HIGHLIGHTS OF THE CHANGES AFFECTING 2016

ABLE Accounts – Families of individuals who became disabled before reaching the age of 26 can contribute up to $14,000 per year into an ABLE account. Deposited funds, up to a maximum of $100,000, will have tax-free earnings that can be used for the handicapped individual's qualified expenses. While the definition of qualified expenses is broad, it doesn't include food, entertainment or vacations. Lastly, remaining funds cannot be left to siblings or others when the beneficiary passes. Call for information about the accounts in your state.

Home Mortgage Interest – The IRS recently added three new fields to Form 1098, which the bank sends to you each year to let you know how much home mortgage interest you paid during the year. The new fields include the balance of the loan, when it originated, and the address of the property securing the loan. The new fields are intended to enhance the IRS computer's ability to detect and audit individuals who are incorrectly deducting interest on more than $1 million of acquisition debt and $100,000 of equity debt.

Business Expense Election – In the past, items purchased for business use with a useful life of more than one year had to be capitalized over the item's useful life, regardless of cost, requiring some items with minimal cost to be depreciated. Recent IRS regulations allow small businesses to expense items of nominal cost. However, to take advantage of the new regulations, the business must have an accounting policy in place that specifies a de minimis amount up to $500. Without such a policy, the old rules will continue to apply.

Homeowner Solar Energy Credit – The very lucrative non-refundable federal tax credit for 30% of the cost of a solar electric system is scheduled to expire at the close of 2016 unless Congress decides to extend that credit. A non-refundable tax credit offsets your tax liability – regular and alternative minimum – dollar for dollar, and in some cases any excess is added to any credit allowable in the subsequent year. For example, if you installed a $20,000 system, the credit would be $6,000, but if your tax for the year is only $5,000, you would only benefit by $5,000. This credit also applies to solar water heating systems and certain wind energy, geothermal and fuel-cell systems for your primary or secondary home.

Tax Scammers & ID Theft – Combining taxpayers' natural apprehension about the IRS with good theatrics, scammers have created tax-related scams of epidemic proportions. These scammers include thieves pretending to be IRS agents, who call and demand immediate payment for past liabilities – even going so far as to threaten arrest. These thieves may also try to get you to divulge your ID information by stating that you have a refund coming but that they need to verify your name, Social Security number and birth date before the refund can be issued. There are countless schemers out there trying to trick you, and you can avoid being a victim by simply

remembering that the IRS never initiates contact in any way other than by U.S. Mail; disregard any other forms of communication. When in doubt, contact this office; always have any letter from the IRS reviewed by this office before responding to it.

Watch Out For Fake Charities – The scammers after your money are pretending to be not only the IRS but also legitimate charities. When making a donation, you should take a few extra minutes to ensure that your gifts are going to legitimate charities. IRS.gov has a search feature called Exempt Organizations Select Check that allows people to find legitimate, qualified charities to which donations may be tax-deductible.

Penalty For Not Being Insured – The penalty for not being insured for health coverage started being phased in at the beginning of 2014 and will reach its maximum in 2016, after which time the penalty is inflation-adjusted. The penalty is generally the larger of a flat dollar amount or a percentage of your income (after the standard deduction and exemptions for the filer and spouse, if any), both of which substantially increase in 2016. For 2016, the flat dollar amount is $625 per adult and $347.50 per child, with a maximum amount of $2,085 – up from $325, $162.50 and $975, respectively, in 2015. The percentage of income penalty rate increases from 2 to 2.5% in 2016.

Employer Health Care Mandate – Medium-sized employers – those with 50 to 99 equivalent full-time employees in the prior year – must begin making affordable coverage available for full-time employees and their dependents in 2016 or face substantial penalties. The calculation for the number of equivalent full-time employees takes into account the hours worked by the employer's part-time employees, but affordable insurance need only be made available to full-time employees.

Employer Healthcare Reporting – All applicable large employers (ALE) are required to complete Form 1095-C and the 1094-C transmittal form for each employee – whether or not the employee was offered affordable health care coverage – beginning in 2015. An ALE is generally an employer with 50 or more equivalent full-time employees in the prior year.

$1 LUMP SUM AT VARIOUS RATES
(Future Value of $1, Compounded Annually)

Interest Rate	5th Year	10th Year	15th Year	20th Year	25th Year	30th Year
2%	1.104	1.219	1.346	1.486	1.641	1.811
4	1.217	1.480	1.801	2.191	2.666	3.243
6	1.338	1.791	2.397	3.207	4.292	5.743
8	1.469	2.159	3.172	4.661	6.848	10.063
10	1.611	2.594	4.177	6.727	10.835	17.449

Example: *If you invest $10,000 at an interest rate of 6%, at the end of 30 years you will have $57,430 ($10,000 multiplied by 5.743).*

$1 PER YEAR AT VARIOUS RATES
(Future Value, Compounded Annually)

Interest Rate	5th Year	10th Year	15th Year	20th Year	25th Year	30th Year
2%	5.310	11.17	17.64	24.78	32.67	41.38
4	5.416	12.006	20.024	29.778	41.646	56.085
6	5.637	13.181	23.276	36.786	54.865	79.058
8	5.867	14.487	27.152	45.762	73.106	113.283
10	6.105	15.937	31.772	57.275	98.347	164.494

Example: *If you put $1,000 at the end of each year in an investment paying 6% a year compounded annually, at the end of the 30th year, you will have $79,058 saved ($1,000 x 79.058).*

LIFE EXPECTANCY*

Current Age	Remaining Years	Current Age	Remaining Years
25	57.0	55	28.6
30	52.2	60	24.2
35	47.3	65	20.0
40	42.5	70	16.0
45	37.7	75	12.5
50	33.1	80	9.5

Assume a planned retirement age of 60. Based on average statistics, you will need to accumulate retirement assets by age 60 to last for 24.2 yrs.
** Life expectancy rates based on the IRS Unisex Single Life Tables.*

TAXABLE-EQUIVALENT YIELD OF MUNICIPAL BONDS BASED ON VARIOUS FEDERAL INCOME TAX BRACKETS

	Tax-Free Yield								
	2.0%	**2.5%**	**3.0%**	**3.5%**	**4.0%**	**4.5%**	**5.0%**	**5.5%**	**6.0%**
Tax Bracket	Equivalent Taxable Yield								
10%	2.2	2.8	3.3	3.9	4.4	5.0	5.6	6.1	6.7
15	2.4	2.9	3.5	4.1	4.7	5.3	5.9	6.5	7.1
25	2.7	3.3	4.0	4.7	5.3	6.0	6.7	7.3	8.0
28	2.8	3.5	4.2	4.9	5.6	6.2	6.9	7.6	8.3
33	3.0	3.7	4.5	5.2	6.0	6.7	7.5	8.2	9.0
35	3.1	3.8	4.6	5.4	6.2	6.9	7.7	8.5	9.2
39.6	3.3	4.1	5.0	5.8	6.6	7.5	8.3	9.1	9.9

Example: *A taxpayer in the 25% tax bracket would have to purchase a taxable investment yielding more than 5.3% to outperform a 4.0% tax-free investment.*

2016
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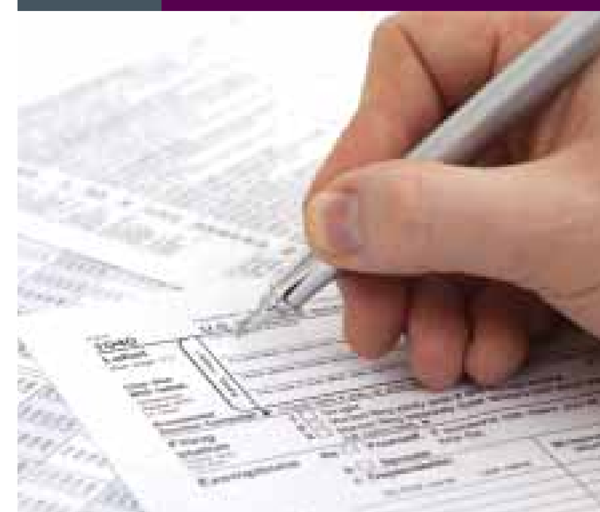

EXEMPTIONS & STANDARD DEDUCTIONS

Personal & Dependent Exemption: **$4,050**

Standard Deduction:

Joint, SS	*MS*	*Single*	*Head of Household*
$12,600	$6,300	$6,300	$9,300

An additional standard deduction of $1,250 is allowed for each married elderly (age 65 and over) or blind individual. If elderly and blind, the additional standard deduction is $2,500. Single individuals (elderly or blind) are allowed an additional standard deduction of $1,550. The otherwise allowable exemption amounts are reduced by 2% for each $2,500, or part of $2,500 ($1,250 for married filing separately), that the taxpayer's AGI exceeds the threshold amount. Itemized deductions are reduced by 3% of the amount by which the taxpayer's adjusted gross income (AGI) exceeds the threshold amount, with the reduction not to exceed 80% of the otherwise allowable itemized deductions. The threshold amounts are: Single-$259,400 Head of Household-$285,350 Married Filing Jointly-$311,300, and Married Filing Separate $155,650

SOCIAL SECURITY (OASDI), MEDICARE & SELF-EMPLOYMENT TAXES

	*Social Security OASDI**	*Medicare****	*Total*
Employee	6.20%	1.45%	7.65%
Self-Employed**	12.40%	2.90%	15.30%

Wage Base for Soc. Sec. & Self-Employment Tax (2016): $118,500

Wage Base for Medicare Hospital Insurance – no limit

**Old age, survivor and disability insurance portion of social security tax.*

***Self-employed individuals are allowed to take an income tax deduction for 50% of the self-employment tax.*

****Add 0.9% to rate when income exceeds $200,000 ($250,000 for married joint taxpayers, $125,000 if MFS filer)*

SOCIAL SECURITY BENEFITS

Earnings Test – SS benefits of an individual who is under the full retirement age(66) are reduced when earnings from working exceed: $ 15,720/yr

Maximum Retirement Benefit – The maximum retirement benefit for workers retiring in 2016 at age 66 (full retirement age): $2,639/mo.

Taxation Thresholds – A certain % of an individual's SS benefits are taxed when his or her provisional income* exceeds certain threshold amounts:

	Up to 50% Taxed	*Up to 85% Taxed*
Married Joint	$32,000 - $44,000	Over $44,000
Others**	$25,000 - $34,000	Over $34,000

**Provisional income generally includes adjusted gross income plus nontaxable interest plus one-half of social security benefits. **If married filing separately and lived with spouse at any time during the year, 85% of SS benefits are taxed.*

CAPITAL GAINS

Special rates (capital gain rates) apply to gains attributable to sale of capital assets held for more than a year.

Capital Gain Rates:

To the extent a taxpayer's marginal rate is 15% or less: 0%

To the extent a taxpayer's marginal rate is 25% but less than 39.6%: 15%

To the extent a taxpayer's marginal rate is 39.6% or greater: 20%

Excluded from the 0%, 15% and 20% Rates:

Gain attributable to real property depreciation: 25% Max

Gain attributable to collectibles & qualified small business stock: 28% Max

Maximum Annual Net Loss Deduction: $3,000 ($1,500 MFS filers)

Netting Short-Term (ST) and Long-Term (LT) Gains & Losses:

ST gains and losses are netted as are LT gains and losses. Then the two are netted together, with the result being either a net ST or LT gain or loss. Taxpayers, when possible, can achieve a better overall tax benefit by offsetting short-term capital gains with long-term capital losses, thus offsetting higher-taxed profits with lower-taxed losses.

LONG-TERM CARE INSURANCE DEDUCTIONS

The maximum deductible amounts of long-term care premiums are based on age and for 2016 are:

40 or Less	41 to 50	51-60	61-70	71 & Older
$390	$730	$1,460	$3,900	$4,870

KIDDIE TAX

Congress created the "Kiddie Tax" to stop parents from moving investments into their child's name to take advantage of the child's lower tax rates. The Kiddie Tax effectively taxes the investment income of children under age 19 and full time students under age 24 in excess of $2,100 at the parent's top marginal rate.

Kiddie Tax Standard Deduction – is the Larger of A or B below:

A. The child's earned income plus $350, but not to exceed $6,300.

B. $1,050

TRADITIONAL IRA – MAX DEDUCTION & LIMITS

Maximum Contribution & Deduction for 2016: **$5,500 ($6,500 if age 50 & older)** (1) The deduction is ratably phased out for higher income individuals who actively participate in an employer-sponsored plan and/or whose spouse is an active plan participant. The following are the phase-out ranges based on Modified AGI:

Single (active)	$ 61,000 – $ 70,999
Married (only spouse is active)	$184,000 – $193,999
Married (both spouses active)	$ 98,000 – $117,999
Married Separate	$ 0 – $9,999

Contributions must be made by the due date of the tax return, NOT including extensions. Contributions are NOT allowed upon reaching age 70.5 (however contributions to SEP IRAs are allowed after age 70.5).

ROTH IRA – MAX DEDUCTION & LIMITS

Maximum Contribution for 2016: **$5,500 ($6,500 if age 50 & older)** (1)

There is no tax deduction for contributions to a Roth IRA, there is no tax on qualified distributions, and the accounts benefit from tax-free accumulation. The contributions are ratably phased out for higher income individuals. The following are the phase-out ranges based on Modified AGI:

Married	$184,000 – $193,999
Married Separate	$ 0 – $9,999
Others	$ 117,000 – $131,999

Contributions must be made by the due date of the tax return, NOT including extensions. Contributions ARE allowed after age 70.5 (must have earned).

(1) The $5,500 and $6,500 limits apply to the combined Traditional and Roth IRA contributions of the individual for the year.

RETIREMENT PLANS – CONTRIBUTION LIMITS

SE Defined Contribution Plans: Lesser of 25%(1) of compensation or $53,000.

SEP Plans: Lesser of 25%(1) of compensation or $53,000.

401(k) and 403(b) Plans Elective Deferrals: $18,000 ($24,000 age 50+) (2) (3)

SIMPLE Plans Elective Contributions: $12,500 ($15,500 age 50 and over) (3)

Defined Benefit Plans: : Max annual benefit: $210,000

Highly Compensated Employee Status Threshold: $120,000 (4)

Key Employee Status Threshold: $170,000

(1) Effectively 20% of net self-employment income.

(2) The annual contribution to all of an employee's retirement accounts, including elective deferrals, employee contributions, employer matching, discretionary contributions and forfeiture allocations cannot exceed the lesser of 100% of compensation or $53,000.

(3) Maximum compensation that can be considered in determining employer and employee contributions (employer matching contribution for SIMPLE Plans) is $265,000 ($120,000 for highly compensated employees).

(4) Includes 5% owners and at employer's election 20% of the top paid employees.

SAVING FOR EDUCATION

National Average Annual College Costs (2014-15 period)

	(Tuition $ Fees)	(With Room & Board)
Public 4-yr In-state Institutions	$ 9,139	$18,943
Public Out of State	$22,958	$32,762
Non-Profit Colleges	$31,231	$42,419

Source: Collegeboard.org Note: College costs are increasing annually at a rate of 3.8% for private and 3.6% for public institutions.

Three tax plans are provided to save funds for a child's education. Contributions to them are NOT tax deductible. The tax benefit is the account earnings that accrue tax deferred are free from tax if used for qualified education expenses.

Coverdell Account – The annual contribution limit for 2016 is $2,000 per student. Funds can be used not only for higher education (but also for Kindergarten and above. Contributions must be made by the April due date for filing the return. The Contribution limit is ratably reduced to zero for Joint filers with MAGI between $190K and $220K and $95K and $110K for others.

Sec 529 Plan – The total contribution per student is only limited by the projected cost of the student's planned education. The donor's annual contribution is generally predicated on donor's gift tax issues. Generally each donor can contribute up to the annual gift tax exclusion ($14,000 in 2016) per year without gift tax implications. In addition the exemption amount for the next four years (total $70,000 in 2016) can be contributed at one time (generally in the earlier years to benefit from increased earnings). Funds can be used for post-secondary education only.

Savings Bonds – A taxpayer who pays qualified higher education expenses with redemption proceeds from Series EE or I Bonds issued after 1989 may be able to exclude the bonds' income. To qualify the bonds must have been purchased when the individual was at least age 24 and redeemed at the time of the education expense for the taxpayer, spouse, or dependent. The income exclusion phases out for joint filers with a MAGI between $116,300 and $146,300 ($77,550 and $92,550 for others).

STANDARD MILEAGE DEDUCTIONS

Business	*Charitable*	*Medical & Moving*
$0.54	$0.14	$0.19

PER DIEM RATES*

	High-Cost Locality	*Low-Cost Locality*
Meals and incidental expenses (M & IE)	$ 68	$ 57
Lodging and M & IE	$ 275	$ 185

**Reflects rates in effect since 10/1/2015, using the simplified method of determination.*

BUSINESS ASSET EXPENSING

Each year, an amount of the cost of certain eligible personal property purchased during the year and used in the active conduct of a trade or business can be expensed. For 2016, the maximum that can be expensed is $500,000*.

**The limit is reduced when more than $2 million of qualifying property is placed into service.*

INCOME TAX RATES – CORPORATIONS

Taxable Income

Over	*But Not Over*	*Pay*	*+ % on Excess*	*Of The Amount Over*
$ 0	$ 50,000	0	15	0
50,000	75,000	7,500	25	50,000
75,000	100,000	13,750	34	75,000
100,000	335,000	22,250	39	100,000
335,000	10,000,000	113,900	34	335,000
10,000,000	15,000,000	3,400,000	35	10,000,000
15,000,000	18,333,333	5,150,000	38	15,000,000
18,333,333		6,416,667	35	18,333,333

TRUST & ESTATE INCOME TAX RATES

Taxable Income

Over	*But Not Over*	*Pay*	*Plus*	*Of the Amount Over*
-0-	$2,550	-0-	15%	-0-
$2,550	$5,950	$382.50	25%	$2,550
$5,950	$9,050	$1,232.50	28%	$5,950
$9,050	$12,400	$2,100.50	33%	$9,050
$12,400		$3,206.00	39.6%	$12,400

UNIFIED ESTATE & GIFT TAX SCHEDULE

Year	Estate Tax		Gift Tax	
	Exemption *(Millions $)*	Top Tax Rate	Exemption *(Millions $)*	Top Tax Rate
2013	5.25	40%	5.25	40%
2014	5.34	40%	5.34	40%
2015	5.43	40%	5.43	40%
2016	5.45	40%	5.45	40%

2016 Annual Gift Tax Exclusion *$14,000*

Each individual is allowed an annual gift tax exclusion of $14,000 per donee for 2016, with no limit to the number of donees. These gifts are not deductible by the giver nor are they taxable to the donee. Gifts in excess of the exclusion must be reported on a gift tax return. Gifts in excess of the exclusion are taxable but are offset with the Unified Estate and Gift Tax Credit until that credit is used up. Any amounts used to offset the gift tax will reduce the amount of credit available for the giver's estate tax.

2016 INCOME TAX RATE SCHEDULE – INDIVIDUALS

MARRIED TAXPAYERS* – ***Joint/Surviving Spouse (SS)***

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$18,550	-0-	10%	-0-
$18,550	$75,300	$1,855.00	15%	$18,550
$75,300	$151,900	$10,367.50	25%	$75,300
$151,900	$231,450	$29,517.50	28%	$151,900
$231,450	$413,350	$51,791.50	33%	$231,450
$413,350	$466,950	$111,818.50	35%	$413,350
$466,950		$130,578.50	39.6%	$466,950

* Married separate (MS) use 1/2 of the joint dollar amounts.

SINGLE TAXPAYERS

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$9,275	-0-	10%	-0-
$9,275	$37,650	$927.50	15%	$9,275
$37,650	$91,150	$5,183.75	25%	$37,650
$91,150	$190,150	$18,558.75	28%	$91,150
$190,150	$413,350	$46,278.75	33%	$190,150
$413,350	$415,050	$119,934.75	35%	$413,350
$415,050		$120,529.75	39.6%	$415,050

HEAD OF HOUSEHOLD

Taxable Income

Over	But Not Over	Pay	Plus	Of the Amount Over
-0-	$13,250	-0-	10%	-0-
$13,250	$50,400	$1,325.00	15%	$13,250
$50,400	$130,150	$6,897.50	25%	$50,400
$130,150	$210,800	$26,835.00	28%	$130,150
$210,800	$413,350	$49,417.00	33%	$210,800
$413,350	$441,000	$116,258.50	35%	$413,350
$441,000		$125,936.00	39.6%	$441,000

ALTERNATIVE MINIMUM TAX (AMT) - INDIVIDUALS

Tax Rate 26% of AMT income to.........$186,300*

28% of AMT income over......$186,300*

$93,150 for married taxpayers filing separately

Filing Status	*Exemption Amount* (Reduced as AMT income exceeds phase-out base.)	*Phase-Out Threshold*	*Full Phase-Out*
Joint Return	$83,800	$159,700	$494,900
Single and HH	$53,900	$119,700	$335,300
Married Separate	$41,900	$ 79,850	$247,450

ESTIMATED TAX PAYMENTS

To avoid possible underpayment penalties, taxpayer is required to deposit by withholding or estimated tax payments an amount equal to the lesser of:

1. 90% of current year tax liability, OR

2. One of the following amounts:

a. If the taxpayer's prior year AGI exceeds $150,000*, 110% of the prior year's tax liability.

b. Otherwise, 100% of the prior year's tax liability.

**$75,000 for taxpayers filing married separate.*

2016 TAX CALENDAR

January 15	4th Quarter 2015 Estimate Due
April 18	2015 1040 or Extension Due
April 18	1st Quarter 2016 Estimate Due
June 15	2nd Quarter 2016 Estimate Due
June 30	FBAR Form Due
August 1	Pension Plan (Form 5500) Returns Due (calendar yr plans)
September 15	3rd Quarter 2016 Estimate Due
October 17	2015 1040 Extension Returns Due