Comprehensive Tax Service

THINGS TO KEEP IN MIND REGARDING TAXES-

The deadline for filing your 2015 tax returns are;
Individuals, Partnerships, Trusts and Estates - April 18, 2016
Corporations – March 15, 2016

Itemized Deductions-
Gifts or Contributions
If you gave a gift or made a contribution in 2015 to a qualified charitable organization, you may qualify for an income tax deduction. Charitable contributions are deductible only if you itemize deductions on your federal Form 1040, Schedule A, and have the proper documentation to support the deduction. It's important to note that payments to individuals are never deductible. Generally, the deduction for most charitable contributions is limited to 50 percent of your client's federal adjusted gross income (AGI), but in some cases limitations of 30 percent and 20 percent of federal AGI may apply. Additionally, if your client received a benefit as a result of making a contribution to a qualified organization, the deduction is limited to the amount of the contribution exceeding the value of the benefit received. This issue frequently arises when a contribution entitles the donor to merchandise, goods, or services, including admission to a charity ball, banquet, theatrical performance, or sporting event. For example, if your client buys a ticket to a charity dinner for $100, and the dinner itself is valued at $35, the donation will be limited $65 -- the amount that exceeds the fair market value of the benefit received.
Contributions of $250 or more to any single charity requires written acknowledgment of the contribution by the charity The charity's written acknowledgment must contain all of the following information:

- Organization name.
- Amount of cash contribution.
- Description (but not the value) of any non-cash contribution(s).
- Statement that the organization did not provide goods or services in return for the contribution, if that were the case.

Non-cash contributions over $500 require IRS Form 8283, Non-cash Charitable Contributions, to be completed and filed with the tax return for the year of the donation. If your client claims a deduction for a contribution of non-cash property greater than $5,000, they will need a qualified appraisal of the non-cash property; however, it does not have to be included with the tax return.

Standard Mileage Rates -

Instead of using the business portion of the actual expenses of operating a vehicle, IRS permits taxpayers to use a standard mileage rate. The rates have now been released for travel on or after January 1, 2016

Business rate is 54 cents per mile (down from 57.5 for 2015). The depreciation portion of this rate is 24 cents per mile (same as 2015).

Charitable rate is 14 cents per mile and is set by Congress therefore will not change until Congress makes such a change.

Medical and moving rate is 19 cents per mile (down from 23 for 2015).

Some Extender Items Extended for Two Years (2015 & 2016):

* Energy Credit (10%) for energy efficient items for the taxpayer's principal residence (i.e., storm windows and doors, insulation, certain furnaces, etc.) with same limitations as previous (i.e., $500 lifetime limitations, etc.)

* Mortgage insurance premiums

* Cancellation of Indebtedness exclusion for qualified principal residence indebtedness of $2,000,000

* Tuition deduction

* Two-Wheeled Electric Plug-in Vehicles (but not the 3-wheeled vehicles)

* Energy Efficient Home Credit (builder's credit of $1,000 or $2,000)

* Credit for Fuel Cell Vehicles

Some Extender Items Made Permanent:

* Section 179 limit of $500,000 with a phase out beginning at $2,000,000. These amounts will also be indexed in $10,000 increments in future years. For tax years beginning in calendar year 2015 the $250,000 limit remains in effect for qualified real estate. For tax years beginning after 2015 qualified real estate could use the entire $500,000. Also made permanent is the ability to

claim 179 for qualified software and the ability to claim more or revoke a prior election.

Air conditioning and heating units are treated as eligible for Section 179 for property placed in service after December 31, 2015.

* 15-year depreciable life for qualified leasehold improvements, retail improvements, and restaurant property.

* Research Credit with some modifications

* S corporation Built-in Gains recognition period of five year

* Employer Wage Credit for employees who are active duty members of the uniformed services

* Refundable part of the Child Tax Credit using the $3,000 wage base

* American Opportunity Credit

* Earned Income Credit (higher amount for third child and higher AGI phaseout level for married taxpayers filing jointly)

* Educator deduction ($250). It is also now indexed for inflation in increments of $50 and has a modification for professional development for years beginning after December 31, 2015.

* Sales tax deduction

* Tax free distributions (direct transfer) from IRAs to charity

* Transit passes and parking benefits using an indexed base of $175 (instead of the former $100 base) to make permanent the matching of the higher levels of excluded benefits.

<u>State of Oregon Special Medical subtraction:</u>

This medical care expense subtraction replaces the existing medical care expense deduction for

taxpayers who itemize deductions and are age;

- 63 years old in 2014 and 2015;
- 64 years old in 2016 and 2017;

- 65 years old in 2018 and 2019; and
- 66 years old in 2020