



Ernest D. Kelly, LLC
3220 General DeGaulle Dr. Ste. 200
New Orleans, LA 70114

2016 TAX HIGHLIGHTS

Uninsured Flood Losses

You can claim uninsured losses from the March storms or August floods on your 2015 or 2016 return if you live in any of the 49 parishes declared disaster areas.

Affordable Care Act

The Affordable Care Act continues to be a hot topic. Here are a few things you should know.

1. In 2016 everyone must have Minimum Essential Coverage (MEC), or have a coverage exemption certificate through the Market Place or make a shared responsibility payment to the IRS for lack of insurance. Everyone claimed on your income tax return must also have health insurance coverage.
2. Exemptions from the Marketplace has to be obtained at the earliest opportunity. Ex: members of certain religious groups, general hardship, coverage considered unaffordable, etc. Exemptions from the IRS can only be obtained by filing a federal return. Ex: Short gap coverage, income below return filing threshold, citizens living abroad, certain non-citizens, etc.
3. Payments are required if you did not have the MEC for any month of the year and an exemption for the months without insurance. Payments are computed based on 2.5% of yearly income over the filing threshold or \$695 per person (1/2 for child under 18). Maximum penalty is \$2,085. You will pay whichever is the higher of the two calculations.

Long Term Planning for Minimizing Your Taxes

1. Pay January's mortgage, property tax and medical bills in December of 2016.

2. Consider tax free investments such as Municipal bonds and other tax-free investments.

3. 401K's, IRA's and other tax sheltered investments to defer taxable income is also advisable. This can also make you eligible for the Retirement Savings Contributions Credit which could reduce tax liability up to \$2,000 depending on your filing status, income and contributions made to 401K or an IRA.

4. Donate items to non-profit organizations. Remember to get receipt for donations and list items donated and values.

5. Second mortgages and lines of credit on your home can be deducted on your tax return.

6. Selling losing stocks or mutual funds would help up to \$3,000.

7. Student loan interest paid is a deduction.

8. Tax free saving bonds are another approach to save for college. Interest escapes taxes when used to pay college.

9. You can save up to \$2,000 per child in an educational

IRA. Also consider the Federal 529 Plan as well as the LA Start Program.

10. For those of you who work out of town, the new mileage rate is 54 cents. You can take the actual expense of operating your vehicle plus depreciation or the standard allowance. You can also deduct lodging, laundry, phone and other work related expenses. **This year the IRS focused on auditing the industry that mostly claim employee business expenses. Remember that it is important that you keep your receipts and reports.**

For those of you with Businesses

1. Consider hiring your children under age 18. They can earn up to \$6,300 without being taxed. This is called income splitting.

2. Create SEP retirement plans up to \$52K through the business and lower taxes in the process.

3. Section 179 limit is \$25,000 in 2016. Bonus Depreciation has been extended indefinitely. You can deduct 50% of the value of

qualified property in the first year.

4. Home office deduction is now easier to calculate and can be based on a maximum credit of \$1,500.

5. Businesses can receive a tax employment credit for hiring Veterans.

6. The Health Insurance Credit is 50% of premiums paid for small business employers and 35% of premiums paid for small tax-exempt employers. To be eligible For the credit, a small Employer must pay premiums on behalf of employees enrolled in a Qualified health plan offered through a Small Business Health Options Program (SHOP) Marketplace or qualify for an exception to this requirement. The credit is available to eligible employers for two consecutive taxable years.

7. Owner of LLC's and S - Corporations need to know what your basis is in the company. You are only allowed to deduct losses up to your basis in the business.

American Taxpayer Relief Act of 2012

This act extended the law for the following child related benefits through December 31, 2017.

- ◆ Child Tax Credit/Additional Child Tax Credit.
- ◆ You still have the option of using the American Opportunity Tax Credit for college students.

Identity Theft

Identity theft is a growing threat as hackers are coming up with more clever methods to gain access to your personal information. If you have been a victim of identity theft, and the IRS issues you a pin, please bring this 6-digit pin to your appointment.

Things to bring to Appointment

- ◆ W-2's & 1099 Forms. Income from all sources including withdrawals from retirement accounts and royalties.
- ◆ Birth Certificate and social security card for all dependents.
- ◆ Proof that dependents reside in your home.
- ◆ Child Care Expenses.
- ◆ Form 1098-T for claiming the education credit or deduction.
- ◆ Mortgage interest and property tax statements on all property you own.
- ◆ All medical expenses paid if they are over 10% of your AGI (7.5% if 65 or older).
- ◆ All charitable contributions (Must provide proof of all contributions).
- ◆ Gains or losses on sale of real estate, stocks and business assets.
- ◆ Cancellation of debts.
- ◆ Income and expenses related to investment property.
- ◆ Contributions to all retirement plans.
- ◆ Settlement sheet if purchased home in 2016.
- ◆ Job Search expenses if you are looking for employment in the same field you previously worked in.
- ◆ Casualty losses and thefts (Must have police reports and insurance documentation).
- ◆ All work related expenses not reimbursed by employer.
- ◆ If working out of the country, we need the dates you are out of the country and what country you worked in.
- ◆ Form 1095-A or 1095-B
- ◆ Declaration page of homeowner's insurance policy.

TAX CHANGES FOR 2016

1. Personal exemption is \$4,050.
2. Tax of 3.8% on certain net investment income to the extent of modified AGI is above threshold: MFJ & QW \$250,000, S & HOH \$200,000 and MFS \$125,000.
3. Additional Medicare Tax provides for .09% on wage, compensation and self-employment income received above certain threshold amounts (Same amounts as above thresholds).
4. Your social security benefits generally are not taxable if half of your benefits, plus all your other income is less than \$25,000 if you are single (\$32,000 if you are married filing jointly).
5. Taxable Social Security limit is \$118,500.
6. Maximum Earned income credit is \$6,269 with three or more qualifying children, \$5,572 with two qualifying children, \$3,373 with one qualifying child and \$506 with no qualifying children.
7. Earned income and AGI must each be less than \$47,955 (\$53,505 MFJ) with three or more qualifying children, \$44,648 (\$50,198 MFJ) with two qualifying children, \$39,296 (\$44,846 MFJ) with one qualifying child and \$14,880 (\$20,460 MFJ) with no qualifying children to receive EIC.



ERNEST D. KELLY, LLC

INDEPENDENT ACCOUNTANT
3220 GENERAL DEGAULLE DR. STE. 200
NEW ORLEANS, LA 70114

IMPORTANT DATES TO REMEMBER

STARTING IN 2016 THE FILING DATES WILL CHANGE FOR CERTAIN BUSINESSES

- March 15th - 1065 and 1120S returns are due. Also extension to file return late is due.
- April 17th.— 1040 Series and 1120 returns are due. Also extension to file 1040's and 1120 are due.
- May 15th—990 returns are due. Also extension to file return late is due.
- September 15th—1120, 1120S, and 1065 returns that filed for extensions are due.
- October 16th—All 1040 returns that filed for extensions are due.
- November 15th—990 returns with extensions are due.

Remember the extension does not relieve you of penalties and interest associated with tax liabilities. They only relieve you from failure to file penalties and interest. Payments are due on the original due date. If you think you will owe you should make an estimated tax payment before the due date.

The IRS is penalizing businesses for returns that are not filed on time or past the extension deadline. They will abate the penalties one time. After that you must show reasonable cause as to why your return was not filed in a timely manner.

IF YOU REQUIRE AN EXTENSION, YOU MUST CONTACT OUR OFFICE AT LEAST TWO BUSINESS DAYS BEFORE THE EXTENSION DUE DATE IN ORDER TO INSURE YOUR EXTENSION HAS BEEN FILED AND ACCEPTED BY THE IRS.