CRAFT, NOBLE & COMPANY

Welcome to Craft, Noble and Company's e-news update. Busy season is here and we are working hard for you. Here's the most current news for you to read while you gather all of your tax information. If you would prefer to receive a print copy of each quarterly e-newsletter, please call our office to place that request.

Be sure to follow us on social media, we are on Facebook so give us a “Like” for more up-to-date news and information.

Likewise, if you know a friend or colleague who might be interested in receiving this e-newsletter, just click the "Forward to a Friend" button. Privacy and confidentiality is a hallmark of our business, so you can be assured your name or address will not be shared with anyone.

Major Upcoming Tax Deadlines

March 15th- The first tax return filing deadline of the season as calendar year Corporations Income Tax Returns are due. This is also the final day to elect S-Corp status for 2016.

March 31st- The deadline for 1099’s to be electronically filed with the IRS.

April 18th- Individual Income Tax returns are due, if you need more time give us a call so we can file an extension on your behalf.

Payroll Tax Deposits- Employers must make their deposits for the Form 941 payroll taxes (federal income tax withheld and the employee and employers share of the social security taxes). These deposits should be made either monthly or semiweekly depending on your deposit schedule. Exceptions apply if you owe $100,000 or more on any day during the deposit period, if you owe $2,500 or less for the calendar quarter, or if you estimated annual liability is $1,000 or less.

> **Monthly deposits**- These deposits are required to be paid within a calendar month by the fifteenth of the following month.
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> **Semiweekly deposits**- These deposits are required to be paid on Wednesdays or Fridays, depending on when wages are paid.

For any questions you may have on these deadlines, contact our office.

IRS Lowers Business Mileage Rate for 2016

The IRS announced the mileage rate for business driving in 2016 will be 54 cents a mile, a decrease from the 2015 rate of 57.5 cents per mile. You can use this rate for cars, vans, pickups, and panel trucks instead of tracking the actual costs of operating those vehicles for business purposes. An annual study of the fixed and variable costs of operating an automobile is used to determine what the standard mileage rate will be for a given year.

In addition to the mileage rate, a separate deduction may be claimed for parking fees, tolls, interest relating to the purchase of the automobile, and state and local personal property taxes.

The standard business mileage rate isn't applicable to automobiles used for hire, such as taxicabs, or for fleets of automobiles you use simultaneously. One other caution: You can't use the standard rate if the vehicle was previously depreciated by other than the straight-line method, including bonus depreciation or the Section 179 deduction.

A depreciation component of 24 cents a mile is included in the 2016 business mileage rate (the same as 2015). This depreciation reduces your cost basis in the vehicle.

Keep your Paperwork to Keep your Deduction

While a tax deduction is only part of the reason you donate to charity, taking steps to protect your deduction is good planning. Here is what you need to know.

- **When you give money-** support monetary contributions of any amount with a cancelled check, credit card statement, proof of payroll deduction, or a receipt. For monetary contributions of $250 or more, get a contemporaneous written acknowledgement. “Contemporaneous” means you have a receipt in hand no later than the date you file the return for the year the contribution is made. The receipt must show the name of the charity, the date of your donation, and the amount donated, as well as a description of the estimated value of any nondeductible item (such as a book or meal) provided to you.

- **When you donate property-** The deduction for a property donation in generally limited to the lesser of cost (or other basis) or fair market value. Support can include ads showing prices of donated clothing and household items from secondhand stores or consignment shops, along with evidence of the original purchase.

  You’ll need more records as the value of your property donation increases. For example, when the value is $250 or less, you’ll need a receipt from the charity showing their name, the date and location of the contribution, and a description of the property. When the value is between $250 and $500, combine that information with a statement indicating whether you received any foods or services in exchange for your contribution. The receipt must provide a description and estimated value for any premium. For property donations valued from $500 up to $5,000, include all of the above information and also show how and when you got the property and its cost or other basis. Finally, when the donation is valued over $5,000, in addition to all the other requirements, you’ll also need a written appraisal from a qualified appraiser.

If you are planning on making large donations during the year, please let us help.

Be Sure to use Updated Tax Numbers in your 2016 Planning

By law, the IRS must adjust certain tax numbers for inflation each year. For 2016, due to a low inflation rate, 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 individual retirement account 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 $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 are age 55 or older is $1,000.

- 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 child (under-age 19 or under age 24 for students) has more than $2,100 of unearned income (such as dividends and interest), the excess could be taxed at your highest rate.

- 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.

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

Is your Capitalization Policy Up-to-Date?

Establishing a written capitalization policy for your business can ensure the current deductibility of certain purchases of tangible property. That can mean tax savings - and is especially true under the "repair regulations" that became effective in January 2014. Those IRS regulations explain the federal income tax treatment of expenditures you make for materials and supplies, repairs and maintenance, and business property you buy, produce, or improve.

The initial repair regulations provided a "de minimis" safe harbor of $500 for expensing certain costs for businesses without a required financial statement (generally a financial statement issued as a result of a certified audit conducted by a CPA). However, the IRS recently issued a notice increasing the safe harbor for these businesses. Beginning January 1, 2016, the new "de minimis" safe harbor is $2,500 per invoice or item with a supporting invoice.

If you established a company policy in 2014 to take advantage of the safe harbor, you'll want to review and update it. Give us a call for more information. We're here to help.

Can you benefit from these tax breaks?

Here are tax breaks you may be able to use to reduce the amount you owe on your 2015 personal and business federal income tax returns.

- **Child credit**. You can claim this $1,000 tax credit for each qualifying dependent child who was under age 17 at December 31. The credit, which reduces your tax dollar-for-dollar, is partly refundable but phases out as your income rises.

- **Education benefits**. The above-the-line deduction for higher education tuition and related expenses can reduce the amount of your income subject to tax by up to $4,000. In addition, you can also claim the American Opportunity Tax Credit, a credit of up to $2,500. Both the deduction and the credit are subject to phase-outs as your income rises.

- **State and local sales tax deduction**. If you itemize, you can choose to deduct either the amounts you paid during the year for state and local income taxes, or your total state and local sales taxes.

- **Depreciable property**. Under code Section 179, you can expense most types of otherwise depreciable real and personal property used in your business. For 2015, the maximum amount you can expense is $500,000 of the cost of qualifying property you placed in service during the year. The $500,000 is reduced when the cost of the property exceeds $2,000,000.

- **Bonus depreciation**. In addition to Section 179, you can benefit from the 50% bonus depreciation deduction for tangible personal property that you purchased and placed in service during 2015.

- **Work opportunity credit**. Are you an employer? You may be able to claim a credit of up to 40% of first-year wages you pay to workers hired from targeted groups.

These are only a few of the benefits available for 2015. Give us a call for more tax-saving opportunities.

Kentucky Refunds will be slower this year

Per the Kentucky Department of Revenue, in the abundance of caution they have slowed down the issuance of tax refunds due to increased identity theft and fraudulent claims. The organization expects refunds to take nearly 21 days after the electronic filing or an error-free return. Returns that are paper filed will take six to eight weeks for a refund.

The Department of Revenue wants taxpayers to be alert to possible tax-related identity theft. Should you be contacted by the IRS or the Kentucky Department of Revenue about the following matters, you may be a victim of identity theft:

- More than one tax return has been filed for you in the tax year.
- You owe additional tax, have a refund offset or have had collection actions taken again you for a year you did not file a return.
- Records show that you received wages or other income from an employer for whom you did not work.

For more information and resources related to identity theft, visit the Federal Trade Commission’s IdentityTheft.gov website.