

O'MALLEY NEWS & VIEWS

a publication by

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IN THIS ISSUE...

In addition to Chuck's "Washington Watch," this issue also provides information about the tax laws affecting the preparation of your 2015 tax return, including figures subject to annual adjustment in an easy-to-read **Tax Reference Guide**, see page 4. An expanded multi-year guide is accessible at our website www.omalleycpa.com on either the "Home" page or the "Resources" page.



CLIENTS, FRIENDS & FELLOW PROFESSIONALS – A SPECIAL THANKS!

Our continued success would not be possible without your support and recommendations. **We are actively looking for new clients—businesses, individuals and/or estates & trusts.** 2015 was our best year ever and we are excited about the future. Your continued confidence and referrals are appreciated. Thank you for giving us the opportunity to serve you, your business associates, family members and friends.

WHAT'S NEW AT O'MALLEY & O'MALLEY, LLP

At the end of 2015, Kathy visited her cancer doctors and was advised that she is still in remission. Please continue to keep her in your prayers, they are working.

Continued on page 3

Washington Watch by Charles K. O'Malley, CPA, CFP®

SECURITY FRAUD AND IDENTITY THEFT IS RAMPANT!

The Internal Revenue Service has urged the public to be on guard against scam phone calls from thieves intent on stealing your money or your identity. Criminals posing as IRS personnel are trying to trick victims out of their money or personal information. Here are some tips to help avoid becoming a victim. Do not reply to unsolicited calls, even if the caller tries to scare you and uses a phony ID. The IRS will never make an unsolicited phone call. Cons try new tricks all the time, and they are targeting Senior Citizens. Be on guard, call us before you give them any information. Be cautious and avoid being scammed.

THE ONLY CERTAINTY IN LIFE IS CONSTANT CHANGE!

Our website has been updated again, thanks to great work by the "Total Web Company". Please check it out, www.omalleycpa.com, we welcome your comments.

Go to the blog section for the long list of topics that in prior years appeared in our Winter Newsletters. Now we are able to update existing topics and add new topics at any time when needed. Additionally, a completely updated Annual Multi-Year Tax Reference Guide is accessible from either our "Home" page or our "Resources" page.

While we are using technology to keep the content of our newsletters current and its delivery faster, we understand that not everyone is computer-savvy. If anyone is unable to access our website or just prefers a printed copy of the Blog Topics and/or our complete Annual Multi-Year Tax Reference Guide, please call our office, (856) 829-9100 and we will be happy to mail you a copy.

In our November News & Views I stated:

"...We must learn how to cope with uncertainty..."

At that point in time (November 13th) the Dow was down 5.8% from its May 19, 2015 all-time high of 18,312. By January 20th it had dropped to 15,767 a 13.9% decline, but the Friday, January 29, 2016 closing of 16,466 is just 10.1% below the all-time high.

Dan Wiener, the independent advisor for Vanguard Investors and CEO of Adviser Investments, recently stated:

"...January has been dreary, but after as many up months as we've had, a correction (or even a bear market if it gets to that) is not the end of the world, nor the end of our portfolios ...this is not 2008 again...it feels so volatile because the past four years have been exceptionally calm..."

Continued on page 2

And The Kiplinger Letter on January 22nd stated:

“...These are anxious times for most Americans...
The economy seems blah in many areas...
Is a recession brewing? No, we don't see one...
Many underlying economic fundamentals are sound...
Look for the economy to expand at a 2.5% clip...”

And on January 29th Warren Buffett's Berkshire Hathaway Inc. closed on their largest takeover ever. They bought 100% of Precision Castparts Corp., a Portland Oregon based worldwide, aerospace component manufacturer for approximately \$32 billion in cash, plus assumed PCC's debt of approximately \$5 billion. This acquisition is approximately \$10 billion more than Berkshire Hathaway paid for either Heinz/Kraft in 2013 and/or the remaining 77% of Burlington Northern Santa Fe in 2009 (BNSF total investment was \$34 billion). Once again it looks like Warren Buffett is still confident in America's future. Apparently Warren Buffett thinks America is still great.

It appears that small investors with their 401(K) and/or IRA plans or taxable investments need to develop more patience. We suggest that you review the following history of the Dow.

TEN YEAR HISTORY OF THE DOW JONES INDUSTRIAL AVERAGE, YEAR END CLOSING

Last Trading Day of	Closing Amount	Changed	Last Trading Day of	Closing Amount	Changed
2015	17,425	(2.2%)	2010	11,577	11.0%
2014	17,823	7.5%	2009	10,430	18.9%
2013	16,572	26.5%	2008	8,772 *	(33.8%)
2012	13,104	7.2%	2007	13,261	6.4%
2011	12,221	5.6%	2006	12,459	16.3%

* September 29, 2008 largest single day point loss in history, 778 points (7%) and by October 9, 2008, the Dow had dropped 5,585 points (39%) in one year, mainly due to the “fiscal meltdown” followed by the “too big to fail” philosophy. October 9, 2007 was the first close over 14,000 at 14,164. The previous major point loss was October 19, 1987, known as the “Black Monday Crash”. The Dow fell 508 points (22.6%) to 1,738. A 20% decline is considered a bear market. In spite of the many ups and downs in less than thirty (30) years the Dow has gained over 840% from 1,738 to 16,466 and 98.6% in the most recent seven years since 2008.

As our December 22nd e-mail and printed snail mail stated, Congress had finally extended the Annual Popular “Temporary” Tax Deductions retroactively for all of 2015 plus 2016, and some of them will be allowed beyond 2016. This extension will allow the preparation of your 2015 and 2016 tax returns to include all of the tax saving benefits that were available for your 2014 tax return.

Individuals can receive and/or deduct:

- The option to deduct sales tax on Schedule A (Itemized Deductions) when it exceeds state and local income tax was made permanent.
- Allowing the mortgage loan insurance premium deduction on the original primary residence's mortgage through 2016.
- The up to \$4,000 tuition deduction through 2016.
- The American Opportunity (education) Tax Credits of up to \$2,500 was made permanent.
- The teacher's \$250 expense deduction was made permanent, and beginning in 2016, it will be indexed for inflation, plus it will include professional development expenses.
- The Earned Income Tax and Child Tax Credits were enhanced, made refundable and made permanent.
- The 30% residential solar tax credit through 2019 with the phase-out period extended through 2022.
- The \$2 million taxable exclusion for debt forgiveness on your primary residence through 2016.
- The Individual Retirement Account direct payments to charities of up to \$100,000 per year for individuals over age 70½ to offset their Required Minimum Distribution was made permanent.
- A 100% capital gains tax exclusion for qualified sale of small business stock.

Business Can Receive and/or Deduct:

- The bonus depreciation for “new only” fixed asset (equipment) purchases (eligibility expanded) at 50% through 2017 and then 40% for 2018 and 30% in 2019.
- The Section 179 direct write-off of new and/or used fixed assets (equipment) purchases of up to \$500,000 per year (a \$2 million acquisition limit applies) was made permanent, and beginning in 2016 it is indexed for inflation, plus heating and air-conditioning units will qualify for expensing and now up to \$250,000 of certain qualifying real property can be expensed.
- The 15 year depreciation for qualified leasehold improvements to restaurant renovations and retail locations was made permanent.
- The tax free commuting subsidies to employees of up to \$250 per month (\$255 for 2016) for either mass transit, van pooling, or parking lot costs was made permanent.
- Research and development tax credits was made permanent.
- The Work Opportunity Tax Credit for hiring economically challenged workers, and beginning in 2016, expanded the eligibility through 2019.
- The wage credit for hiring activated military reservists was made permanent, and beginning in 2016, it is available for companies with more than 50 employees.
- The 2.3% Medical Device Tax on the manufacturer’s selling price was suspended through 2017.
- The 40% Excise Tax on Employer Sponsored Cadillac Health Insurance Plans (included some union benefit plans) was suspended through 2019.
- For years beginning after January 1, 2016, the IRS will now allow up to \$2,500 per Fixed Asset Item to be deducted/expensed in the year of acquisition. The prior Safe Harbor amount was \$500.

The “Temporary” tax provisions that were made “Permanent” could change when and if a future President and Congress agree to change the tax laws, and pass meaningful tax reforms. A year ago, when discussing the possibility of passing meaningful tax reforms, The Kiplinger Tax Letter stated:

“...The window to act is narrow...before the August (2015) recess...
After that, Presidential politics will get in the way...”

Today is five months beyond the August recess and the Presidential pre-election contest is in hot pursuit. Who will win is pure speculation. It is unlikely that tax reform, immigration reform, health care changes and/or any other controversial issues will receive any Congressional votes and President Obama’s signature during the remainder of 2016. The Bipartisan Budget Act of 2015 funded the Federal Government including the debt ceiling limit, until March 15, 2017 and the Protecting Americans from Tax Hikes Act of 2015, both passed during the final months of 2015, will delay budget and meaningful tax reform discussions until after the Presidential election. It will be November 9, 2016 before we will really know which party will control Congress and who will be in the oval office next year. This uncertainty of future political control is also contributing to a lot of the volatility in everything that affects our daily lives.

“WHAT’S NEW AT O’MALLEY & O’MALLEY, LLP” _____ *continued from page 1*

The merger of Jay R. Conway, P.C. a New Jersey Licensed Public Accountant is progressing smoothly with Mariette and David working with Jay (who is still very active in the practice) and many of his clients on special projects or whenever Jay requires our assistance. Since 2002, Jay has consulted with O’Malley & O’Malley, LLP on various tax, accounting and planning issues and in late 2014 Jay decided it was time to make it a more formalized merger. Jay’s direct phone number is still 856-786-9111 with our 856-829-9100 the backup number if Jay is not available. This growth and expansion required equipment upgrading. During 2015 we connected both offices to a new computer server with 10 new workstations, and installed two new Canon multi-purpose printers, that also copy, scan, fax, etc. – one even does it in color. 2015 was our best growth year ever, and we thank all of our clients and friends for their referrals.

This newsletter is designed to provide general information about the subject matter. It does not constitute professional advice. As required by United States Treasury Regulations, you should be aware that this communication is not intended to be used, and it cannot be used, for the purpose of avoiding penalties under the United States federal tax laws.

If you would like to discuss a particular item of interest please call our office – 856-829-9100



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**Please call us if you want to
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 "O'Malley News & Views"
 or if you want a copy sent
 to a family member or friend.**



Check out our recently updated website

www.omalleycpa.com

It's loaded with information!

WINTER 2016 EDITION

Annual Tax Reference Guide - The More Popular Items					
See www.omalleycpa.com "Home" page or "Resources" page for a more complete list					
	2015	2016		2,015	2,016
Personal Exemptions	4,000	4,050	Social Security		
Standard Deductions			Taxable Wage Limits	118,500	118,500
Single	6,300	6,300	Employee		
Married/Joint	12,600	12,600	Tax Rate	6.2%	6.2%
Standard Mileage Rates			Maximum Tax	7,347	7,347
Business use	\$0.575	\$0.54	Self-employed		
Non business use			Tax Rate	12.4%	12.4%
Charitable activities	\$0.14	\$0.14	Maximum Tax	14,694	14,694
Medical	\$0.23	\$0.19	Medicare Tax		
Moving	\$0.23	\$0.19	Taxable Wage Limits	No Limit	No Limit
Education Credits/Deductions			Tax Rate		
<i>Student Loan Interest Deduction - Limits</i>			Employee	1.45%	1.45%
Single			Self-employed	2.9%	2.9%
Income below \$65,000	2,500	2,500	Earnings Limits if Collecting		
Married/Joint			Prior to full retirement age	15,720	15,720
Income below \$130,000	2,500	2,500	Year of retirement age	41,880	41,880
American Opportunity Tax Credit - Limits			Beyond full retirement age	No Limit	No Limit
Income below \$90,000 Single and \$180,000 Joint	2,500	2,500	Health Savings Accounts		
Maximum Contributions to Retirement Plans			<i>Contribution, plan deduction not to exceed:</i>		
IRA's - Traditional and Roth	5,500	5,500	Single	3,350	3,350
IRA's - Non-working spouse	5,500	5,500	Married/Joint	6,650	6,750
Age 50 + additional contribution	1,000	1,000	Age 55+ additional contribution	1,000	1,000
401K, 403B, 457, and SARSEP	18,000	18,000	Federal estate and gift tax exemptions		
Age 50 + additional contribution	6,000	6,000	Federal estate tax exemption	5,430,000	5,450,000
Simple IRA plans	12,500	12,500	Annual per person	14,000	14,000
Age 50 + additional contribution	3,000	3,000	Lifetime exclusion (for estate planning)	5,430,000	5,450,000

Check out "Washington Watch" and our website blog for changes as we keep our eye on what's happening.

Winter 2016