TREBATCH LICHTENSTEIN AVRUTINE

AND COMPANY

950 THIRD AVENUE NEW YORK, NY 10022

PHONE 212 826 . 5050 FAX 212 826 . 6136 2015

BE SMART

Save Money And Reduce Taxes

FLEX SPENDING

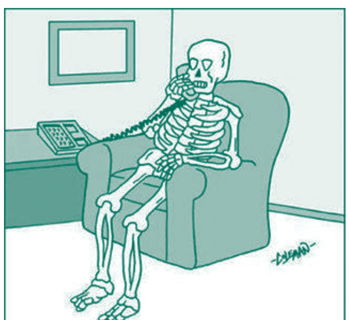
You MUST use up your Flexible Spending Account (FSA) dollars or they disappear! If you have money left in your FSA at the end of the year, don't let it go to waste. You can get new glasses/sunglasses or contacts, or see your Dentist. You may now purchase over the counter medication with FSA dollars as long as you have obtained a prescription from your doctor. Check with your employer to see if they offer a 2 ½ month grace period in which to spend your flex dollars after the calendar year ends.

PAYING POINTS ON A MORTGAGE?

If you refinanced a home mortgage and it is a subsequent refinancing (which means you have already refinanced the original mortgage used to purchase the home), then the points spent on the prior refinancing become fully deductible. Each point equals 1% of the total loan amount.

COLLEGE SAVINGS PROGRAM (529 PLAN)

When friends and family ask what to give your kids for an occasion, suggest they contribute to your children's 529 Plan. This gift will be a superior investment compared to the latest piece of electronic equipment that will become obsolete in six months. In addition, if your plan is New York's 529 Direct Plan, and the person making the gift is a New York resident, they too will be receiving a gift…a New York State tax deduction for the amount of the gift up to $5,000, $10,000 if married.



"YOUR CALL IS VERY IMPORTANT TO US, SO PLEASE CONTINUE TO HOLD."

CALLING THE IRS?

Contacting the IRS for guidance or answers has become more difficult than ever because budget cuts have resulted in personnel layoffs and reduction in services. On the bright side…the likelihood of being audited is greatly reduced. But… the IRS continues to send out computer generated notices, usually from their document-matching process.

Since IRS notices generated in this fashion are sometimes incorrect, please call your accountant about an appropriate response. Do not ignore an IRS notice. It WILL NOT go away! Deal with it promptly to reduce penalties and interest that may accrue.

HEALTH INSURANCE REQUIREMENT

Be aware that the penalty for failure to maintain qualifying health insurance is increased for 2015. The penalty is the greater of $325 for each adult and $162.50 for each child (not to exceed $975) or 2% of household income above the tax-filing threshold.

For 2016, the penalty increases to the greater of $695 for adults and $347.50 per child or 2.5% of income above the tax-filing threshold. After 2016, the penalty will be increased for inflation.

CHARITY

Donating clothing or household goods by the end of the year will allow you to deduct the fair market value of those donations on your tax return. This may result in a larger refund or reduced tax bill next April. Please be mindful of the value of the goods. Many people give away items that were very special to them at one time and put a "sentimental" value on their donation. The correct value would be the amount the charitable organization would get upon sale of the item.

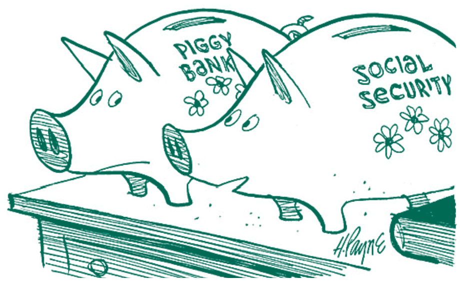
To qualify for a deduction on your 2015 tax return, make sure your checks are postmarked by Decembe 31, 2015. If you are paying by credit card, put the gift on the card by year end and you may pay the bill in January 2016. Be sure to have a receipt for any donation over $250. This would be a written statement from the charity. For an amount under $250, a cancelled check or credit card statement is sufficient documentation.

If you plan to make a significant gift to charity, consider giving stocks or mutual fund shares that you've owned for more than one year. Your charitable contribution deduction is the fair-market value of the securities on the date of the gift, not the amount you paid for the asset, and you never have to pay tax on the profit.

INHERITING TRADITIONAL IRA?

If you are inheriting a Traditional IRA and you are not the spouse, be certain you do not make a mistake or you can trigger a large tax bill and lose your opportunity of a lifetime of tax-deferred growth. Non spouse beneficiaries of any age who want to "stretch" the IRA over their own life expectancies must start Required Minimum Distributions (RMD's) the year following the year the owner died. Heirs will have to pay tax on the distributions from a Traditional IRA. Non Spouse beneficiaries cannot roll an inherited IRA into their own IRA. Instead, a separate account must be set up with a title that includes the descendant's name and the fact that the account is for a beneficiary. Once the account is properly retitled, remember to name a successor beneficiary(s). So, this IRA that now belongs to you should have a beneficiary.

Not taking a RMD results in a 50% penalty on the amount that should have been withdrawn for the year. If the owner died after starting RMD's but had not yet taken the RMD for the year in which he or she died, the non spouse beneficiary must take the RMD to avoid the 50% penalty



WHAT'S HAPPENING TO SOCIAL SECURITY

As many of our clients are in their late 50's (where does the time go?) we are receiving calls about Social Security benefits.

Congress has agreed to, and the President has signed into law a bill that shuts down two popular Social Security claiming tactics. One is file and suspend, the other is the restricted-application SS Strategies. Millions of Americans were planning to use these strategies to boost the household's lifetime benefit.

File and suspend is still in effect between now and six months after the bill is enacted. It will still be possible to file for a spousal benefit based on a spouse's suspended benefit. And, individuals who will be over 62 as of December 31, 2015 can still plan on filing a restricted application for spousal benefits when they turn Full Retirement Age (FRA) over the next four years.

This change only affects people who will not yet reach the age of 62 by the end of 2015. The new law would make it so that deemed filing applies beyond full retirement age rather than only applying before full retirement age.

This in effect, kills off the "restricted application" strategy in which a person files for spousal benefits only at full retirement age while allowing their own retirement benefit to continue growing.

For people who will be 62 or older at the end of 2015, the restricted-application strategy is still available.

The law allowing the voluntary suspension of benefits at FRA has not changed. It will now be used for its original intent: to enable a person who has filed for benefits and later goes back to work or otherwise changes his mind to suspend the benefit and accumulate 8% annual delayed credits to age 70.

Widows and Widowers can still file a restricted application for survivor benefits while their own benefit builds delayed credits. Widows/Widowers should carefully explore all claiming strategies available to them since the rules just became so complex. There are now different sets-one for over 62 and one for under 62.

I think the big losers will be our divorcees. If they have a small retirement available on their own record and could use a restricted spousal benefit to allow them to delay and pick up additional credits to age 70. With the deeming expansion requiring all benefits available to be filed for regardless of age, these divorcees will be forced to take a lower benefit amount and cannot take advantage of the delay increase.

SMALL BUSINESS TAX DEDUCTIONS

Did you purchase new equipment for your business in 2015? Depreciable business equipment includes such common items as cell phones and computers. If you have bought such items, you may be able to write off the expense over the useful life of the item. Select the method of depreciation that will provide you with the greatest tax savings. Self-employed workers have many more tax deductions available to them. Please contact your accountant to discuss this… especially if you have established a new business in 2015.

GIFT WITHOUT PAYING TAXES

You can give up to $14,000 to as many individuals as you like before December 31, 2015 without filing a gift tax return. If you are married, you and your spouse can give up to $28,000 per recipient.

If you are contributing money to a 529 plan, you can put up to $70,000 into the plan tax free and front load the plan for five more years.

DEFER YOUR INCOME

Try to max out your 401(k) contributions by December 31, 2015. Any amount you contribute to your 401(k) or similar employed based retirement plan (if it is not a Roth) is excluded from your income; hence, lowering your tax bill.

IS IT TIME TO CONVERT YOUR IRA TO A ROTH?

If in 2015, you earned little or no income, but still had deductions, QUICKLY contact your accountant. This might be an ideal time for you to convert all or some of your IRA to a Roth.

The benefits of having a Roth IRA are huge. You must keep this account for five years. During this five year period, the account will continue to grow tax free. After the five year period, and upon reaching the age of 59½, withdrawals are tax free. If you do not need the funds you can leave the account untouched for as long as you desire. Unlike a traditional retirement account, it is not mandatory to take a required minimum distribution (RMD) at age 70½. In fact if you do not need the funds in your lifetime, what a wonderful tax-free gift to leave to a loved one.

This must be done by December 31, 2015.

IRS ADJUSTS TAX PROVISIONS FOR INFLATION

For 2015, the personal and dependency exemptions were increased to $4,000 from $3,950 in 2014. The standard deductions for all filing statuses received a small boost of between $100 and $200 above the 2014 amounts.

The annual health flexible spending account (FSA) contribution limit increased by $50 to $2,550. This is the annual limit for both the employer and employee contribution.

Taxpayers who have a health savings account under a high-deductible health plan (HDHP) have higher contribution limits this year of $3,350 per individual and $6,650 for a family. The HDHP's out of pocket maximum of $6,450 per individual and $12,900 for a family and minimum deductible of $1,300 per individual and $2,600 for a family are up somewhat from 2014.

It's a great tax strategy to participate in your employer's 401(K) plan. You may elect to contribute up to $18,000 this year before taxes and the additional catch-up contribution for employees who are age 50 and above is $6,000. These increased contribution limits also apply to 403(b) plans, most 457 plans and the Thrift Savings Plan.

The IRA contribution limit was NOT increased for 2015. It will stay at $5,500 with an additional $1,000 catch-up contribution allowed for people 50 years of age or older.

Whether the estate tax will be repealed is an unknown as we write this letter. We are doubtful…but anything can happen! Currently, the estate tax exemption is $5.43 million. Together a married couple can pass an estate valued at $10.56 million to their heirs without paying Federal estate tax because of the portability provision.

Estate planning is incredibly complex. Your planning should be done with an advisor who specializes in estate and gift tax planning. You don't have to be wealthy to engage in estate tax planning. Many middle income couples have made mistakes that cost them lots of money. Don't know who to call? Try us first, if we can't help you, we can certainly give you several recommendations.

Another inflation adjustment applies to foreign earned income. U.S. Citizens and U.S. Resident aliens who live abroad are taxed on worldwide income. If you worked outside the United States this year, you may qualify for the foreign earned income exclusion, which means you may qualify to exclude from income for 2015 up to $100,800 of foreign earnings. This amount is adjusted annually for inflation. You may also exclude or deduct certain foreign housing amounts.

"Now go forth as an independent contractor, keeping a careful diary of your expencea,"

INDEPENDENT CONTRACTOR OR W-2 EMPLOYEE?

Recently the U.S. Department of Labor issued a clarification of the definition of an Independent Contractor – as opposed to an employee. If you are classifying workers as independent contractors to reduce your health insurance obligations, your share of Social Security and Medicare payments and unemployment taxes, you are treading on thin ice! If you classify some of your workers as independent contractors who are actually employees, your business could be requested to pay unpaid payroll taxes, along with interest and penalties. The basic guidance is an "Economic Realities Test." How much control does your company have over the way workers perform their jobs? For example:

1 – Are they closely supervised?
2 – Do they work for you full time?
3 – Do they have other clients?
4 – Does your company provide the worker with supplies and equipment?
5 – Is the work done on your premises?

These and other considerations are important in determining a worker's status. For each independent contractor paid $600 or more this year, you are responsible for reporting the pay on Form 1099-MISC. An employer must provide W-2 Forms to employees by January 31st.

SCAM CALLS AND IDENTITY THEFT

Across America taxpayers have been receiving phone calls from people saying they are IRS agents. The IRS has issued a strong warning for consumers to guard against sophisticated and aggressive phone scams targeting taxpayers, including recent immigrants, as reported incidents of this crime continue to rise nationwide.

The IRS will always send taxpayers a written notification of any tax due via the U.S. Mail. The IRS never requests a credit card, debit card or prepaid card information over the telephone.

Potential victims may be told they are entitled to big refunds or that they owe money that must be paid immediately to the IRS. When unsuccessful the first time, sometimes phone scammers call back trying a new strategy.

- Scammers use fake names and IRS badge numbers.
- Scammers may be able to recite the last four digits of a victim's Social Security number.
- Scammers sometimes send bogus IRS emails to some victims to support their bogus calls.
- Victims hear background noise of other calls being conducted to mimic a call center.
- After threatening victims with jail time or driver's license revocation, scammers hang up and others soon call back pretending to be from the local police or DMV, and caller ID supports their claim.

So…if you receive one of these calls, don't be alarmed…HANG UP!!

Identity theft is another issue. Until your electronically filed tax returns are rejected by the IRS, we have no method of knowing that your Social Security Number has been compromised. The IRS has been defrauded by people preparing tax returns, using "someone else's" Social Security Number and having the refund from the prepared return deposited into the "scammer's" account. From what we know, as soon as the refund is received, the account is closed. When the taxpayer owning the SS# files his return, it is automatically rejected. Needless to say, this is frustrating and creates additional work. How can it be avoided? No one knows! If you are a victim, your accounts were not compromised, the refund dollars came from the IRS.

Happy Holiday

To All Of Our Valued Clients And Friends

TLA has always protected your right to privacy with professional standards more stringent than those required by law.We retain records required and as we see fit, with your professional and personal needs in mind. We have electronic and procedural safeguards in place to protect these records. Non-public personal information is never collected without your authorization. We do not disclose this information except as required by law or authorized by you. Your privacy is important to us.
Please call us if you have any questions about this statement.