NOLAN | GIERE
CERTIFIED PUBLIC ACCOUNTANTS

Quarterly Report

Spring 2016

Be aware of inflation-adjusted 2016 tax numbers

Certain tax numbers are adjusted for inflation each year. This year, many of the numbers are unchanged or change only slightly from 2015 amounts. Here are some of the tax numbers to use in your 2016 tax planning.

*The maximum earnings subject to social security tax in 2016 is $118,500, unchanged from 2015. The $15,720 earnings limit for those under full retirement age is also unchanged. If you have reached full retirement age, there is no earnings limit.

*The "nanny tax" threshold is $2,000 in 2016, up from $1,900 for 2015. If you pay household employees $2,000 or more during the year, you are generally responsible for payroll taxes.

*The "kiddie tax" threshold remains $2,100 for 2016. If your under-age 19 child (under age 24 for students) has more than $2,100 of unearned income, such as dividends and interest income, this year, the excess could be taxed at your highest rate.

*The maximum individual retirement account (IRA) contribution you can make in 2016 remains unchanged – $5,500 if you're under age 50 and $6,500 if you are 50 or older.

*The maximum amount of wages employees can put into a 401(k) plan remains at $18,000. The 2016 maximum allowed for SIMPLE plans is $12,500. If you are 50 or older, you can contribute up to $24,000 to your 401(k) and $15,500 to your SIMPLE plan.

*For 2016, the maximum amount you can contribute to a health savings account is $3,350 for individuals and $6,750 for families. The catch-up contribution when you are age 55 or older is $1,000.

Update your tangible property expensing policy

In 2013, the IRS issued regulations clarifying when tangible real and personal business property can be expensed. The regulations provided safe harbors that let you deduct certain costs you would otherwise have to capitalize. For example, using a *de minimis* safe harbor, you could elect to deduct individual capital expenditures of $500 or less if your business did not have an "applicable financial statement." (In general, an applicable financial statement is a financial statement based on a certified audit by an accounting firm.) Effective beginning with 2016 taxable years, this safe harbor has increased to $2,500 per invoice or item. In addition, the IRS says it will not contest similar treatment in audits of earlier years.

Perspective

An Inside View

Tom Giere

Dear Clients and Friends,

Spring has arrived and with it the renewed optimism that comes with the knowledge of once again putting the winter months behind us and looking forward to the warm weather activities ahead. Over the next few months many of us will indulge in our favorite outdoor hobbies and recreational pursuits and may attend graduations and weddings as those close to us begin new and exciting chapters in their lives.

In our business, this time of year represents an end to the hectic time associated with the tax filing season and a good time to let out a sigh of relief. We also find that this time of year presents to us a perfect time to reflect on how we are doing. Over the next several weeks we will hold meetings with our team to review how things went over the past few months. We will discuss the things that went as expected as well those that did not and those that need improvement. We will take the time to look at all of the tools that we use, the procedures that we have in place, as well as our personal skill sets, to see where changes are needed and improvements can be made.

Once we have identified the issues, we will set out to make the necessary changes. We will meet with our vendors to discuss the availability of new and better products, we will attend classes and seminars to gain knowledge and sharpen our skills, and we will make changes to our procedures to make sure that we are providing the best service that we can to our clients. Through all of this, we would love to hear from you. Let us know how we are doing for you and what we can do to serve you better. Call us anytime.

Reflection, feedback, honest analysis, and continuous improvement, have been a key part of our success. We encourage you to do the same. In a constantly changing world, few things remain the same. So take the time to observe, adjust, and grow. You will be glad that you did. Have a great spring and summer!

Sincerely,

Tom

Start your tax planning with these tips

As you get ready for midyear tax planning, keep these lesser-known tax breaks in mind.

Residential energy credit. You can claim a 10% energy credit for qualified improvements (up to a lifetime maximum of $500) when you improve your home with insulation, windows, and certain types of roofing. This credit is presently set to expire after 2016.

Commercial building energy deduction. The above-the-line deduction for energy efficiency improvements to lighting, heating, cooling, ventilation, and hot water systems in your commercial building is currently available through December 31, 2016.

Straight-line depreciation for certain qualified assets. The 15-year straight-line depreciation deduction for qualified leasehold, restaurant, and retail improvements is now permanent.

Contact us for more suggestions for reducing your 2016 federal income tax bill.

Standard mileage rates reduced for 2016

Business. Starting January 1, the standard mileage rate for driving a vehicle for business purposes is set at 54 cents per mile. That is down from 57.5 cents in 2015.

Medical and moving. The rate for medical and moving mileage decreases from last year's 23 cents a mile to 19 cents a mile.

Charity. The general rate for charitable driving remains at 14 cents a mile.

Business Solutions

Will rising interest rates affect you?

For almost the entire past decade, interest rates held steady at near-zero levels. Then, in mid-December 2015, the Federal Reserve raised rates by one-quarter percentage point. Market watchers and economists expect further rate increases in the coming months. How will you be affected?

Technically speaking, only the federal funds rate was adjusted in December. That is the short-term rate that credit-worthy banks and credit unions use to lend each other money. But any interest rate revisions can cause a ripple effect throughout the economy. Accordingly, the Federal Reserve's actions probably will exert at least a moderate influence over financial choices you make at home and in your business in 2016 and beyond.

For example, as a consumer, you stand to gain from rising interest rates because you will likely earn a better return on your deposits. Over the last ten years, placing your money in a certificate of deposit or passbook savings account has been hardly more profitable than stuffing it under a mattress. On the other hand, the cost of borrowing money will likely increase. As a result, mortgages, car loans, and credit cards will demand higher interest rates. That is not a big deal if you are already locked into low-interest fixed-rate loans. But if you have a variable rate loan or carry balances on your credit cards, you may find your monthly payments climbing upward.

On the investment front, market volatility may increase because rate increases are not completely predictable. Market sectors will likely exhibit varied responses to changes in interest rates. Those sectors that are less dependent on discretionary income may be less affected. After all, you need to buy gas, clothes, and groceries regardless of changes in interest rates.

As you adjust your financial plan, you might only need to make minor changes. Staying the course with a well-diversified portfolio is still a prudent strategy. However, you may want to review your investment allocations.

Rising interest rates can also affect your business. If your company's balance sheet is loaded with variable-rate debt, rising interest rates can affect your bottom line and your plans for growth. As the cost of borrowing increases, taking out loans for new equipment or financing expansion with credit may become less desirable.

Got questions? Contact us. We will help you decide the most beneficial response to current and potential future changes in interest rates.

Is your business using social media tools?

According to a recent survey by a technology company, email, websites, and social media are the top three digital marketing tools used by businesses. Lack of an online presence means your company may be missing opportunities to connect with customers. If you are neglecting your internet marketing, consider outsourcing the task to a virtual assistant, or assigning an employee to handle website maintenance and social media accounts. Still feeling overwhelmed by the idea? Remember that online marketing is a complement to traditional methods of reaching customers. Start small. Even a basic website will help you engage, network, and interact. Let us know if we can help.

Keep up with section 179 depreciation changes

Did you know that a recent law made changes to the section 179 expensing election for 2016? These modifications took effect as of January 1. Here is what to consider as you make asset purchasing decisions this year.

Change #1. Beginning in 2016, section 179 is indexed for inflation. This year, the basic section 179 expensing limit will be $500,000. That limit is reduced dollar-for-dollar once your purchases exceed $2,010,000.

Change #2. The definition of "section 179 property" now permanently includes computer software and real property such as qualified leasehold and retail improvements and restaurant property. That means you can elect to use section 179 expensing when you purchase those assets.

Change #3. You may be able to deduct more of qualified leasehold and retail improvements and restaurant property in 2016. Beginning this year, the law eliminated the $250,000 cap on the amount of section 179 you could claim for this property.

Change #4. Beginning in 2016, air conditioning and heating units are eligible for section 179 expensing.

Contact us for help in maximizing the section 179 deduction for your business asset purchases.

Make time for a conversation with your parents about finances

Discussing finances with your parents may be a talk none of you are eager to tackle. But addressing the topic can benefit your entire family by clarifying your parents' wishes and enabling you to help establish a joint plan for carrying those wishes to fruition. Here are questions that can start the dialogue.

Legal – Do your parents have a will and an estate plan? Have they executed a trust, a durable power of attorney for finances, or an advance healthcare directive? Will they allow you to review the documents and/or speak with their attorney?

Medical – What medical insurance policies are in place? Do your parents have long-term care insurance? Who is their personal physician and what significant medical issues exist?

Income, expenses, and debt – What are the sources and amounts of your parents' income and expenses? To whom do your parents owe money, and how much do they owe?

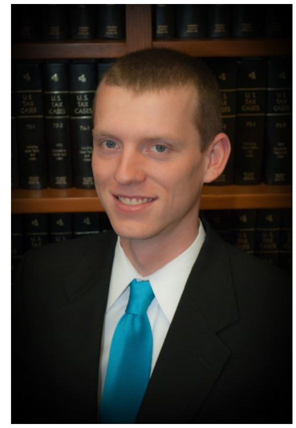
Records – Where do your parents keep tax returns, bank and brokerage statements, and similar records? Who are their tax preparers, financial advisors, and/or stockbrokers? Will your parents allow you current access to those records and advisors? Talking about finances with your parents can be a daunting prospect. Give us a call if you would like us to be part of the conversation. We are here to help.

NOLAN GIERE
CERTIFIED PUBLIC ACCOUNTANTS

206 W. Main Street Troy, OH 45373
Phone 937-339-3118 www.nolangiere.com

Firm Highlights

Congratulations to Derek Koester, our newest CPA!



Our booth at the 2016
Troy Chamber Business Expo.

Warm wishes for a Happy Summer!

We will be closed on Fridays for our summer schedule. Do not worry; if you need to reach us just e-mail your contact and someone will be able to assist you.