



Online Advisor

- JANUARY 2016 -

MAJOR UPCOMING TAX DEADLINES

- **January 15** - Final 2015 individual estimated tax payment is due, unless 2015 tax return is filed and taxes are paid in full by February 1, 2016.
- **February 1** - Payers must provide 2015 Form 1099s to payees. (Brokers have until February 16 to provide Form 1099-B and consolidated statements to customers.)
- **February 1** - Employers must provide 2015 W-2 statements to employees.

WHAT'S NEW IN TAXES: DECEMBER TAX EXTENDER ACT

RENEWS TAX BREAKS

In December 2015, Congress renewed a long list of tax breaks known as "extenders" that have

Greetings!

As we prepare for another tax-season, we would like to take this opportunity to wish you a very happy and prosperous 2016. Please gather your documents and make your tax-planning appointment early! This newsletter is filled with helpful tips which will assist you, but as always, we encourage you to call our office to set up an appointment to discuss your finances and tax-planning.

We are looking for more good clients, and since we are expanding, we would appreciate your referrals!

Forward this email to friends and family; it entitles them to a complimentary consultation.

The partners and staff of Couto DeFranco, P.A.



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CHARITABLE DONATIONS - 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's 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



been expiring on an annual basis. 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.

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. Here's a brief summary of selected provisions.

* When you're age 70 1/2 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

contemporaneous written acknowledgment. "Contemporaneous" means you have a receipt in hand no later than the date you file the return for the year the contribution is made (for your 2015 federal income tax return, that's generally April 18, 2016). 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.

* **When you donate property.** The deduction for a property donation is 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 your original purchases.

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 the organization's 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 goods 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 at over \$5,000, in addition to all of the other requirements, you'll also need a written appraisal from a qualified appraiser.

Contact us for more tax-saving tips that you can fit in before December 31.

YOUR EMPLOYEES MAY BE EAGER FOR FINANCIAL TRAINING

Do you offer a workplace financial education program to your employees? It's a perk they may be looking for, and one that can benefit your business at the same time. Here are some tips to get started.

* **Investigate training program options.** One-on-one counseling can be an efficient method for conveying financial information quickly, and provides the added advantage of confidentiality. An



employee may be more likely to discuss, say, a problem with credit card debt if the conversation is held in a private setting. Group classes can be used to present more generic information about financial goals, household budgeting, insurance, debt, and investments.

If your in-house specialists have a firm grasp on financial planning, they may be equipped to provide relevant, useful training. If not, external resources - including courses offered by the National Financial Educators Council or your CPA firm - can be effective. Formats might include small groups, low-cost webinars, or seminar-style instruction.

* **Encourage employee participation.** Avoid presenting a bewildering array of slides and handouts to new employees. Instead, customize programs to specific groups of workers. For example, training for new hires might emphasize the importance of contributing to a 401(k) or

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 \$2,000,000 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).

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

WHAT'S NEW IN
FINANCES: GET
READY FOR HIGHER
INTEREST RATES

other retirement account or offer advice about student loans and credit card debt. Young workers may appreciate learning how to craft a budget and set up an emergency fund. Soon-to-be-retirees might prefer information focused on insurance benefits, investments, and creating a prudent savings withdrawal strategy.

The good news? Your employees may be eager for help. According to one study, over 80% of workers said they would participate in financial training if offered at work. The key is to get started. Reduced stress, increased productivity, and retention of skilled employees are just a few of the benefits to be gained by implementing a workplace financial education program.

HOW TO BUILD AN EMERGENCY FUND

Planning for emergencies is like buying insurance: you pay into an account, and hope you'll never have to use it. But life happens. Cars break down. Roofs leak. Kids break arms. Having money in the bank to cover those unexpected expenses can reduce stress and keep you from relying on credit cards and loans to make ends meet.



Here are four ways to establish and maintain an emergency fund.

- * **Start small.** Is the thought of setting aside enough money to cover at least six months of expenses daunting? Then lower your sights. Set a realistic and achievable amount for your emergency fund and get in the habit of contributing regularly, even if it's only a small amount each week. Then don't touch the account except for real emergencies. Leave it alone and it will grow.
- * **Make use of "found" money.** When you get a bonus, cost-of-living adjustment, tax refund, or windfall, fight the temptation to increase spending. Instead, use a portion of that "found" money to bolster your emergency account.
- * **Make it automatic.** Set up routine transfers from your household checking account to a separate savings account. If allowed by your employer, allocate a portion of each paycheck to an emergency fund. Establish the account at a financial institution other than your usual bank. Why? If the money never shows up in your regular checking account, you'll be less likely to use it for everyday spending.
- * **Sell stuff.** Clear out your stash of surplus household goods, furniture, and clothing, and sell the items in yard sales, consignment shops, and online auctions. Direct the cash into your emergency account.

An emergency fund is essential to maintaining financial security. If you'd like more ideas for setting financial goals or building up your emergency fund, give us a call.

NEW BUSINESS: IRS LOWERS BUSINESS MILEAGE RATE FOR 2016





What do higher interest rates mean for your financial plan? When the banker for the U.S. Treasury - which you may know as the Federal Reserve - raises the rate banks use to loan money to each other, the results influence a variety of interest rates that affect your financial planning. For example, you may pay more interest when you buy a car or a

home, or on your credit card balance. You may earn more interest on money market or savings accounts, and your investments might be impacted as financial markets react.

While you'll want to review your plan with an eye toward future rate changes, remember that money management is a long-term prospect. Before you commit to major decisions, give us a call. We're here to help you reach your financial goals.

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The IRS recently 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.

We hope you found this information helpful. Call today to schedule your appointment to start getting into financial shape!

973.325.3370

Sincerely,

The Partners and Staff
Couto DeFranco, P.A.

EXCITING COUTO DEFRANCO NEWS:

We've been recognized as
"Top Wealth Managers in NJ"

3rd Year in a Row!!





Nelson Couto CPA, CFP™
Anthony DeFranco CPA, CFP™



CERTIFIED FINANCIAL PLANNERS™

Nelson J. Couto, CPA, CFP™

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Nelson Couto and Anthony DeFranco honored with a recognition by NJ Monthly Magazine in its selection of "Top Wealth Managers In NJ 2015"

Nelson Couto, CPA, CFP® and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2014 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2016. Out of the 5063 wealth managers in New Jersey who were seriously considered for the award, 672 were named. This is their third time winning this prestigious award.

"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey Monthly, and proud that the work we have done for our clients has been recognized," says Anthony DeFranco.

Couto and DeFranco are recognized as leaders in the field of wealth management. They combine their knowledge of financial planning with over 25 years as CPAs, helping their clients with their wealth management and tax planning needs, along with assisting them with their financial goals and aspirations.



Like

They believe the best way to help clients reach their financial goals is simple: to listen. "It is important to listen to where they are today and where they want to be tomorrow," says Nelson Couto. The partners feel that clients are paying them for their knowledge-both as NJ Certified Public Accountants and as Certified Financial Planner™ professionals-so it is their responsibility to develop a financial plan that is sound, objective and honest. This model has been their secret to success.

Starting a business? Tax Questions? Need Financial Planning?

Print out this certificate for a complimentary one-hour consultation.

COUTO DEFRANCO, P.A.

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