

# Newsletter

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## MARCH 2016

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### Major tax deadlines for March

- March 1 – Due date for farmers and fishermen who chose not to make 2015 estimated tax payments to file 2015 tax returns and pay taxes in full to avoid underpayment penalties.
- March 15 – 2015 calendar-year corporation income tax returns are due.
- March 15 – Deadline for calendar-year corporations to elect S corporation status for 2016.
- March 31 – Payers who file electronically must submit 2015 information returns (such as 1099s) to the IRS.
- March 31 – Employers who file electronically must submit 2015 W-2 copies to the Social Security Administration.

### The myRA: A new simplified Roth IRA is the latest retirement plan

If you haven't yet begun saving for retirement, a myRA may be a reason to start. "myRA" is an acronym for "my Retirement Account." myRAs cost nothing to open, have no fees, and let you start saving with any amount that fits your budget. You can open a myRA even if you have other retirement accounts. Your myRA belongs entirely to you and can be moved to any new employer that offers direct deposit capability.

myRAs generally follow Roth IRA rules. That means the maximum contribution for 2015 and 2016 is \$5,500 (\$6,500 when you're over age 50). Contributions to your myRA are invested in a U.S. Treasury savings bond. The balance in your account earns interest and is guaranteed to retain its value.

The Department of the Treasury recently added new ways to fund myRAs. As before, you can choose to fund your account from your paycheck by completing a direct deposit authorization form and giving it to your employer. And now you also have the option of making direct deposits from a checking or savings account or from your federal income tax refund.

To learn more about myRAs, please contact us.

### Plan for changes to social security

The *Bipartisan Budget Act of 2015* made two changes to social security benefit strategies. "File and suspend" was a way for married couples to allow the higher earning spouse to claim benefits at full retirement age but suspend the benefits until a later date. Under the *Act*, this strategy will no longer be available after April 30, 2016.

"Restricted application" applied to married couples who had reached full retirement age and who were eligible for both a spousal benefit and a personal retirement benefit. These couples could file a restricted application for spousal benefits only, then delay applying for personal retirement benefits. If you'll turn 62 after 2015, the *Act* eliminated the ability to file a restricted application for only spousal

benefits. However, if you were already 62 or older in 2015, you can continue to use the restricted application method for spousal benefits, but only upon reaching full retirement age.

### **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'd 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.

### **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's 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'll 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's not a big deal if you're 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'll help you decide the most beneficial response to current and potential future changes in interest rates.