

The Rudolph Report

www.rudolphcpa.com Year end 2015

To our clients:

I apologize for the late mailing of this newsletter, but I've been basking in the afterglow of the Cubs season. Until this summer, I always believed that I would have to sell my soul for a sniff at the pennant (*knowing that I'd get the better half of the deal*). As a Cub fan, I can honestly state that I can't wait until next year. And while it would be fun to address off season acquisitions, it's probably best to discuss income taxes.

This newsletter will focus on issues that affect many of you: tax changes, IRS scams, health care, year-end tax tips, and relations with your mother in law. Because tax planning is often specific to the needs of each person, please contact our office to discuss any tax issue that has you feeling bamboozled.

All of our accountants are returning this year. Charlie, Wayne, Arturo, and I have been attending continuing education seminars to get more smarter and to keep pace with the evolving tax code. We've taken our warm up swings, and we're ready for your best pitch. (*unless it's a brush back*).

Thank you again for working with our firm. I hope you find a few moments of rest over the holidays and that your celebration does not involve amphibians. We look forward to serving you.

Happy Festivus,

Chris Rudolph CPA

2015 HEALTH CARE TAX CHANGES

New tax forms 1095-B and 1095-C will be sent to you this year if you have health insurance through employment or if you've purchased insurance outside of the exchange. The form is used to verify on your tax return that you have qualifying insurance for you and your dependents. For those who purchased insurance through the exchange, also known as the marketplace, you will receive form 1095-A which must be used to reconcile your advanced premium tax credit. For those who have not carried insurance in 2015 for the entire year, the penalty has increased from last year: the greater of 2% of your income or \$325 per adult and \$162 per child. The penalty calculations and administration of the health care law are a tad more complicated than what's described above (*note sarcasm*). If you have a situation that you'd like to discuss, please call our office. Otherwise, you can call Health and Human Services and wait on hold until the next passing of Haley's Comet.

NEW TAX SCAM

Scam artists **purporting to be IRS agents** have been placing phone calls to residents in the Chicago area recently. The scam includes a threat to pursue a lawsuit unless monetary demands are met. If nobody answers the phone, then a message is left which includes a phone number to contact. Upon returning calls, the scam artists answer the phones. This is the first cue that this is a scam: the IRS never answers the phone!

Our office has heard from some clients who have received these calls. Here is our insight:

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- Please note that the IRS never initiates communication with a phone call.
- Do not engage with these clowns. They are constantly seeking information to manipulate people.
- We have informed the local criminal investigation branch of the IRS regarding these scams. They are overwhelmed with the cases, yet they give our blessing to tar and feather the perps.

REPORTING OF FOREIGN ASSETS

If, at any time of the year, you have **accounts overseas** that exceed \$10,000 in value, you must report these assets with a FinCen Report 114 (FBAR). Filing this return is separate from the filing of your personal tax return. The due date has now changed to April 15th from June 15th. Willful failure to report these assets can result in a penalty of 50% of the foreign assets. Additionally, form 8938 needs to be filed with your tax return if your foreign assets exceed \$50,000 (\$100,000 if you are married). If you have failed to file disclosure returns of foreign asset in past years, please contact us so that we can form a compliance strategy that will hopefully avoid doctoring your passport and hiding under desks in our satellite office in Budapest.

A FEW TAX CHANGES

- The emphasis is on "few." Small businesses can now expense items that cost less than \$2,500 rather than accounting for the costs of those items under depreciation methods.
- Employees who participate in a medical FSA can now carry over up to \$500 into

the next calendar year, presuming the plan has adopted the changes.

- No more bullet points. See? "few"

EXPIRING EXTENDERS

After **Congressional grandstanding** and manufactured deadlines, key tax extensions might occur. Warning: this will demand cooperative action by our elected officials. Don't hold your breath. Do consider finding a good bookie to wager outcomes (May I suggest searching in Stone Park?). Currently, tax provisions which are set to expire include the \$250 deduction for teachers' expenses, the deduction of mortgage insurance premiums, tax-free distributions from IRA's for charitable purposes, and accelerated depreciation amounts for the purchase of capital equipment.

YEAR END TAX TIPS

- Consider realizing a portion of capital gains if you are in the 15% tax bracket for ordinary income because your capital gains tax is 0%.
- Consider paying your 4th quarter state estimate in 2015 to receive a federal tax deduction (unless you are subject to alternative minimum tax).
- Bundle your charitable deductions and allocate your income to either 2015 or 2016, depending on a varying tax rate.
- Nefariously re-gift left over Thanksgiving eel roll-ups made by your creative mother-in-law.
- Consider converting part of your traditional IRA to a Roth IRA if you find yourself in a lower tax bracket this year (let's talk first, however).

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