

OCTOBER 2016

---

## Tax filing reminders

- **October 17** – Deadline for filing your 2015 individual tax return if you requested an automatic six-month extension of the April deadline.
- **October 17** – If you converted a regular IRA to a Roth in 2015 and now want to switch back to a regular IRA, this is the deadline to do so without penalty.
- **October 17** – This is the last day to fund your Keogh or SEP plans if you requested an extension of time to file your tax return.

## Plan ahead for year-end business tax savings

As the end of the year approaches, turn your attention to ways you can reduce your 2016 tax liability. Here are suggestions.

1. **Business equipment.** Take advantage of end-of-year sales on business equipment. For 2016, a maximum Section 179 deduction of \$500,000 and 50% bonus depreciation are generally available for qualified property placed in service anytime during the year. Be aware that special limits apply to vehicles.
2. **Business trips.** When you travel to wrap up year-end business deals, you can write off your expenses – including airfare, lodging, and 50% of the cost of meals – if the primary motive of the trip is business-related. Costs attributable to personal side trips are nondeductible. If you travel by car, deduct actual business-related auto costs or a flat rate of 54 cents per mile (plus tolls and parking fees).
3. **Entertainment and meals.** Generally, you can deduct 50% of the cost of entertainment and meals that precede or follow a “substantial business discussion.” For example, you might treat a client to dinner and drinks after completing a contract earlier in the day. In this case, you can include 50% of the expenses for the client and yourself, as well as for spouses and significant others.
4. **Company outings.** Generally, deductions for business entertainment and meals are limited to 50% of the cost. However, if you throw a company-wide holiday party before year-end, you might be able to deduct 100% of the cost when you meet certain requirements, such as inviting your entire staff.
5. **Hire your child.** Does your teenaged child want a job to help pay for holiday gifts? If you hire your child, reasonable wages paid for actual services rendered are deductible, the same as wages of other employees. The wages will be taxable to your child at your child's tax rate, which may be lower than your rate or that of your business.
6. **Job credits.** When your business hires workers from certain “targeted groups,” such as veterans and food stamp recipients, you may be able to claim the Work Opportunity Tax Credit. The maximum credit is generally \$2,400 per qualified worker.

## New procedure for 60-day rollover errors

Did you inadvertently miss the 60-day time limit for making an IRA or retirement plan rollover? You may be able to avoid taxes and possible penalties by notifying your account trustee with a “self-certification.”

When you take a distribution from your IRA or qualified plan with the intention of depositing it, or “rolling it over,” into another IRA or qualified plan, the 60-day rule says you're required to complete the rollover within 60 days of receiving the distribution. In the past, when you missed the deadline, you generally had to request relief from the IRS. That meant paying a fee and going through a process to obtain a written statement waiving the rule.

Now, the IRS says that in some cases you can “self-certify” by submitting a written letter to your financial institution or trustee explaining why you missed the 60-day deadline. Your error must be one of eleven allowable reasons, such as death or serious illness in your family, severe damage to your principal residence, or misplacing and never cashing the distribution check. Contact us for more information.

## Tax relief for Louisiana storm victims

Victims of the August storms and floods in Louisiana have until January 17, 2017, to file individual and business federal tax returns with due dates on or after August 11, 2016. Taxpayers can also choose to claim casualty losses on current or prior-year federal income tax returns in order to obtain an earlier refund. Contact us for details.

## Smart financial decisions are simple, but not easy

Seeing purchases your friends post on social media can leave you envious – and might also foster a desire to buy a similar item. That can be a problem if your goal is long-term financial freedom, because spending money on items you may not need can derail your plans. Three simple habits can help you stay on track.

- 1. Live below your means.** Living below your means requires that you discover what those “means” are. To find out, use a budget app, an online financial site, or old-school pencil and paper to track your income and expenses over a month or more. You'll learn how much disposable income you receive and what your spending habits are, and you might be surprised at how your money habits hurt your finances. By spending less on nonessentials, you'll be able to save for the future and develop long-term wealth.
- 2. Save for emergencies.** By setting aside money in easily accessible accounts, you avoid racking up credit card bills when unexpected expenses occur. Such expenses could include your out-of-pocket costs for trips to the emergency room, repairs to the family car, or patching a hole in the roof. A reserve fund can also help you survive periods of unemployment without incurring additional debt.
- 3. Use debt wisely.** Necessary debt can generally be linked to appreciating assets, such as your home mortgage, or assets used to generate income, such as a basic car for getting to work or school. Unnecessary debt, on the other hand, might include routine credit card charges or installment loans for depreciable items. Ask yourself whether you can pay off new debt from next month's income.

Making smart financial decisions isn't glamorous or easy, and requires more than a little self discipline. Your reward for persevering: substantial long-term benefits. If you'd like additional suggestions for achieving financial freedom, contact our office.