



Smoker, Smith &
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CERTIFIED PUBLIC ACCOUNTANTS



A Higher Level of Commitment

VOLUME 3, ISSUE 2

Fall 2015

Several tax provisions providing additional tax benefits expired December 31, 2014. This includes Section 179 expensing, bonus depreciation, higher education tuition and fees deduction, educators' classroom expense deduction, and charitable distributions from IRAs. At this time it is unclear whether federal legislation will be modified to reinstate some or all of these provisions for the 2015 tax year.

TREASURY DEPARTMENT ANNOUNCES THE NEW myRA SAVINGS ACCOUNT

The Treasury Department announced the new myRA retirement savings account became available November 5, 2015. MyRA is a Roth IRA intended for individuals with earned income (wages or self-employment) who do not have access to a retirement savings plan through an employer.

- There are no fees or minimum contributions.
- Maximum contributions per year are \$5,500 or \$6,500 if age 50 or over.
- MyRA account balance cannot exceed \$15,000. If the account exceeds the dollar limit, or is 30 years old, the money must be transferred to a private sector Roth IRA.
- Annual income must be under \$116,000 if single, or \$183,000 if married filing jointly.
- MyRA carries no risk of losing money, as the investment is backed by the US Treasury.
- Interest is earned at the same variable rate as investments in the Government Securities Fund for federal employees. (2.31% return in 2014)
- One-time or automatic withdrawals may be made from a checking or savings account, direct deposit from a paycheck, or from a federal tax refund.
- Contributions can be withdrawn without tax and penalty. Interest earned may be withdrawn without tax and penalty only after five years of contributions being made if over age 59 ½.
- MyRA's accumulate earnings tax free.
- A myRA account may be opened by calling 855-406-6972 or online at myRA.gov.

2016 INFLATION ADJUSTMENTS

IRS recently released Revenue Procedure 2015-53, which provides annual inflation adjustments and other tax changes for tax year 2016.

- Maximum employee contributions to 401(k), 403(b), and most 457 plans remain the same at \$18,000 plus catch-up contributions of \$6,000.
- SIMPLE plan contributions remain at \$12,500 plus catch-up contributions of \$3,000.
- IRA contribution limits remain \$5,500 plus catch-up of \$1,000.
- With the exception of the head of household filing status, standard deduction amounts remain the same. There will be a slight increase of \$50 for head of household filing status to \$9,300.
- Personal exemptions will increase to \$4,050.
- Estates of decedents who die during 2016 will have a basic federal exclusion amount of \$5,450,000, up from \$5,430,000.
- Annual gift exclusion remains \$14,000 per donee.

INFORMATION RETURN PENALTIES

As stated in our last newsletter, penalties for failure to file information returns will significantly increase to \$260 per unfiled form. (This will apply to 2015 W-2 & 1099 forms.)

IRS COLLECTED OVER \$8 BILLION FROM OFFSHORE TAX COMPLIANCE

The IRS has collected over \$8 billion from its Offshore Voluntary Disclosure Program as record numbers of taxpayers have come forward to disclose previously hidden foreign assets. There has been quite an effort around automatic reporting of foreign accounts. The IRS has noted that under the Foreign Account Tax Compliance Act and the new network of intergovernmental agreements with the US, automatic third-party account reporting began during 2015. This is making it less likely that offshore financial accounts will go unnoticed by the IRS.

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US citizens, resident aliens, and certain non-resident aliens may have foreign reporting obligations. FINCen Form 114, Report of Foreign Bank & Financial Accounts, may be required to be filed if the taxpayer has over \$10,000 in foreign financial accounts at any time of the year. Form 8938, Statement of Specified Foreign Financial Assets, may be required to be filed if you have an interest in a foreign account investment or pension. Please call us to discuss your individual situation if you have an interest in financial accounts located outside of the U.S.

IRS WARNS AGAINST SCAM PHONE CALLS

The IRS is again urging the public to stay alert for scam phone calls. Criminals pose as the IRS to trick victims out of money and/or their personal information. They claim to be IRS officials demanding payment through a prepaid debit card or wire transfer. They may also leave “urgent” messages. The callers try to scare their victims by threatening arrest, deportation, etc. Often, the caller ID may look like the IRS such as “Washington DC”, “US Government”, etc.

Should you receive one of these phone calls, do not give out any information and hang up immediately. You may report the call to the Federal Trade Commission on FTC.gov, your local police department, or by calling 1-800-366-4484 (Treasury Inspector General for Tax Administration).

PLANNING ISSUES

In light of the current economic and legislative environment, taxpayers must pay attention to several planning issues.

- Keep an eye on Congress for “extended” tax legislation.
- Document your business activities for the number of hours of material participation.
- Plan charitable donations by year end.
- Consider deferring consulting income and bonuses until next year.
- Do you have capital gains that could be offset by a capital loss carried over from last year?
- Medical expenses are subject to AGI limits: 10% if under 65 & 7.5% if 65 or over.
- It’s still time to increase your withholdings if necessary.

To avoid an unexpected balance due from the IRS in April, call us to schedule your year-end planning appointment.

Please do not hesitate to contact your tax advisor at Smoker, Smith & Associates if you have any questions concerning any of the topics covered in this newsletter.

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