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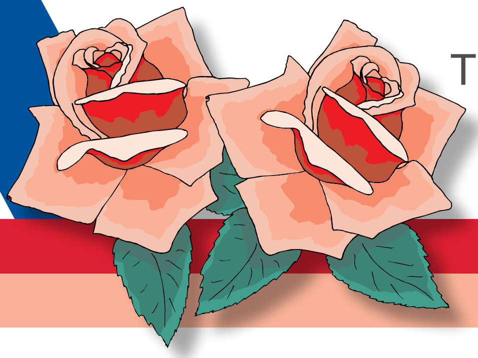


Indiana Business Personal Property Tax Changes

Submitted by Martha Elliott

Some important changes have been made for the current filing season for business personal property taxes. First and foremost, the assessment date has changed from March 1st to January 1st effective in 2016. This is welcomed news as the new assessment date coincides with the year-end date of most companies. The due date of the returns has not changed and continues to be May 15th (May 16th in 2016).

Second, also beginning in 2016, a taxpayer's business personal property will be exempt from taxation if the acquisition cost of the property is less than $20,000 as of the assessment date. The $20,000 threshold is based on the total assets located within a county. A company with locations in two separate townships but in the same county that each has $15,000 of taxable assets will not qualify for the exemption as the total assets within the county exceeds $20,000. A taxpayer who qualifies for this exemption must file a notarized certification with the county by May 15th (May 16th in 2016) or may be assessed a $25 penalty. Counties have the option of charging a service fee (maximum of $50) for processing the exemption forms.

Not-for-profit organizations will continue to file a business personal property tax return regardless of the level of taxable assets.

Additional changes may be forthcoming as the Indiana legislators are still contemplating further modifications, such as whether to repeal the requirement for notarizing the exemption. Please contact Martha Elliott or Danielle Thompson if you have any questions about the new rules.

Standard mileage rates reduced for 2016

- Business. Starting January 1, the standard mileage rate for driving a vehicle for business purposes is set at 54 cents per mile. That's down from 57.5 cents in 2015.
- Medical and moving. The rate for medical and moving mileage decreases from last year's 23 cents a mile to 19 cents a mile.
- Charity. The general rate for charitable driving remains at 14 cents a mile.

Tax extender act renews tax breaks

In mid-December, Congress renewed a long list of tax breaks known as "extenders" that have been expiring on an annual basis. This year many of the rules are retroactive to the beginning of 2015, and you can benefit from them as you prepare your 2015 federal income tax return.

In addition, the Protecting Americans from Tax Hikes Act of 2015, which was signed into law on December 18, 2015, makes some of the rules effective through December 31, 2016. Others are effective through 2019, and some are effective permanently. Provisions in the Act also make changes to existing tax rules that were not part of the extenders. All of these changes will affect your tax planning for 2016 and future years. Here's an overview of selected provisions.

- $ When you're age 70½ and over, you can make a tax-free distribution of up to $100,000 from your IRA to a charity. This provision was reinstated for 2015 and is now permanent.
- $ The deduction for up to $250 of out-of-pocket eligible educator expenses is available for your 2015 return. It's now permanent and will be indexed for inflation beginning with 2016 tax returns.
- $ You can choose to claim the itemized deduction for state and local sales taxes in lieu of deducting state and local income taxes on your 2015 return. This break is now permanent.
- $ The tuition and fees above-the-line deduction for qualified higher education expenses is available for 2015 and 2016.
- $ If you're a homeowner, you can exclude mortgage debt cancellation or forgiveness of up to $2 million in 2015 and 2016. Discharges of qualified mortgage debt can also be excluded after January 1, 2017, if you have a binding written agreement in effect before that date. This tax break is only available for your principal residence.
- $ The maximum Section 179 deduction for qualified business property, including off-the-shelf software, is available for 2015 and is now permanently set at $500,000 (subject to a taxable income limitation). The deduction is phased out above a $2 million threshold. Both thresholds will be indexed for inflation beginning in 2016.
- $ The additional first-year depreciation deduction, known as "bonus depreciation," is available for 2015 when you buy qualified business property. The deduction is extended through 2019.
- $ You can claim the work opportunity tax credit for 2015 if you hired eligible individuals last year. This credit is extended for five years (through 2019).

Because the Act was passed so late in the year, you'll have to review your 2015 transactions to take advantage of applicable breaks and claim them on your 2015 federal income tax return. Also, with the rules now extended through 2016 (and in some cases beyond), you can begin to update your current tax plan with some measure of certainty.

Give us a call for more information and for help in determining which changes affect you.

Keys to effective cash management

Add cash management to your list of business goals for 2016. Commitment to effective practices and techniques can be the key to keeping your business operating on a sound footing. Some tips:

Reduce lag time. Reducing the time between sending out invoices and receiving payment may take the form of giving incentive discounts to customers who pay early. On the expense side, aim for just-in-time inventory to reduce holding costs.

Establish a line of credit. To cover shortfalls resulting from excessive lag time, unforeseen business disruptions, or weakening in your particular market, set up a line of credit with your local financial institution. What to watch out for: The tendency to let short-term credit develop into a crutch that props up poor cash management.

Check out new customers. Assess whether new clients are likely to pay on time before extending credit. Deadbeat clients can squeeze your firm's cash flow quickly.

Grow with caution. Expanding into new markets can bring momentum and additional sources of income. But developing new product lines, expanding facilities, hiring employees, and ramping up your marketing budget all consume cash. Be sure your cash forecasts are accurate. Review and update them on a regular basis.

Be aware of inflation-adjusted 2016 tax numbers

Certain tax numbers are adjusted for inflation each year. This year, many of the numbers are unchanged or change only slightly from 2015 amounts. Here are some of the tax numbers to use in your 2016 tax planning.

■ The maximum earnings subject to social security tax in 2016 is $118,500, unchanged from 2015. The $15,720 earnings limit for those under full retirement age is also unchanged. If you've reached full retirement age, there is no earnings limit.

■ The "nanny tax" threshold is $2,000 in 2016, up from $1,900 for 2015. If you pay household employees $2,000 or more during the year, you're generally responsible for payroll taxes.

■ The "kiddie tax" threshold remains $2,100 for 2016. If your under-age 19 child (under age 24 for students) has more than $2,100 of unearned income, such as dividends and interest income, this year, the excess could be taxed at your highest rate.

■ The maximum individual retirement account (IRA) contribution you can make in 2016 remains unchanged – $5,500 if you're under age 50 and $6,500 if you are 50 or older.

■ The maximum amount of wages employees can put into a 401(k) plan remains at $18,000. The 2016 maximum allowed for SIMPLE plans is $12,500. If you are 50 or older, you can contribute up to $24,000 to your 401(k) and $15,500 to your SIMPLE plan.

■ For 2016, the maximum amount you can contribute to a health savings account is $3,350 for individuals and $6,750 for families. The catch-up contribution when you're age 55 or older is $1,000.

Contact us for additional information about these and other inflation-adjusted tax numbers.

Be aware of inflation-adjusted 2016 tax numbers

Discussing finances with your parents may be a talk none of you are eager to tackle. But addressing the topic can benefit your entire family by clarifying your parents' wishes and enabling you to help establish a joint plan for carrying those wishes to fruition. Here are questions that can start the dialogue.

Legal – Do your parents have a will and an estate plan? Have they executed a trust, a durable power of attorney for finances, or an advance healthcare directive? Will they allow you to review the documents and/or speak with their attorney?

Medical – What medical insurance policies are in place? Do your parents have long-term care insurance? Who is their personal physician and what significant medical issues exist?

Income, expenses, and debt – What are the sources and amounts of your parents' income and expenses? To whom do your parents owe money, and how much do they owe?

Records – Where do your parents keep tax returns, bank and brokerage statements, and similar records? Who are their tax preparers, financial advisors, and/or stockbrokers? Will your parents allow you current access to those records and advisors?

Talking about finances with your parents can be a daunting prospect. Give us a call if you'd like us to be part of the conversation. We're here to help.

Get the right paperwork to claim charitable deductions

What supporting documentation do you need to claim charitable deductions on your federal income tax return?

In general, you can support monetary contributions of any amount with a cancelled check, credit card statement, proof of payroll deduction, or a receipt from the charity. The paperwork must show the organization's name and the amount and date of your contribution.

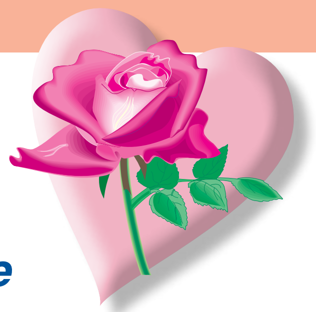
When you contribute cash of $250 or more, get a written acknowledgement from the charity. The receipt must show the name of the charity, the date of your donation, and the amount donated, as well as a description and the estimated value of any nondeductible item (such as a book or dinner) provided to you.

For property donations, keep copies of support for the value you claimed. The allowable deduction for a property donation is generally limited to the lesser of cost (or other basis) or fair market value. That means you'll need records showing what you paid for the item, as well as support for the current value. For example, you might use ads from second-hand stores or consignment shops to determine the fair market value of donated clothing and household items.

Be aware that the higher the value of a property donation, the more support you need. When you donate an item with a value under $250, ask for a receipt from the charity showing the organization's name, the date and location of the contribution, and a description of the property. For items valued up to $500, the receipt also needs to include a statement indicating whether you were given any goods or services in exchange for your contribution. In addition, the receipt must provide a description and estimated value for those goods or services. If you donate property with a value between $500 and $5,000, your paperwork must show how and when you got the property and its cost or other basis. Items valued over $5,000 generally need a written appraisal from a qualified appraiser.

Additional requirements apply when you donate property that has appreciated in value. Call us for more information.

SPOTLIGHT ON INSIGHT



Meet our Interns and new Associate

Solongo Gonchigsuren and Balazs Pirot (Goshen interns)

Solo - Currently I am a senior accounting major at Goshen College. I am from Ulaanbaatar, Mongolia. I speak Mongolian, Russian and English fluently. During my spare time I love to read and analyze world news, and play volleyball or tennis with my friends. Last year I was a Goshen Rotary scholarship recipient. Here at Insight I am interning for a second tax season after having a wonderful experience last year.

Balazs - My name is Balazs Pirot and I am from Budapest, Hungary. I am currently a Senior at Goshen College majoring in Accounting and Information Technology. I am attending the Goshen Rotary club this semester as one of their College scholarship recipients. I have been playing tennis since I was 6 years old, and played for the Maple Leafs for 4 years. I am working hard to be a CPA and make accounting my future career.

Lauren Eby (Associate)

As a recent college graduate, I am looking forward to the opportunity to work in both tax and assurance at Insight Accounting Group. I graduated from Calvin College with my Bachelor in Accounting in 2014. Prior to Insight my professional experience included various accounting internships and working for a large public accounting firm.

Relocating to Goshen this past summer has been a great transition. I have enjoyed the opportunity to get involved in the community. I spend time volunteering with ADEC, attending Zumba classes, working on house projects with my husband, and crafting. During the warmer months I enjoy spending time at the lake with family and friends.

The Indiana CPA Society online community was created to bring CPA's across the state together to promote discussions and share knowledge between practitioners. Our own Corbin Miller provided significant contributions to these discussions in 2015 and was recognized by the INCPAS for his engagement.

Mary Grimer (South Bend Intern)

I was born and raised in Kenya. I came to the United States twelve years ago mainly for education, earning my BS in Accounting from IUSB. When I am not working I spend time with my husband of seven years and our two kids (ages four & one).

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.