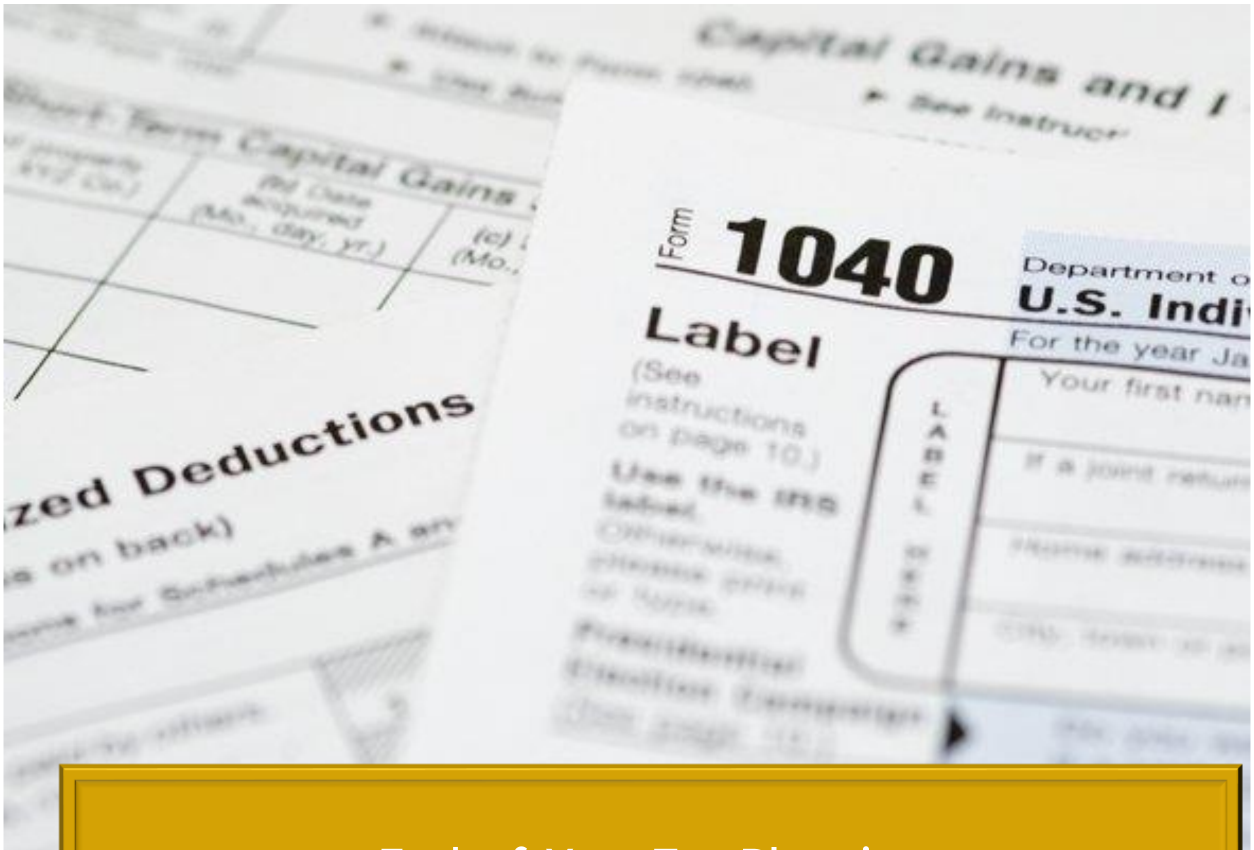

End-of-Year Tax Planning

Hurdles to be aware of, what to keep & what to toss, and other actionable ideas.

8 TAX PLANNING MUST-DO'S

1. **Defer your income**
2. **Take some last-minute tax deductions**
3. **Beware of the Alternative Minimum Tax**
4. **Sell loser investments to offset gains**
5. **Contribute the maximum to retirement accounts**
6. **Avoid the kiddie tax**
7. **Check IRA distributions**
8. **Watch your flexible spending accounts**

New Tax Hurdles to Be Aware Of This Year

The Affordable Care Act (ACA) has brought about two forms that taxpayers will need to file with 2015 returns.

Form 8962 is used for taxpayers claiming a tax credit to help pay for coverage through federal or state exchanges. Some taxpayers who received this credit when they bought coverage last year may be required to pay back a portion or all of that if their income was higher than expected.

Form 8965 is for taxpayers who qualify for exemptions from the ACA coverage.

Newly introduced options reporting affects both options traded on an exchange and options received by employees as compensation.

Brokerage firms and other financial institutions must now report sales of stock and options to the IRS if there was a transaction in 2015. Brokerage firms must also report or submit a 1099-B for the adjusted cost of those options. Previously it was the individual taxpayer that was obligated to report transactions from options and, now it has shifted to brokerage firms and financial institutions. As a special note to 1099-Bs this year will be the first time that brokerage firms are not permitted to report the investment cost on form 1099-B. The responsibility will be up to the individual tax-payer to identify the accurate cost basis for positions.

Charitable donations will be closely scrutinized. For a simple cash donation of less than $250 a bank record will suffice, and a receipt from the charity for donations for no more than $500. Should a donation of non-cash property be made exceeding $500, then Form 8283 would need to be filed.

State Tax Refunds can be either taxable or not. If a taxpayer received a state tax refund in 2014 and the standard deduction was taken, then the refund isn't taxable. If deductions are itemized then the refund could be partially or fully taxable.

For 2015, allowance for mileage deductions is 57.5 cents per mile for business travel, 23 cents per mile for medical and moving travel. It's a good idea to maintain a mileage log should there be excessive mileage deducted for either business or medical purposes.

Net Investment Income Tax is a 3.8% surtax imposed by the Affordable Care Act. That became effective in 2013. This tax applies to certain net earnings from investments owned by most couples with greater than $250,000 of adjusted gross income & singles with more than $200,000 in AGI.

Alimony is deductible by the taxpayer for spousal support and a taxable income to the recipient. Payments for child support and property settlement are not deductible amounts.

What to Keep & What to Toss

As we make our way through the piles and files of receipts and statements left over from tax time, disposing of some of these obstacles is a thought. It is always suggested to carefully shred documents containing any critically sensitive information.

The idea is to toss out what you don't need anymore, yet keep what you might need for taxes and accounting purposes. Here are some items that accumulate the most with a note as to how long to keep them:

Monthly Utility Statements - can be disposed of after three months unless the expenses are being written off for tax purposes, then you may want to maintain those until after tax time.

Pay Stubs – having the most recent pay stub handy is suggested, with no need to keep older stubs since the most recent stub should contain all YTD details. Should you be applying for a loan or mortgage, then having as much as one year's stubs available is helpful.

Credit Card Receipts & Statements– can be tossed when the credit card statement is received and reviewed. If using a credit card for business purposes, then keeping receipts for seven years is the recommended time period. Statements on the other hand should be kept for three months should there be a dispute or chargeback of an expense.

Canceled Checks – can be shredded once the bank statement arrives. Credit card receipts and business related expenses should be kept for seven years.

Bank Statements – are possibly the most important items to keep for an extended period. Like pay stubs, if a loan or mortgage application is in process, six to twelve months of statements is what most lenders are asking for nowadays.

Insurance – always replace outdated policies and coverage verifications with the most recent and keep in an accessible place should a claim need to be filed.

Medical Statements, Bills & Insurance Notices – should be kept for at least five years especially if these items are used as tax deductions and even lingering insurance payment claims. With the onslaught of recent health care initiatives, it is wise to track and file all medical related items as detailed as possible.

Tax Returns & Supporting Items - should be kept at least seven years. Supporting documents include receipts, mileage logs, spreadsheets, paid invoices and canceled checks.

Year End Tax Planning Activities

As year-end approaches, the importance of gathering necessary tax items is essential. Even though not much may have changed since 2014, it is always clever to have accurate estimates and tax items prepared for 2015.

Federal Tax Rates

For the most part, federal income tax rates for 2015 remain the same as they did last year. Federal income tax rates start at 10% and increase to a top rate of 39.6%. Keep in mind that the beginning and end points are increased slightly to account for inflation. Higher income individuals may also be susceptible to an additional Medicare tax on wages and self-employment income, as well as the 3.8% net investment income tax which can result in a higher marginal federal tax rate for 2015.

Employer Qualified Retirement Plans

Whether you are a self-employed individual or a W-2 employee, it is important to tally up any contributions that may have been made to your retirement accounts over the year. Most employer retirement accounts allow for year-end contributions until December 31st. So any additional contributions that you can make to a company qualified plan such as a 401(k) or a 403(b) should be made before the end of the year. It's a good idea to estimate how much more you can contribute then spread out the additional contributions between now and year end.

Investment Portfolios

For investors that hold securities as various types of positions, it is important to identify any investments that may have either significant losses or significant gains, which should be realized before the end of the year. With the market being as volatile as it has been, it is also important to identify any investment positions that may yield some type of tax benefit before year end.

Alternative Minimum Tax (AMT)

Affecting more and more people every year, Alternative Minimum Tax (AMT) should be carefully considered when implementing tax planning strategies going into the New Year. Originally enacted in 1969, AMT was never indexed for inflation, thus it continues to affect more and more taxpayers each and every year. AMT is essentially an additional tax on top of the standard tax tables. There's a good chance that taxpayers taking significant deductions at the state and local levels (such as state tax free municipal bond income), claiming multiple dependents, exercising stock options, or recognizing a large capital gain for the year, may eventually be affected by AMT.

Sources: Tax Foundation, IRS