

COLE, EVANS & PETERSON

CERTIFIED PUBLIC ACCOUNTANTS

FIFTH FLOOR TRAVIS PLACE
624 TRAVIS STREET
SHREVEPORT, LOUISIANA 71101-3012

www.cepcpa.com

PARTNER EMERITUS
M. ALTON EVANS, JR.

OF COUNSEL
CAROL T. BARNES, C.P.A.
AUSTIN G. ROBERTSON, JR., C.P.A.

TELEPHONE (318) 222-8367

TELECOPIER (318) 425-4101

MAILING ADDRESS:

POST OFFICE DRAWER 1768
SHREVEPORT, LOUISIANA 71166-1768

NOVEMBER 2016

EARLIER DUE DATES FOR 2016 RETURNS

WILLIAM JEFFERSON COLE, C.P.A.
C. WILLIAM GERARDY, JR., C.P.A.
BARRY S. SHIPP, C.P.A.
STEVEN W. HEDGEPEETH, C.P.A.
STEVEN R. BAYER, C.P.A.
TIMOTHY R. DURR, C.P.A.
BAILEY B. BAYNHAM, C.P.A.
ROBERT A. BUSBY, C.P.A.
ANNE-MARIE COLE, C.P.A.
TIMOTHY W. BORST, C.P.A.
ERIC D. SMITH, C.P.A.
KYLE S. DOBBINS, C.P.A.
MATTHEW R. HAHN, C.P.A.
FAYE D. BARFIELD, C.P.A.
KATHRYN THAXTON GRAY, C.P.A.

JOHN A. CASKEY, C.P.A.
J. AMY HEMMING, C.P.A.
LINDA K. BIBLE, C.P.A.
JANA JOHNSTON COX, C.P.A.
KELLY B. NELSON, C.P.A.
GEORGE D. FAUBER III, C.P.A.
R. SCOTT MOORE, C.P.A.
STEPHANIE CARROLL RELF, C.P.A.
ADAM JEFFERSON CAIN, C.P.A.
MADISON PAIGE CORRELL, C.P.A.

The filing due dates for all Forms W-2 and Forms 1099-MISC for non-employee compensation have been moved up to January 31, 2017. Reducing the time available to gather the information and file the forms will put a significant burden on small businesses as they attempt to avoid substantial late filing penalties. All businesses and households filing Forms W-2 and Forms 1099-MISC for non-employee compensation will want to gather the

necessary information as early as possible following December 31, 2016 to allow adequate time for filing.

In addition to Forms W-2 and 1099-MISC, the filing due dates for most non-individual income tax returns have changed. The following is a schedule of the new dates for Forms W-2, Forms 1099-MISC for non-employee compensation, and non-individual income tax returns:

Form	(New Due Dates) 2016 Returns <u>Due in 2017</u>	(Old Due Dates) 2015 Returns <u>Due in 2016</u>
<u>Forms W-2 and 1099-MISC</u>		
Mailed to Payee	January 31	January 31
Filed with SSA/IRS		
By Paper	January 31	February 28
Electronically	January 31	March 31
<u>Partnerships</u>		
Regular Due Date	March 15	April 15
Extended Due Date	September 15	September 15
<u>Trusts and Estates</u>		
Regular Due Date	April 15	April 15
Extended Due Date	September 30	September 15
<u>S Corporations (no change)</u>		
Regular Due Date	March 15	March 15
Extended Due Date	September 15	September 15
<u>C Corporations (calendar year)</u>		
Regular Due Date	April 15	March 15
Extended Due Date	September 15	September 15
<u>C Corporations (June 30 year)</u>		
Regular Due Date	September 15	September 15
Extended Due Date	April 15	March 15
<u>C Corporations (all others)</u>		
Regular Due Date	15 th day of 4 th month following year end	15 th day of 3 rd month following year end
Extended Due Date	15 th day of 10 th month following year end	15 th day of 9 th month following year end

INCOME TAX PLANNING

But for the recent election, year-end planning for 2016 would be relatively unchanged from 2015 as the higher income tax rates applicable to 2013 through 2015 continue unchanged for 2016 except for minor inflation adjustments. Planning for 2016 is, however, influenced by the possibility of lower tax rates for 2017. Individuals who believe their rates will be reduced significantly in 2017 have even more reason to follow the usual pattern of deferring income and accelerating deductions. So, whether you believe that tax rates will decrease in 2017 or you are uncertain (that includes us), you might consider the following for 2016:

Deductible Interest. Consider making your January 2017 mortgage or other deductible interest payment in December 2016, so that the interest will be deductible on your 2016 return.

Medical and Miscellaneous Expenses. To be deductible, medical expenses must exceed 10 percent (7.5 percent for taxpayers or their spouses age 65 or older) of adjusted gross income, and miscellaneous itemized deductions must exceed 2 percent of adjusted gross income. Bunching, if possible, two years of your unreimbursed medical or miscellaneous itemized deductions (such as certain job-related expenses and investment expenses) into one year might allow you to exceed the deduction floors and obtain a deduction for at least part of these expenses. Thinking longer term, should you have a Health Savings Account?

Charitable Contributions. If you are planning to make a charitable contribution in 2017, consider a 2016 year-end contribution instead. If you hold highly appreciated stock or other investment, you might want to make a charitable contribution of the investment security (rather than of cash) to your charity. By doing so, you will get a deduction for the full fair market value of the investment security without being required to recognize a capital gain. Also, contributions charged on your credit card in 2016 count as 2016 deductions, even if you don't receive or pay the credit card bill until 2017.

State Income Taxes. If you pay quarterly estimated state income taxes, you might consider paying the fourth installment of your 2016 estimate

before December 31 so that it will be deductible on your 2016 tax return. You might also want to include any projected state balance due for 2016 (generally payable in 2017) in the estimated tax payment paid in 2016. Doing so will allow you to deduct the payment in 2016 rather than in 2017. If you are an employee, you might want to increase the amount withheld from your remaining 2016 paychecks to cover any projected balance due.

If, however, high income in 2016 causes your itemized deductions to be limited, or you expect to be in a much higher tax bracket in 2017, or you are subject to the Alternative Minimum Tax for 2016, then accelerating these deductions into 2016 might not be your best course of action. We will be glad to help you with this analysis.

Depreciation. First-year bonus depreciation (50 percent of cost) and the section 179 expense allowance (\$500,000) for certain depreciable property is available for 2016.

Long-Term Planning

Income deferrals are attractive for 2016 with possibly lower future tax rates.

Retirement Savings. Maximize your 2016 contributions to any tax-deferred retirement savings plan in which you participate, such as a 401(k) plan, a 403(b) plan, or a 457(b) plan.

Part-time businesses, self-employed business owners, etc. Self-employed business owners (including those with part-time or sideline businesses) who do not have a tax-deferred retirement plan should consider adopting one before year end. With 401(k) plans, a self-employed person can generally defer the income taxation on the first \$18,000 (\$24,000 if age 50 or older) of self-employment earnings and approximately 20 percent of earnings up to \$175,000. For those sideline businesses without employees, this can be done without any staff coverage cost. Other options include Simplified Employee Pension plans (SEPs) and SIMPLE plans, both of which are often very cost effective.

Can We Help? As always, please let us know if we can help with your planning.

Cole, Evans & Peterson, CPAs

www.cepcpa.com

624 Travis Street

Shreveport, Louisiana 71101

(318) 222-8367



Tax & Business Alert

NOVEMBER 2016

DONATING APPRECIATED STOCK OFFERS TAX ADVANTAGES

When many people think about charitable giving, they picture writing a check or dropping off a cardboard box of nonperishable food items at a designated location. But giving to charity can take many different forms.



One that you may not be aware of is a gift of appreciated stock. Yes, donating part of your portfolio is not only possible, but it also can be a great way to boost the tax benefits of your charitable giving.

NO PAIN FROM GAINS

Many charitable organizations are more than happy to receive appreciated stock as a gift. It's not unusual for these entities to maintain stock portfolios, and they're also free to sell donated stock.

As a donor, contributing appreciated stock can entitle you to a tax deduction equal to the securities' fair market value — just as if you had sold the stock and contributed the cash. But neither you nor the charity receiving the stock will owe capital gains tax on the appreciation. So you not only get the deduction, but also avoid a capital gains hit.

It's not unusual for charitable organizations to maintain stock portfolios, and they're also free to sell donated stock.

The key word here is "appreciated." The strategy doesn't work with stock that's declined in value. If you have securities that have taken a loss, you'll be better off selling the stock and donating the proceeds. This way, you can take two deductions (up to applicable limits): one for the capital loss and one for the charitable donation.

INEVITABLE RESTRICTIONS

Inevitably, there are restrictions on deductions for donating appreciated stock. Annually you may deduct appreciated stock contributions to public charities only up to 30% of your adjusted gross income (AGI). For donations to nonoperating private foundations, the limit is 20% of AGI. Any excess can be carried forward up to five years.

So, for example, if you contribute \$50,000 of appreciated stock to a public charity and have an AGI of \$100,000, you can deduct just \$30,000 this year. You can carry forward the unused \$20,000 to next year. Whatever amount (if any) you can't use next year can be carried forward until used up or you hit the five-year mark, whichever occurs first.

Moreover, you must have owned the security for at least one year to deduct the fair market value. Otherwise, the deduction is limited to your tax basis (generally what you paid for the stock). Also, the charity must be a 501(c)(3) organization.

Last, these rules apply only to appreciated *stock*. If you donate a different form of appreciated property, such as artwork or jewelry, different requirements apply.

INTRIGUING OPTION

A donation of appreciated stock may not be the simplest way to give to charity. But, for the savvy investor looking to make a positive difference and manage capital gains tax liability, it can be a powerful strategy. Please contact our firm for help deciding whether it's right for you and, if so, how to properly execute the donation. ■

IS THE SALES TAX DEDUCTION RIGHT FOR YOU? _____

As the year winds down, many people begin to wonder whether they should put off until next year purchases they were considering for this year. One interesting wrinkle to consider from a tax perspective is the sales tax deduction.

MAKING THE CHOICE

This tax break allows taxpayers to take an itemized deduction for state and local sales taxes in lieu of state and local income taxes. It was permanently extended by the Protecting Americans from Tax Hikes Act of 2015.



The deduction is obviously valuable to those who reside in states with no or low income tax. But it can also substantially benefit taxpayers in other states who buy a major item, such as a car or boat.

CONSIDERING THE BREAK

Because the break is now permanent, there's no urgency to make a large purchase this year to take

advantage of it. Nonetheless, the tax impact of the deduction is worth considering.

For example, let's say you buy a new car in 2016, your state and local income tax liability for the year is \$3,000, and the sales tax on the car is also \$3,000. This may sound like a wash, but bear in mind that, if you elect to deduct sales tax, you can deduct *all* of the sales tax you've paid during the year — not just the tax on the car purchase.

PICKING AN APPROACH

To claim the deduction, you need not keep receipts and track all of the sales tax you've paid this year. You can simply use an IRS sales tax calculator that will base the deduction on your income and the sales tax rates in your locale, plus the tax you actually pay on certain major purchases.

Then again, if you retain documentation for your purchases, you might enjoy a larger deduction. The "actual receipt" approach could result in a sizable deduction if you've made a number of notable purchases in the past year that don't qualify to be added on to the sales tax calculator amount. Examples include furnishing a new home, investing in high-value electronics or software, or purchasing expensive jewelry (such as engagement and wedding rings).

SAVING WHILE BUYING

The sales tax deduction offers an opportunity to save tax dollars while buying the items you want or need. Let us help you determine whether it's right for you. ■

MAKE SURE YOU'RE UP TO SPEED ON NONQUALIFIED STOCK OPTION RULES

Many employers look to attract and retain key employees through various investment-related incentives. One example is the nonqualified stock option (NQSO). If your employer provides these to you, or you're considering an employer that does, make sure you're up to speed on the applicable tax treatment and reporting.



HOW DO THEY WORK?

An NQSO is an option that doesn't qualify for the special tax treatment afforded incentive stock options. Let's look at an example: ABC Inc. grants an employee, Steve, NQSOs to buy 100 shares of the company's stock for \$100 per share — the fair market value (FMV) on the grant date.

The NQSOs vest over five years and must be exercised within 10 years. In Year 5, the stock's FMV has increased to \$150 per share, and Steve exercises all of his NQSOs, buying shares worth \$15,000 ($100 \times \150) for \$10,000 ($100 \times \100).

WHAT'S THE TAX IMPACT?

Generally, there are no tax consequences when NQSOs are granted. That said, the IRS has issued guidance regarding a variety of circumstances under which an NQSO grant requires you to report taxable income. This would be the case if the NQSO itself (as opposed to the underlying stock) has "readily determinable value." But NQSOs granted by employers almost never satisfy this requirement.

When you exercise an NQSO, however, you must report compensation income equal to the spread between the exercise price and the stock's FMV on the exercise date. Going back to the example, when Steve exercises his NQSOs, he must report \$5,000 in compensation, which is taxable to him as ordinary income and deductible by his employer. It's included in wages on Steve's Form W-2 and is subject to payroll taxes.

HOW ARE SALES REPORTED?

Reporting income on the exercise of NQSOs is relatively simple. So long as the amount is reported properly on your W-2, it's easy to report it correctly on your tax return.

To calculate and report gain on the sale of NQSO stock, you take the proceeds from the sale (net of any broker's commissions or other expenses) and subtract your basis in the stock. The difference is short- or long-term capital gain, depending on how long you held the stock.

Generally, the basis is equal to the amount you paid for the shares (the exercise price) plus the amount of compensation income you reported upon exercise.

Suppose Steve, from the example above, holds his stock for two years and sells it for \$18,000. His basis is \$15,000 — the original exercise price of \$10,000, plus the \$5,000 he reported as wages. When he sells the stock, he will recognize \$3,000 in long-term capital gain.

An NQSO is an option that doesn't qualify for the special tax treatment afforded incentive stock options.

WHAT COULD GO WRONG?

NQSOs can be a valuable incentive. But, when selling stock acquired through the exercise of NQSOs, complications regarding the basis of the stock can sometimes arise. So please contact us for help calculating your basis and verifying the accuracy of your tax reporting. ■

WHAT BUSINESS OWNERS SHOULD KNOW ABOUT COMPANY VEHICLES AND TAXES

If you're self-employed and you or your employees use a vehicle to conduct business, it's important to know the latest tax rules. First, business-related vehicle expenses can generally be deducted using either the:

- Mileage-rate method (54 cents per mile driven in 2016), or
- Actual-cost method (total out-of-pocket expenses for fuel, insurance, repairs and other vehicle expenses, plus depreciation).

When buying new or used vehicles, every size and structure of business should look into expensing under Internal Revenue Code Section 179. Many rules and limits apply.

For example, the normal \$500,000 Sec. 179 expensing limit generally applies to vehicles with a gross vehicle weight rating of more than 14,000 pounds. A \$25,000 limit applies to vehicles (typically SUVs) rated with a gross vehicle weight at more than 6,000 pounds. Vehicles rated at 6,000 pounds or less are subject to the luxury automobile limits.



For passenger autos placed in service in 2016, the first-year depreciation limit is \$3,160. The amount that may be deducted under the combination of Modified Accelerated

Cost Recovery System (MACRS) depreciation and Sec. 179 for the first year is limited under the luxury auto rules to \$11,160.

In addition, if a vehicle is used for business and personal purposes, the associated expenses, including depreciation, must be allocated between deductible business use and nondeductible personal use. The depreciation limit is reduced if the business use is less than 100%. If business use is 50% or less, you can't use Sec. 179 expensing or the accelerated regular MACRS; you must use the straight-line method. ■