

Business Hours: Starting January 1, 2016, PPG Partners is open 8:00 AM-5:00 PM Monday-Friday.

Tax Law Changes in 2016

- Good news for people who like to itemize their deductions: the income limit has risen. If you file single, your adjusted gross income can be up to \$259,400 while the limit is now \$311,300 for married couples filing jointly. This is helpful for people who have high medical bills or other deductions they can itemize.
- Under the final tangible property regulations, all costs that facilitate the acquisition or production of such property must be capitalized. Improvements to property that better a unit of property, restore it, or adopt it to a new and different use must also be capitalized. Exceptions: De minimis safe harbor (annual election required); routine maintenance safe harbor; (no election required); per building safe harbor form small businesses (annual election required). Read more about tangible property on page 2.
- The income threshold for the Alternative Minimum Tax exemption has risen for 2016. For individuals, it starts at \$53,900 and begins to phase out at \$119,700. For married couples filing jointly, the threshold begins at \$83,800 and phase out begins at \$159,700. This is a difference from last year, where the limits were \$53,600 for individuals and \$83,400 for married couples filing jointly.
- The salary threshold for the 39.6% tax bracket (the top bracket) has risen from \$413,200 for single taxpayers and \$464,850 for couples filing married jointly to \$415,050 for individuals and \$466,950 for married couples filing jointly. This is helpful for people who are edging closer to the highest tax bracket.
- The personal exemption will increase from \$4,000 to \$4,050. The exemption begins to phase out at \$259,400 for individuals and \$311,300 for married couples filing jointly. The phase out ends at \$381,900 and \$433,800 for married couples filing jointly. Anyone who falls under the income limit is eligible to take advantage of the personal exemption.
- Estates of decedents who die during 2016 have a basic exclusion amount of \$5,450,000, up from a total of \$5,430,000 for estates of decedents who died in 2015.
- *Unchanged* in 2016 is the maximum amount workers can contribute to their 401(k) or other similar style retirement plans. This remains at \$18,000 (\$24,000 for workers over age 50 in 2016). Amounts allowed as contributions to IRAs are also the same (\$5,500 and \$6,500 for those over age 50)
- Families that use Health Savings Accounts (HSAs) will be allowed to contribute an additional \$100, for a total of \$6,750. HSA contributions for individuals remain at \$3,350.

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2016 Standard Mileage Rates for Business, Medical and Moving

Beginning on Jan. 1, 2016, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 54 cents per mile for business miles driven, down from 57.5 cents for 2015
- 19 cents per mile driven for medical or moving purposes, down from 23 cents for 2015
- 14 cents per mile driven in service of charitable organizations

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Tangible Property Expensing Threshold Raised to \$2,500 for Small Businesses

The IRS simplified the paperwork and recordkeeping requirements for small businesses by raising from \$500 to \$2,500 the safe harbor threshold for deducting certain capital items.

The change affects businesses that do not maintain an audited financial statement. It applies to amounts spent to acquire, produce or improve tangible property that would normally qualify as a capital item.

The new \$2,500 threshold applies to any such item substantiated by an invoice. As a result, small businesses will be able to immediately deduct many expenditures that would otherwise need to be spread over a period of years through annual depreciation deductions.

As before, businesses can still claim otherwise deductible repair and maintenance costs, even if they exceed the \$2,500 threshold.

The new \$2,500 threshold takes effect starting with tax year 2016. In addition, the IRS will provide audit protection to eligible businesses by not challenging use of the new \$2,500 threshold in tax years prior to 2016.

New Spending Bill Highlights

In December, 2015, the House of Representatives passed a \$1.15 trillion spending bill that includes a \$680 billion package of tax-break extensions. Here are a couple of tax breaks included in the bill that you might be interested in:

- **IRA charitable transfers:** This allows IRA owners age 70-1/2 or older to donate as much as \$100,000 to a charity from their IRA tax-free. The charitable transfer also counts toward the IRA owner's required minimum distribution for the year of the transfer.
- **State and local sales tax deduction:** This allows taxpayers to deduct the greater of either sales tax payments or state and local income taxes on their federal returns. This is mostly used by taxpayers living in states such as Florida, Texas and Washington, which have no state income tax.
- **American Opportunity tax credit:** This allows a dollar-for-dollar credit against your tax liability of up to \$2,500 per year when you pay for qualifying education costs for as many as four years of post-secondary education.
- **Educator expense deduction:** Many teachers use this to deduct as much as \$250 of unreimbursed expenses for classroom supplies.