residency and the ability to tax all of your income. Furthermore, if you move to a new state but you maintain significant contacts with the old state (including driver's license, residences, bank accounts and the like), you could run the risk of being taxed as a resident in the old state.

15 - Make Up a Tax Shortfall with Increased Withholdings - Don't forget that certain kinds of taxes are due throughout the year. Check your withholding and estimated tax payments now while you have time to fix a problem. If you're in danger of an underpayment penalty, try to make up the shortfall by increasing withholding on your salary or bonuses. A bigger estimated tax payment can leave you exposed to penalties for previous quarters, while withholding is considered to have been paid ratably throughout the year.

16 - 529 College Savings Plans - If you are saving for college, consider a Section 529 plan. You can choose a prepaid tuition program to secure current tuition rates or a tax-advantaged savings plan to fund college expenses. Although contributions aren't deductible for federal purposes, plan assets can grow tax-deferred. In addition, some states offer tax incentives in the form of deductions or credits. NYS taxpayers can deduct up to $5,000 ($10,000 for a married couple filing jointly) of contributions to their 529 plans.

Distributions used to pay qualified expenses, such as tuition, mandatory fees, books, equipment, supplies and, generally, room and board, are income tax-free for federal purposes and typically for state purposes, as well, thus making the tax deferral a permanent savings.

The plans usually offer high contribution limits and there are no income limits for contributing. Also, there is generally no beneficiary age limit for contributions or distributions. You can control the account, even after the child is of legal age. You can make tax-free rollovers to another qualifying family member.

The plan also provides estate planning benefits. A special break for 529 plans allows you to front-load five years' work of annual gift tax exclusions and make up to a $70,000 contribution (or $140,000 if you split the gift with your spouse).

The biggest downsides may be that your investment options are limited.

17 - ABLE Accounts - These are relatively new accounts that offer a tax-advantaged way to fund disability expenses. The Achieving a Better Life Experience (ABLE) Act of 2014 offers a new type of tax-advantaged savings program for people who are disabled or blind. The act allows states to establish tax-exempt ABLE programs to help people with disabilities build accounts that can pay qualified disability expenses.

For federal purposes, tax treatment of these accounts will be similar to that of Section 529 college savings plans. Anyone can make contributions to ABLE accounts, but the contributions won't be deductible. Income earned by the accounts generally won't be taxed. Distributions, including portions attributable to investment earnings generated by the account, to an eligible individual for qualified expenses won't be taxable. Qualified expenses are those related to the individual's disability, such as health, education, housing, transportation, employment training, personal support, and other related services and expenses.

18 - Tax Break Chart - Below is a chart that gives you income limits to see if you qualify for some tax breaks:

Tax Break	Modified Adjusted Gross Income Phase-out Range			
	Single Filer		Joint Filer	
Child Credit [1]	$ 75,000 -	$ 95,000	$110,000 -	$130,000
Adoption Credit	$201,010 -	$241,010	$201,010 -	$241,010
Child or Dependent Care Credit [2]	$ 15,000 -	$ 43,000	$ 15,000	$ 43,000
ESA Contribution	$ 95,000 -	$110,000	$190,000 -	$220,000
American Opportunity Credit	$ 80,000 -	$ 90,000	$160,000 -	$180,000
Lifetime Learning Credit	$ 55,000 -	$ 65,000	$110,000 -	$130,000
Student Loan Interest Deduction	$ 65,000 -	$ 80,000	$130,000 -	$160,000

1 - Assumes one child. The phase-out end is higher for families with more than one eligible child.
2 - The phase-out is based on AGI, rather than MAGI. The credit doesn't phase out altogether, but the minimum credit percentage of 20% applies to AGIs above $43,000.

19 - Child and Adoption Credits - Tax credits reduce your tax bill dollar-for-dollar, so make sure you are taking every credit you are entitled to. For each child under age 17 at the end of the year, you may be able to claim a $1,000 child credit. If you adopt in 2015, you may qualify for an adoption credit, or for income exclusion under an employer adoption assistance program. Both are up to $13,400 per eligible child that is adopted.

20 - Child Care Credit - If you have children under the age of 13 or other qualifying dependents, you may be eligible for a credit for a percentage of your dependent care expenses. Eligible expenses are limited to $3,000 for one dependent and $6,000 for two or more dependents. Income-based limits reduce the credit percentage, but don't phase it out altogether. For married couples, both spouses have to work in order to claim the credit.

21 - ESA Accounts - Coverdell Education Savings Accounts are similar to 529 savings plans in that contributions aren't deductible for federal purposes, but plan assets can grow tax deferred and distributions used to pay qualified education expenses are income-tax-free. One of the biggest ESA advantages is that tax-free distributions aren't limited to college expenses. They also can fund elementary and secondary school costs. ESAs are worth considering if you want to fund such expenses or would like to have direct control over how and where your contributions are invested.

There is a $2,000 contribution limit, per designated beneficiary, which is low, and is phased out based on income. See the chart above. Amounts left in an ESA when the beneficiary turns age 30 generally must be distributed within 30 days and any earnings may be subject to tax and a 20% penalty

22 - Education Credits and Deductions - If you have children in college now, or are currently in school yourself, you may be eligible for a credit or deduction.

American Opportunity Credit - The tax break covers 100% of the first $2,000 of tuition and related expenses and 25% of the next $2,000 of expenses. The maximum credit, per student, is $2,500 per year for the first four years of postsecondary education. The student must be enrolled at least half time in a program leading to a degree, certificate or other recognized educational credential. The credit is schedule to be available through 2017. 40% of the credit is refundable for most taxpayers. However, taxpayers under the age of 24 cannot claim any part of the credit as refundable if they are a full-time student over age 18 with earned income of less than one-half of his or her support.

Lifetime Learning Credit - If you are paying postsecondary education expenses beyond the first four years of college, you may benefit from the Lifetime Learning Credit, which is up to $2,000 per tax return. The student must be enrolled in one or more courses at an eligible institution. The Lifetime Learning Credit is 20% of the first $10,000 of qualified education expenses. There is no limit on the number of years the credit can be claimed for each student.

23 - Student Loan Interest Deduction - If you are paying off student loans, you may be able to deduct the interest. The limit is $2,500 per tax return, but the deduction is only allowed if you meet the income limitation requirements.

24 - Other 2015 Tax Information - The social security taxable wage base is $118,500.
The 2015 personal exemption went up slightly from $3,950 in 2014 to $4,000 in 2015.
The 2015 tax rates are:

Taxable Income Brackets

Rate	Single	Head of Household	Married Filing Jointly and Surviving Spouses	Married Filing Separately
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 $413,200	Over $439,000	Over $464,850	Over $232,425

Year-End Tax Information and Planning for Businesses

Running a profitable business these days isn't easy. You have to operate efficiently, market aggressively and respond swiftly to competitive and financial challenges. But even when you do all of that, taxes may drag down your bottom line more than they should. Don't let that happen. Take steps like these below to make sure that your tax bill is as small as possible.

1 - Purchases of Business Machinery and Equipment - For assets with a useful life of more than one year, you generally must depreciate the cost over a period of years. In most cases, the Modified Accelerated Cost Recovery System (MACRS) will be preferable to other methods because you will get larger deductions in the earlier years of an asset's life.

However, if you purchase more than 40% of the year's asset purchases in the last quarter, you could be subject to the midquarter convention. Careful planning can help you maximize depreciation deductions in the year of purchase. Businesses should try to buy machinery and equipment throughout the year to avoid the midquarter convention. If they do so, under the generally applicable "half-year convention," the business will be able to secure a half-year's worth of depreciation deduction for the first ownership year.

Although the business property expensing option is greatly reduced in 2015 (unless retroactively changed by legislation), making expenditures that qualify for this option can still get you thousands of dollars of current deductions that you wouldn't otherwise get. For tax years beginning in 2015, the expensing limit is $25,000, and the investment-based reduction in the dollar limitation starts to take effect when property placed in service in the tax year exceeds $200,000. You can claim the election only to offset net income and you cannot reduce it below zero to create an NOL.

Businesses may be able to take advantage of the "de minimis safe harbor election" (also known as the book-tax conformity election) to expense the costs of inexpensive assets and materials and supplies, assuming the costs don't have to be capitalized under the Code Sec. 263A uniform capitalization (UNICAP) rules. To qualify for the election, the cost of a unit of property can't exceed $5,000 if the taxpayer has an applicable financial statement (a certified audited financial statement along with an independent CPA's report). If there's no AFS, the cost of a unit of property can't exceed $500. Where the UNICAP rules aren't an issue, purchase such qualifying items before the end of 2015.

Another safe harbor provision allows qualifying small businesses to make an election to deduct the costs of work performed on a building with an unadjusted basis of no more than $1,000,000. To qualify, your business must have average annual gross receipts of no more than $10,000,000. Additionally, the total amount paid during the taxable year for the building's repairs, maintenance, and/or improvements, may not exceed the lesser of $10,000 or 2% of the unadjusted basis of the eligible building property. The building may be owned or leased.

2 - Projecting Income and Deducting Expenses - Projecting your business's income for this year and next can allow you to time income and deductions to your advantage. It is generally, but not always better, to defer tax, so consider the following:

A corporation should consider accelerating income from 2016 to 2015 if it will be in a higher bracket next year. Conversely, it should consider deferring income until 2016 if it will be in a higher bracket this year.

In addition, a corporation should consider deferring income until next year if doing so will preserve the corporation's qualification for the small corporation AMT exemption for 2015. Note that there is never a reason to accelerate income for purposes of the small corporation

AMT exemption because if a corporation doesn't qualify for the exemption for any given tax year, it will not qualify for the exemption for any later tax year. If your business uses the cash method of accounting, you can defer billing for products or services. If you use the accrual method, you can delay shipping products or delivering services.

A corporation (other than a "large" corporation) that anticipates a small net operating loss (NOL) for 2015 (and substantial net income in 2016) may find it worthwhile to accelerate just enough of its 2016 income (or to defer just enough of its 2015 deductions) to create a small amount of net income for 2015. This will permit the corporation to base its 2016 estimated tax installments on the relatively small amount of income shown on its 2015 return, rather than having to pay estimated taxes based on 100% of its much larger 2016 taxable income.

You can also accelerate deductible expenses into the current year. If you are a cash basis taxpayer, make a state estimated tax payment by December 31st, 2015, so you can deduct it this year, rather than next year. You also can consider purchasing supplies before year-end if those expenses would be incurred in 2016 anyway. Also consider having equipment or vehicle repairs done before year-end. You might also want to increase the business use of a car you drive for both business and personal purposes, to boost your total write-off for the vehicle.

If you are an accrual method business, look at deducting employee bonuses you plan to pay within the first 2 1/2 months of 2016. Think also about writing off the books any bad debts that have become uncollectible. You will then be able to take a bad debt deduction.

Both cash and accrual basis taxpayers can charge expenses on a credit card, and deduct them in the year charged, regardless of when the credit card bill is paid. If you are looking to lower your income, you also might want to consider selling assets that will generate capital or business losses on the sales of the assets.

Manufacturers' Deduction - The manufacturers' deduction, also called the "Section 199" or "Domestic Production Activities" deduction, is 9% of the lesser of qualified production activities income or taxable income. The deduction is available to traditional manufacturers and to businesses engaged in actives such as construction, engineering, architecture, computer software production and agricultural processing. It isn't allowed in determining net self-employment earnings and generally can't reduce net income below zero. But it can be used against the AMT.

If your business qualifies for the domestic production activities deduction (DPAD) for its 2015 tax year, consider whether the 50%-of-W-2 wages limitation on that deduction applies. If it does, consider ways to increase 2015 W-2 income, e.g., by giving bonuses to owner-shareholders whose compensation is allocable to domestic production gross receipts. Note that the limitation applies to amounts paid with respect to employment in calendar year 2015, even if the business has a fiscal year.

To reduce 2015 taxable income also consider of disposing of a passive activity in 2015 if doing so will allow you to deduct suspended passive activity losses. However, if you think that you will be in a higher tax bracket next year, accelerating income and deferring deductible expenses may save you more tax. Remember, don't let tax considerations get in

the way of sound business decisions. For example, the negative impact of these strategies on your cash flow may not be worth the potential tax benefit.

Business Losses - You are not in business to generate losses. However, if your business does incur a loss, you can use it to lower your taxes. You can use your net operating losses (NOLs) to your advantage. Your business has a net operating loss (NOL) when deductions exceed income for the tax year. A NOL generally may be carried back two years, or forward. Typically, you would want to carry back as much of your NOL as possible to secure a refund of income taxes paid, but you can choose not to. Any NOL that isn't carried back may be carried forward to offset future taxable income, for as long as 20 years.

3 - Ownership in Business Entities - If you own an interest in a partnership or S corporation, consider whether you need to increase your basis in the entity so you can deduct a loss from it for 2015.

4 - Prepare Your Information Reporting Early - You should start gathering information early this year to make sure that you can complete your mandatory reporting on time. Congress has enacted new legislation that more than doubles most penalties for late or incorrect information filing returns. This includes the Form W2 employers must provide to all employees and the Form 1099 a business must provide to any contractor it pays at least $600 to for services. These returns are due to recipients by February 1st, 2016, and the IRS soon thereafter.

In addition, the ACA play-or-pay penalty begins in 2015. Large employers, which generally include those with at least 50 full-time employees or the equivalent, must comply with the new health insurance laws. The play-or-pay provision imposes a penalty on larger employers if just one full-time employee receives a premium tax credit. Under the ACA, premium tax credits are available to employees who enroll in a qualified health plan through a government run Health Insurance Marketplace and meet certain income requirements, but only if they don't have access to "minimum essential coverage" from their employer, or the employer coverage offered is "unaffordable" or doesn't provide minimum value.

The IRS has issued detailed guidance on what these terms mean and how employers can determine whether they are a "large" employer and if so, whether they are offering sufficient coverage to avoid the risk of penalties. For example, to avoid the risk of a penalty for failing to offer minimum essential coverage in 2015, large employers need to offer coverage to only 70% of full-time employees, down from 95% under earlier guidance. However, the regs call for the 95% minimum to go into effect in 2016.

Also, employers with 50-99 full-time employees or the equivalent can qualify for the exemption from the play-or-pay provision in 2015 if they meet certain requirements. For example, the employer must maintain the same health care coverage it offered as of February 9, 2014. Even if employers qualify for the exemption, they still will be subject to the information reporting requirements that go into effect for large employers in 2015.

Planning tips: If your business could be subject to the penalties this year or next, review your workforce and coverage offerings. There may be changes you could make to avoid or minimize penalties. Or it may be cheaper to pay the penalties. But remember that penalties

aren't deductible, and not offering health care coverage could make it harder to attract and retain the best employees. Finally, keep in mind that there could be more guidance or changes to the law.

5 - Extended Due Dates for Business Returns - For taxable years beginning after December 31, 2015 (2016 filing season), except as noted below, the IRS has changed when some tax returns are due. Below you will find the new due dates of various tax returns.

Return Type	Due Dates Under Prior Law		Due Dates Under New Law	
	Return	Extension	Return	Extension
Partnership Form 1065	April 15	Sept. 15	March 15	Sept. 15
S Corporation Form 1120S	March 15	Sept. 15	March 15	Sept. 15
C Corporation Form 1120 Calendar Year	March 15	Sept. 15	Before January 1, 2026 Calendar Year April 15	 Sept. 15
			After December. 31, 2025 April 15	 Oct. 15
			Starting with 2016 tax returns, all other C corps besides Dec. 31 and June 30 year-ends (including those with other fiscal year-ends) will be due on the 15th of the 4th month after the year-end. A six month extension is allowed from that date.	
C Corporation Form 1120 Fiscal Year End Other Than Dec. 31 or June 30	15th day of 3rd month after year end	15th day of 9th month after year end	15th day of 4th month after year end	15th day of 10th month after year end
C Corporation Form 1120 June 30 Fiscal Year	Sept 15	March 15	Before January 1, 2026 Sept. 15	 April 15
			After December 31, 2025 Oct. 15	 April 15
			Special rules for C Corporations with fiscal years ending on June 30.	

Return Type	Due Dates Under Prior Law		Due Dates Under New Law	
	Return	Extension	Return	Extension
			The new due date rules will go into effect for returns with taxable years beginning after Dec. 31, 2025 (2027 filing season).	
Exempt Organizations Form 990	May 15	Aug. 15 Nov. 15	May 15	Nov. 15
Employee Benefit Plans Form 5500	July 31	Oct. 15	July 31	Nov. 15
Fin Cen Report 114	June 30		April 15	Oct. 15
Trusts and Estates	April 15	Sept. 15	April 15	Sept. 30

These are just a few of the year-end strategies that can make a big dollar difference to you and your family. To discuss these and other strategies that should be put in place before year end, please call us at your convenience. By contacting us, we can tailor a particular plan that will work best for you. We also will need to stay in close touch in the event that Congress revives expired tax breaks to assure that you don't miss out on any resuscitated tax-saving opportunities.

Sincerely yours,

Ceasar & Smilow, LLP