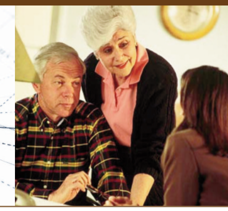
Year-End Alert

Income Taxes Ahead!



Take Time Now to Plan Your 2016 Year-End Strategies

What kind of year, financially speaking, has 2016 been for you thus far? Whatever your situation, there are positive tax-planning moves you can make now, before January 1, 2017, to keep your 2016 taxes as low as possible.

What should be your strategy? In most cases, you should try to pile up as many deductions as you can – perhaps even "borrow" a few deductions from next year. Where possible, postpone receiving some income until next year. Here are some specific ideas:

■ Increase deductions for state and local taxes by prepaying, where permitted, property taxes and income taxes before 2017.

■ Speed up the payment of expenses that fall under adjusted gross income percentage ceilings. Thus, if you are at or near the 2%-of-AGI ceiling on miscellaneous expenses, try to boost your deductions for unreimbursed employee expenses, financial consulting fees and tax advice, professional dues and subscriptions to business and professional publications. Ask your financial adviser first if your itemized deductions will be subject to cutbacks. Deductions are reduced by 3% of a taxpayer's AGI over $259,400 (single filers) or $311,300 (joint returns), up to a maximum of 80% of affected deductions.

■ Load up on deductible retirement contributions to your company's 401(k) plan or to your IRA. For 2016, eligible taxpayers can contribute up to $18,000 to 401(k)s (plus a $6,000 catch-up for those ages 50 and older), and $5,500 to IRAs (plus a $1,000 catch-up).

■ Check with your financial adviser about locking in gains and losses on your investments. You can use capital losses to offset capital gains, plus up to $3,000 of other income. Excess losses can be carried forward to future years. You can sell appreciated stock to lock in gains and then buy back the shares if it's a company you like. This will give you a higher basis. But if you sell stocks that have declined in value, your deduction will be postponed if you buy shares in the same company within 30 days of the sale (the wash sale rule).

■ Plan your gifts to charity. You can send a check as late as December 31 and qualify for a 2016 charitable deduction, but a smarter gift idea may be to contribute stocks or mutual fund shares that you have owned more than one year and that have increased in value. Your deduction will be equal to the fair market value on the date of the gift, and you'll avoid any capital gains tax (generally 15% or 20%), and possibly the 3.8% net investment income tax. The chart on the next page shows the tax savings possible from a charitable gift for those who itemize their deductions.

TAX SAVINGS FROM A CHARITABLE CONTRIBUTION					
GIFT AMOUNT	TAX BRACKET				
	15%	25%	33%	35%	39.6%
$100	$15	$25	$33	$35	$39.60
500	75	125	165	175	198.00
1,000	150	250	330	350	396.00
5,000	750	1,250	1,650	1,750	1,980.00

2016 . . . A Good Year for a Tax-Saving Gift

Now, as 2016 begins to wane, is an excellent time to plan a significant contribution to charity. A tax-favored gift – either outright or deferred – may be particularly appealing if:

- you own property that has grown substantially in value but produces only a small income;
- you own a life insurance policy that is no longer needed for the security of your family;
- you own a business interest;
- you will have an unusually high income this year;
- you want to gain a good, favorably taxed source of income for your life and/or the life of another.

A year-end gift to charity can make sense in your planning, but there are several factors you should keep in mind:

Timeliness – The date of delivery is the key to whether a gift will be deductible in 2016. A check is considered delivered on the date you mail it – even as late as December 31, 2016. Gifts of stock or mutual fund shares, which may take time to transfer, are complete when the shares reach our account. Check with us if you have questions on the timing of gifts or for information on transferring shares directly from your brokerage account.

Type of gift property – If possible, give capital gain property that has grown in value and that you have held more than one year. Your profit escapes tax, and your deduction will be the property's full fair market value. If you have capital loss stock, sell that first and give us the proceeds. Your loss can offset some of your capital gains, and you'll get a charitable deduction as well.

Deduction ceilings – Every dollar you give to charity before the end of the year will be deductible. The most you can deduct for 2016 is 50% of your AGI. Gifts of securities can be deducted up to 30% of AGI. Excess deductions can be carried over and deducted in future years.

Tax Relief from "Invisible" Gifts

It's late in the year and you discover you have been so successful that you will break into a higher tax bracket. You've considered making tax-deductible gifts to charity to generate a deduction, but you don't want to give up any income. Is there a solution?

You could transfer some appreciated stocks and mutual fund shares to a trust that will pay you income for life, with the property passing to us when the trust ends. You receive a charitable deduction this year for a large part of what you put into the trust, but the gift is virtually "invisible" because your income remains roughly the same – possibly even higher. Call our office if a life-income gift makes sense in your planning.

Gifts from IRAs

The law permitting IRA owners ages 70½ and older to make gifts of up to $100,000 directly to charity was made permanent in late 2015, through the Protecting Americans from Tax Hikes of 2015. Qualified charitable distributions (QCDs) can take the place of required minimum distributions, saving income tax, even though no charitable deduction is allowed. Gifts must come directly from the custodian of your IRA. Call us if you have any questions about making lifetime charitable gifts directly from your IRA.

UNIVERSITY OF ST FRANCIS

All inquiries should be addressed to:

Regina Block

815-740-5065

rblock@stfrancis.edu

For more information, print out and complete the form below and mail to the address above.

Year-End Gift Plans

❏ I have decided to make a year-end gift by check.
My check ❏ is enclosed ❏ will be mailed by December 31, 2016.

❏ I am interested in a gift that provides me or others with lifetime income.

❏ I am interested in planning a gift through my estate plan.

❏ I have already arranged an estate gift.

Name ______________________________

Address ______________________________

City ____________________ State __________ Zip __________

Telephone ______________ E-mail ______________