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What's New for Tax Season?

Welcome to tax season in an election year. In addition to preparing to file this year's tax returns, we are weighing the various tax proposals from the presidential candidates. And,

with so many candidates still in the field, it can be difficult to keep track of who wants to change what. It's still too early to fully analyze any one plan, but if you would like to monitor how the candidates' plans develop you can compare details using the Tax Foundations' interactive [2016 Presidential Tax Tracker](#). It offers an unpartisan up-to-date comparison of the candidates' tax plans and their economic effects. Another interesting website is <http://www.electoral-vote.com>. Unlike other sites that focus on national polls, this site tracks state-by-state polls because the President is ultimately elected by the Electoral College.

Whoever wins the White House will inherit an Internal Revenue Service (IRS) in the midst of reform. Under pressure from Congress, the IRS has spent the last 18 months developing a long-term strategy that increases its reliance on technology and tax preparers. Specifically, it's created a system of online taxpayer accounts that means an expanded role for outside tax preparers and software companies.

In a recent *New York Times* article, Patricia Cohen surfaces the argument that this push threatens to create a "pay to play" system where only taxpayers who can afford to pay for tax preparation will receive personalized service. Nina E. Olson, who leads the Taxpayer Advocate Service, an independent office within the IRS, is also troubled by the agency's long-term goal "to substantially reduce telephone and face-to-face interaction with taxpayers." She fears that "concierge-level service" will be available for some taxpayers, while "the compliant or trying-to-comply taxpayers will be left either struggling for themselves or paying for assistance they formerly received for free from the IRS." Olson notes that moving to an online system would "increase compliance costs for millions of taxpayers who lack internet access." What's more, she says many more Americans simply remain wary of filing their taxes online.

Olson believes moving to an entirely online system will further open the door for unregulated and untrained tax preparers to prey on vulnerable taxpayers. "Having written a tax code so widely and rightly criticized for its complexity, the government has a practical and moral obligation to help taxpayers comply," her report said. "It should not withdraw existing taxpayer service to the point where taxpayers have to incur additional compliance costs just

to file their returns and pay their taxes."

Interestingly, however, although it's clear the IRS wants to transition out of the business of talking with taxpayers, the recent budget agreement between Congress and President Obama gave the IRS an additional \$290 million to assist taxpayers for this filing season. This is the first funding increase since the 2010 fiscal year, when the agency's budget was cut by nearly a fifth.

Of course, tax filing this year will be more straightforward because the tax code has not been impacted by any major new tax legislation. And yet, there are still changes to keep up with inflation. These range from the standard deduction inching up to \$6,300 for singles and married persons filing separate returns and to \$12,600 for joint filers to the **estate tax exclusion increasing to \$5,430,000**. And, this summer, many popular tax breaks were made permanent or temporarily extended. Chief among them:

- **Energy credits.** This includes credits for home improvements that improve energy efficiency, such as heating and cooling systems, insulation and windows.
- **IRA charitable donations.** IRA owners at least age 70 ½ can still make tax-free donations of up to \$100,000 from IRAs to qualified charities.
- **Research and development tax credit.** This has been extended for two years.
- **Deduction for small business equipment purchases of up to \$2 million.** This is extended and now includes computer software.

Finally, the 2016 calendar has some great news for procrastinators. The filing deadline for 2015 income tax returns is April 18, 2016, not April 15, 2016. That's because the traditional April 15 deadline falls on the day commemorating Emancipation Day, the anniversary of the abolition of slavery in the District of Columbia. Emancipation Day typically is celebrated on April 16, but that date falls on a Saturday this year. Emancipation Day is only a holiday in D.C., but the IRS treats it as a federal holiday for tax-filing purposes. And that's not all. Residents of Maine and Massachusetts have until April 19 to file their federal taxes because April 18 is Patriot's Day, a statewide holiday in both states. The IRS previously ruled that state residents get an extra day to file their federal taxes if the federal deadline occurs on a

statewide holiday.

As always, if questions arise, we are here to help.

Stay Diversified, Stay the Course!

A handwritten signature in black ink, appearing to read "Kimberly".

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