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RRBB Announcements

RRBB Happenings

Gary Sherman celebrates 15 years with RRBB! Gary joined RRBB back in 2000 as a partner and has become a great part of our organization. To celebrate his anniversary Gary took it upon himself to bring in a gourmet breakfast, prepared by a local caterer. It was a great way to commemorate his 15 years with us. Thank you Gary and we look forward to many more anniversaries with you. Congratulations!

Eric Schwartz of our RRBB Asset Management, participated in the Maplewood in Motion 5K race on Sunday, October 18, 2015. The race proceeds will be used to support local food banks, Stop Soldier Suicide, and the Maplewood Lions charity fund.

Miriam Lopez of our Maplewood office, was joined by her daughter and her sister participating in the 2015 Walk to End Alzheimer's on Saturday October 17th in Liberty State Park, Jersey City, NJ. The Walk is in support of the Alzheimer's Association and is the world's largest event to raise awareness and funds for Alzheimer's care, support and research. Held annually in more than 600 communities nationwide, this inspiring event calls on participants of all ages and abilities to reclaim the future for millions. The hope and the goal is to end Alzheimer's disease, which is the nation's sixth-leading cause of death.

Great job to both Eric and Miriam for your efforts toward such noble causes! Thank you.

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Seven Make-or-Break Year-End Tax Moves

Top strategies for individual taxpayers

As another year draws to a close, the tax moves you make, or don't make, can have a significant impact on your 2015 tax return. Fortunately, there are plenty of tax-saving opportunities available to individual taxpayers, even if certain tax provisions are not resolved until the waning days of the year. Here are seven ways you may be able to reduce your tax bill for 2015.

1. Harvest capital gains or losses. Typically, you might realize capital gains or losses from sales of securities that can offset each other at year-end. The maximum tax rate on net long-term capital gains is only 15% (20% for those in the top 39.6% bracket). Conversely, capital losses offset gains plus up to $3,000 of ordinary income in 2015. Note: A 3.8% surtax on net investment income (NII) may also apply to capital gains.

2. Claim tax rewards for generosity. Generally, you deduct the full amount of cash or cash-equivalent gifts made to qualified charities, assuming you keep the proper records. Also, you may deduct the fair market value of gifts of appreciated property if certain requirements are met. However, special limits often apply, including a possible reduction in deductions for

certain high-income taxpayers.

3. Watch out for the alternative minimum tax (AMT). Despite recent increases in exemption amounts for the AMT, many taxpayers are still trapped by this “stealth tax.” Generally, the AMT applies if you have an overabundance of tax preference items, especially if you reside in a high-tax state. Have a review of your AMT liability conducted to determine if you should shift income items or deductions at year-end.

4. Prepay state and local income taxes. Absent other circumstances, the conventional wisdom is to reduce your current income tax bill whenever possible. Therefore, you might arrange to prepay any state and local income taxes due on January 1, 2016, before the end of the year. As a result, you can increase your deduction for state and local taxes in 2015.

5. Bunch elective medical expenses. For 2015, the threshold for deducting medical expenses for most taxpayers is 10% of adjusted gross income (AGI), although it is 7.5% of AGI for those age 65 or older. If you have a chance at a deduction for 2015, try to move elective expenses, such as dental cleanings and physical examinations, to this year. Otherwise, you might as well postpone those expenses until next year.

6. Split income with family members. When appropriate, transfer income-producing property to low-income-tax-bracket family members. They may benefit from a 0% rate on long-term capital gains for taxpayers in the two lowest ordinary income tax brackets. Reminder: Under the kiddie tax, unearned income above $2,100 received in 2015 by a dependent child under age 19 or a college student under age 24 is generally taxed at the parents’ top tax rate.

7. Lock in education tax break. If you are sending a child to college, you may be able to claim either one of two higher education credits, subject to phaseouts at certain income levels. Previously, you also had an option of a tuition deduction, subject to a phaseout, but this tax break technically expired after 2014 and is currently in limbo. In any event, pay qualified expenses in 2015 to maximize any available tax break.

Depending on your situation, one or more of these strategies may make sense for you. Schedule a meeting to discuss your personal needs.

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Five Year-End Tax Ideas for Businesses

Top strategies for small-business owners

Don’t think that year-end tax planning is strictly limited to individuals. A calendar-year business can also keep taxes for 2015 to the bare minimum with some astute planning at the end of the year. Here are five techniques for consideration by small-business owners.

1. Be flexible on Section 179. Currently, the maximum Section 179 deduction for qualified business property placed in service remains at just $25,000 for 2015, compared with $500,000 last year. Also, the special “bonus depreciation” tax break generally expired after 2014. As a result, you can feel comfortable with qualified expenditures up to the $25,000 threshold. For higher amounts, you might adopt a wait-and-see attitude. Then, if Congress approves an increase, your business is ready to pounce.

2. Fix up the office or plant. Generally, expenses for minor repairs you make to the business premises—for example, replacing a broken window—are currently deductible. Conversely, the cost of a capital improvement, like adding a new wing to a building, is added to your basis in the property. When possible, take care of repairs before year-end. Note that new regulations issued last year address several complex issues in this area. Current deductions may be available under a special safe-harbor election. For more information, contact your professional tax adviser.

3. Salvage bad debt deductions. If you have not been paid money owed to your business, at least you may be able to salvage a deduction for debts that are “worthless.” But you must show that you have made good faith efforts to collect the debts. To secure a deduction for 2015, step up your collection activities before the end of the year. Remember to keep detailed records—including correspondence and e-mails with debtors—of your efforts.

4. Qualify for health insurance credit. Under the Affordable Care Act, a qualified small business may be eligible for a credit if it obtains health insurance coverage for its employees. To qualify, the business must have 25 or fewer full-time employees (FTEs) with average annual wages of less than $51,600 in 2015. The credit is reduced if either of these two limits is exceeded. Keep these limits in mind so as to preserve the maximum credit.

5. Start a business venture. A special tax law provision currently allows you to deduct up to $5,000 of qualified startup expenses for a new business. Any excess must be amortized over 180 months. In order to qualify for the current tax write-off, the operation must be an up-and-running activity, so make sure the doors are officially open for business before the end of the year.

This is just a brief overview of five year-end tax-planning ideas. Obtain guidance regarding the best approach for your small business.

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Handling Requests for Employment References

Be aware of the potential perils

Suppose a former employee asks you to provide a job reference to a prospective new employer. But the worker was often tardy, lazy and difficult to work with. What should you do?

This conundrum often faced by business managers is fraught with a number of legal perils. Notably, if you make certain statements in an employment reference, you run the risk that a disgruntled ex-employee may initiate a defamation lawsuit. In addition, derogatory statements about a former employee could result in a legal action based on invasion of privacy, state blacklisting statutes and other practices.

Due to the proliferation of legal claims in this area, some employers have tried to adopt a no-comment policy or at least significantly restrict what you can and cannot say about an employee in a reference. But be aware that some states have laws requiring employers to provide references to prior employees upon their request.

Typically, a former employee may sue an employer for defamation if unfavorable references lead to a job rejection. The employer may be liable if false statements damage the former employee’s reputation. Conversely, employers are generally protected if they disclose, in good faith, truthful statements to help a prospective employer make an informed decision.

When providing references, keep these points in mind:

- Speak the truth. Statements are defamatory only if they are false. Be truthful about information that can be supported by objective facts, not allegations, speculation or gossip.
- Be clear and concise. Statements that are technically true may still be defamatory if they are incomplete or misleading.
- Be professional. It is not only what you say but how you say it. The tone used is important, so avoid sounding vindictive, petty or snarky. Discuss the facts without expressing emotion.
- Respond appropriately. Limit your responses to just the questions asked. Don’t feel compelled to go overboard in your praise or criticism. There is no need to volunteer information that has not been requested.
- Focus on job matters. Similarly, provide only information related to the job. Avoid discussing personal matters that are irrelevant or intrusive. Even if your comments are true, they might raise concerns about invasion of privacy.
- Limit the audience. Provide information only to the employer requesting the reference. Do not speak to others who may not have a legitimate business interest in the job candidacy. Be especially careful about giving out information over the telephone.
- Request consent. To better protect yourself against a defamation claim, you may want to ask the former employee for written consent to release information.

Finally, be aware that you may encounter legal risks by failing to disclose information about a former employee when you have a duty to do so (e.g., where illegal acts were committed).

Consider a restrictive policy that takes these points into account. Make sure that the policy completely complies with applicable state laws.

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Q&A About Early Retirement

Is it a pipe dream or possible reality?

After fighting the rat race for years, many Americans dream of an early retirement. For instance, you might be contemplating such a move on your own, or perhaps your company is preparing to make you an early retirement offer. Whether or not you can afford to retire early, or really want to, may depend on the answers to the following questions.

Q. Are you ready financially?

A. Some people begin planning for retirement when they are young, intending to call it quits before they hit their mid-to-late 50s. In that case, early retirement may be just what they are looking for. But if you have been putting off retirement planning, you may not be financially prepared to stop working right now.

Q. Will the money hold out?

A. If you plan to retire at age 55, it's very possible you may have to depend on a fixed income for the next 25 years or more. Consequently, you will have to consider how much income you will need during that time period and where it's going to come from. If you feel that you currently have enough money to live on, ask yourself how it will hold up over time.

With the help of an experienced adviser, you can develop an investment program that, at the very least, keeps pace with inflation.

On the other hand, if it seems likely that you may be forced to tap into your company retirement plan before age 59½, you probably should avoid early retirement. In general, tax-deferred assets, such as 401(k) plans and other employee-sponsored retirement plans, should be allowed to grow without interruption for as long as possible. What's more, tapping into the plan before age 59½ could result in a 10% tax penalty for early withdrawals.

Q. What about the future?

A. Take time to imagine the kind of lifestyle you'll be living as an early retiree. Will the loss of a regular paycheck force you to cut back on certain activities you have enjoyed, such as elaborate vacations? Does it mean possibly having to relocate to an area where the cost of living is less expensive? Will retirement bring you relief or a sure ticket to boredom? These issues deserve serious consideration when making plans for your retirement.

Know that you will likely face some difficult decisions. For instance, if early retirement will force you to change to a less-satisfying lifestyle than what you have now, you might choose to keep working for a few extra years, maybe on just a part-time basis.

It will help to talk about your retirement plans with someone you trust. Don't hesitate to seek guidance from your professional advisers.

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Facts and Figures

Timely points of particular interest

Business Tax Returns—A new highway spending bill, signed on July 31, makes several key changes for filing business tax returns. For instance, the due date for filing 2016 returns for a calendar-year partnership is moved up to March 15, while the deadline for filing returns by a calendar-year C corporation is moved back to April 15. The law also authorizes automatic six-month filing extensions under transitional rules.

Management Skills—One of the hallmarks of good business management is consistency. If possible, be consistent with your treatment of people in similar circumstances. For instance, if you overlook the tardiness of one habitually late worker but not another, you are sending the wrong message. Similarly, it generally does not make sense to approve an early departure for a dental appointment but not a school conference.

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Glad Tax Tidings for Family Gifts

Year-end tax planning is not just about income taxes (see *Seven Make-or-Break Year-End Tax Moves*). It can involve estate and gift taxes too.

Under the annual gift-tax exclusion, you can give each family member up to $14,000 in 2015 without paying any gift tax or eroding the estate-tax exemption. The exclusion is doubled to $28,000 for joint gifts by a married couple. By using the exclusion wisely, you can methodically reduce the size of your taxable estate.

Keeping that in mind, you might decide to be generous to others this upcoming holiday season.

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