WIPFLI LLP
GOOD NEWS/BAD NEWS LETTER
2015

The information in this letter is based on current federal legislation through December 17, 2015. We hope this information will be helpful to you. Enjoy!

1. **Standard Deductions—Good News**

The standard deductions for 2014 and 2015 are:

	2015	2016
Joint or qualified widower	$12,600	$12,600
Single	6,300	6,300
Head of household	9,250	9,300
Married filing separately	6,300	6,300
Additional for elderly/blind—married and surviving spouse	1,250	1,250
Additional for elderly/blind —head of household, single	1,550	1,550

Note: If the individual who is claimed as a dependent on another's return has earned income, the standard deduction for 2015 is the greater of $1,000 or $350 ($1,050 or $350 for 2016), plus the earned income (but no more than the standard deduction for a single person).

2. **Personal/Dependent Exemption Amount—Good News**

The personal/dependent exemption for 2015 will increase to $4,000 and goes to $4,050 for 2016. For 2015 these exemptions are subject to a phaseout beginning with adjusted gross income of $259,400 for filing single and $311,300 for married couples filing jointly. It phases out completely with adjusted gross income of $381,900 for filing single and $433,800 for married couples filing jointly.

3. **Dependency Exemption Requirements—Bad News**

For the 2015 tax year and beyond, in order to include and deduct a dependency exemption, the taxpayer must provide proof of health insurance (minimum essential coverage) for that dependent. The Affordable Care Act requires minimum essential coverage health insurance to be provided unless an exception applies. Failure to provide minimum essential coverage insurance will result in a penalty of the greater of $325 or 2%

of household income per adult for 2015, $695 or 2.5% for year 2016. The penalty for each minor child is one-half of the adult penalty.

Exceptions to the requirement to obtain minimum essential coverage health insurance are: under poverty level, Indian tribes, religious objections, incarcerated, undocumented immigrants, those for whom the lowest cost plan option exceeds 8% of an individual's income, or if no individual income tax return is filed.

President Obama signed an executive order which allows a taxpayer to deduct a dependency exemption, even if that taxpayer does not directly pay for minimum essential health coverage. If that taxpayer knows the dependent is receiving minimum essential health coverage from someone else and a Form 8332 is filed, the taxpayer is entitled to the dependency exemption.

4. Individual Shared Responsibility—Bad News

Starting January 1, 2014, a person is liable for the shared responsibility payment (also known as minimum essential coverage health insurance) for any child who qualifies as a dependent under Section 152 of the Internal Revenue Code. This is true, regardless of whether that dependent is claimed on the person's tax return. The law does not allow for this liability to be assigned to another taxpayer, even if the other taxpayer has a legal obligation to provide the child's healthcare. However, federal Health and Human Services has issued guidance regarding hardship exceptions in the event a noncustodial parent fails to provide health insurance they are legally obligated to provide. The parent able to claim the child as a dependent may qualify for a hardship exception.

5. Employer Provided Health Insurance Mandate—Bad News

In 2015, companies with 100 or more full-time equivalent employees must offer health coverage to full-time employees. A full-time employee is defined as someone who works at least 30 hours a week. Failure to provide health insurance coverage results in a fine.

Starting January 1, 2016, companies with 50 or more full-time equivalent employees must offer health coverage to full-time employees. In addition, the coverage offer will be expanded to dependents, including children under age 26.

The fines for noncompliance are significant. For firms that fail to offer health coverage to at least 70% of full-time workers in 2015, if even one full-time employee opts to buy insurance through a government exchange and receives a premium tax credit to subsidize the premium, they will suffer a penalty. This penalty is $2,084 times (the number of full-time employees minus 80).

In 2016, if an employer does not provide health insurance to 95% of full-time workers, a penalty will be assessed for each non-covered employee less 80 employees. This is true even if one full-time employee opts to buy insurance through a government exchange and receives a premium tax credit to subsidize the premium.

A separate penalty is assessed if the health insurance provided by the employer is unaffordable. If an employer provides health insurance to employees, but it does not meet the threshold (9.56% of the household income is less than the employee's cost of single coverage) there is a penalty of $3,126 for each full-time employee who gets a premium tax credit for purchasing coverage on the health care exchange. To meet the definition of minimum value, the employer must cover at least 60% of the insurance premium in order to avoid this penalty. This applies to full-time employers with 100 or more full-time employees in 2015 and companies with 50 or more full-time employees beginning January 1, 2016.

6. Reporting of Health Insurance Coverage to the Federal Government, Form 1095—Bad News

Employers with 50 or more full-time equivalent employees must report on Form 1095-C the 2015 health insurance data for each full-time employee. The Form 1095-C must be sent to both the Internal Revenue Service and to the employee.

Companies with fewer than 50 employees that provide self-insured coverage will use Form 1095-B for this purpose.

The Form 1095-C or 1095-B will include information that the employees must report on their federal income tax return (Form 1040). Employers are required to provide this information to employees by January 31st of the following year. (For year ended December 31, 2015, the employees must receive the form by January 31, 2016.) The IRS' due dates for submitting Forms 1095 are February 29, 2016, if the forms are paper filed and March 31, 2016, if the forms are electronically filed.

7. 2015 and 2016 Individual Tax Rates (Adjusted for Inflation)—Good News

Filing Status	2015 Taxable Income	2016 Taxable Income
Beginning of 10% bracket:		
Joint or qualifying widower	$-0-	$-0-
Single	-0-	-0-
Head of household	-0-	-0-
Married filing separately	-0-	-0-
Estates and non-grantor trusts	N/A	-0-
Beginning of 15% bracket:		
Joint or qualifying widower	$18,450	$18,550
Single	9,225	9,275
Head of household	13,150	13,250
Married filing separately	9,225	9,275
Estates and non-grantor trusts	-0-	-0-
Beginning of 25% bracket:		
Joint or qualifying widower	$74,900	$75,300
Single	37,450	37,650
Head of household	50,200	50,400
Married filing separately	37,450	37,650
Estates and non-grantor trusts	2,500	2,550
Beginning of 28% bracket:		
Joint or qualifying widower	$151,200	$151,900
Single	90,750	91,150
Head of household	129,600	130,150
Married filing separately	75,600	75,950
Estates and non-grantor trusts	5,900	5,950
Beginning of 33% bracket:		
Joint or qualifying widower	$230,450	$231,450
Single	189,300	190,150
Head of household	209,850	210,800
Married filing separately	115,225	115,725
Estates and non-grantor trusts	9,050	9,050

Filing Status	2015 Taxable Income	2016 Taxable Income
Beginning of 35% bracket:		
Joint or qualifying widower	$411,500	$413,350
Single	411,500	413,350
Head of household	411,500	413,350
Married filing separately	205,750	206,675
Estates and non-grantor trusts	N/A	12,400
Beginning of 39.6% bracket:		
Joint or qualifying widower	$464,850	$466,950
Single	413,200	415,050
Head of household	439,000	441,000
Married filing separately	232,425	233,475
Estates and non-grantor trusts	12,300	12,400

Note that for years beginning January 1, 2013 and beyond, there will be an additional 3.8% tax on unearned income and .9% tax on earned income for single filers who have modified adjusted gross income (MAGI) of $200,000, for married taxpayers filing separate returns who have MAGI of $125,000, and for joint filers with MAGI of $250,000.

Special Note: Employers and payroll service providers are required to withhold the additional .9% on wages over $200,000, regardless of the employee's marital status. Examples of "unearned" income are annuities, interest, rental, dividend, and capital gain income. Examples of "earned" income are wages and self-employment income. These additional taxes do not apply to distributions from IRAs or qualified retirement plans.

The term "rental" income subject to this additional 3.8% tax has been redefined. Depending on circumstances, not all "rental" income is assessed this new tax.

The Act provides a permanent extension to the 10%, 15%, 25%, 28%, and 33% tax brackets for individuals whose taxable income is at or below $400,000 for single filers, $425,000 for head-of-household filers, and $450,000 for married filing jointly filers. This permanent extension is for tax years beginning after December 31, 2012.

8. Alternative Minimum Tax Exemption Extension—Good News

Alternative minimum tax exemption amounts have been increased from last year. For the year beginning January 1, 2015, the AMT exemption amounts are:

Filing Status	2015
Married filing jointly	$83,400
Single	53,600
Married filing separately	41,700
Head of Household	53,600

AMT phase-out rules still apply. For 2015, the AMT exemption is phased out at the rate of 25% of the amount the alternative minimum taxable income (AMTI) exceeds $158,900 for married individuals filing jointly, and $119,200 for single individuals.

9. Beginning of *Itemized Deduction* Phase-out Range Based on AGI—Bad News

For tax year beginning January 1, 2015, phase-out rules apply for itemized deductions. The limitation begins with adjusted gross income of $258,250 for single filers and $309,900 for married couples filing jointly.

This is a permanent extension of the phase-out limits. The phase-out results in losing $1 for every $3 over these phase-out limits, limited to an overall 80% disallowance. Some itemized deductions are exempt from the phase-out: medical expenses, investment interest expenses, casualty losses, and gambling losses.

10. Cash and Noncash Charitable Contributions—Continuing Bad News

For cash and noncash contributions of $250 or more, an acknowledgment must be received in writing, stating "no goods or services were received in exchange for this contribution." Failure to have this document at the time of the filing of the income tax return will result in no charitable contribution deduction. There are continuing cases involving the treatment and tax deductibility of cash and noncash contributions that require a letter of substantiation at the time of the filing of the tax return.

11. Education Tax Credits—Good News

The American Opportunity Tax Credit is set to expire December 31, 2017. The maximum credit is $2,500, calculated as 100% of the first $2,000 of eligible expenses and 25% of the next $2,000 of eligible expenses. Eligible expenses include course materials, fees, and tuition. The credit is allowed for eligible expenses, and 40% is refundable.

The American Opportunity Tax Credit phases out for taxpayers beginning with modified AGI of $80,000 to $90,000 ($160,000 to $180,000 for joint filers). This credit reduces regular AMT taxes. Up to 40% of this credit is refundable unless the child is in kiddie-tax status.

The Lifetime Learning Credit is 20% of the first $10,000 of qualified tuition and eligible expenses, up to a maximum of $2,000 per year per student. For 2015, the adjusted gross income limit allowed for lifetime learning credit for joint filers is $110,000. For 2016, the adjusted gross income amount allowed for joint filers is $111,000.

If a child is claimed as a dependent on someone else's tax return, no education tax credit is allowed.

12. Daycare Costs Eligible for Child Care Tax Credit—Bad News

To be eligible to deduct daycare costs, the taxpayer must include the child as a dependent on the income tax return.

13. IRAs—Good News

The maximum contribution for 2015 is $5,500 for individuals under age 50 and $6,500 for individuals who are age 50 or over.

The 2015 phase-out for traditional IRAs has been increased to AGI of $61,000-$71,000 for individuals filing as single or head of household and AGI of $183,000-$193,000 for a nonparticipating spouse and $98,000-$118,000 for a participating spouse for individuals who are married filing jointly.

14. Roth IRAs—Good News and Bad News

In 2015, for individuals under the age of 50, the annual deferral limit is increased to $5,500 and it is $6,500 for those over 50 years of age. There are phase out amounts at certain levels. Roth IRA contribution eligibility phases-out for single individuals with AGI between $116,000-$131,000. For married filing jointly, the phase-out range for Roth IRAs is $183,001-$193,000. Note that for married taxpayers filing separately, the phase-out is $0 to $10,000 of AGI.

Under current law, a deferral plan under Section 401(k), 403(b), or 457(b) can have Roth accounts that allow participants to save on a Roth basis. That is, they can make after-tax contributions to the plan, and all principal and earnings are tax-free when distributed. Some plans currently allow participants to convert their pretax accounts to Roth accounts, but only with respect to money they have a right to take out of the plan—usually because they have reached age 59 1/2 or separated from service.

The Act allows any amount in a non-Roth account to be converted to a Roth account in the same plan, whether or not the amount is distributable. The amount converted will be subject to regular income tax.

15. Alimony is Eligible as "Compensation" for IRA Contribution Purposes—Good News

Qualified alimony paid under a divorce or separation agreement and includable as taxable income is considered compensation for IRA contribution purposes.

16. Employer-Provided Cell Phones—Good News

Prior to 2011, cell phones were categorized as "listed property." For listed property, there are extra substantiation requirements in order to be able to deduct any expenses for the cell phone and the cellular contracts for business use. Beginning January 1, 2011, cell phones were removed from the "listed property" list.

In addition, the IRS provided guidance on requirements in order to deduct cell phones and cell phone usage. Cell phones provided primarily for business use may be classified as a *de minimus* fringe benefit or a working condition fringe benefit. The IRS's guidance for qualified business use includes cell phones used for contacting the employee at all times for work-related emergencies and cell phones used when the employee needs to be

available to speak with clients when the employee is away from the office or to call clients in other time zones after the normal workday is over.

Examples of non-qualifying purposes include cell phones provided to promote employee morale or goodwill, attract prospective employees, or provide additional compensation to employees. In these instances, no business deduction is allowed.

17. Foreign Financial Assets—Bad News

If you owned specified foreign financial assets in 2011 and thereafter, you may have to file the new Form 8938 with your return. This form is filed with your Form 1040 (individual income tax return). This form is required in addition to Form 114, which is due on June 30 of every year and requires individuals to report their foreign ownership of or signature authority over foreign investments in excess of $10,000. Form 8938 has different filing requirements than Form 114, but penalties for failure to file either of these forms are significant. The IRS has targeted international accounts held by U.S. taxpayers as a priority for their Large Business & International (LB&I) division.

18. Section 179 Expense—Good News

Current law is that the Internal Revenue Code Section 179 allows an expense of a maximum amount of $500,000 for qualified asset purchases placed in service in prior to December 31, 2014. The phase-out amount is $2 million in qualified asset purchases. This proposal expires December 31, 2014.

As of December 17, 2015, the House of Representatives has passed, the Senate is expected to pass, and the President has said he will sign a permanent extension of Section 179. The terms of this permanent extension are: beginning January 1, 2015, a Section 179 expense amount of $500,000 per year will be allowed for qualified asset purchases placed in service. There is a phase out of this Section 179 expense beginning at $2 million in qualified asset purchases for the year. If qualified asset purchases exceed $2.5 million, the Section 179 expense is completed phased out. For each year after 2015, there is an indexing of the $500,000 and phase out amounts based on inflation.

Note that this new law applies to qualifying tangible personal property (either new or used property). In addition, tax returns can be amended to make or revoke a Section 179 election.

19. Bonus Depreciation—Good News

"Original use" qualified properties placed in service in 2014 are eligible for a 50% first-year bonus depreciation. This bonus depreciation provision expired on December 31, 2014 (except for certain transportation assets).

As of December 17, 2015, the House of Representatives has passed, the Senate is pending approval, and the President has indicated that he will sign into law favorable bonus depreciation tax treatment for qualified new asset purchases. Beginning January 1, 2015, through December 31, 2017, a 50% bonus depreciation deduction will be allowed for qualified property in the first year the asset is placed in service. Beginning January 1, 2018, through December 31, 2018, bonus depreciation percent is reduced to 40% for qualified properties placed in service. Beginning January 1, 2019, through December 31, 2019, qualified properties placed in service during that time period are eligible for 30% bonus depreciation deduction.

Qualified property is defined as an asset that has a recovery period of 20 years or less and must be new property. Used property does not qualify. New property initially used by a taxpayer for personal use or as inventory and then later used by the taxpayer in a trade or business meets the "original use" requirement.

Note that depreciable computer software, other than software amortizable under Section 197, qualifies. (This is computer software amortizable as an intangible asset over 15 years.)

The adjusted basis of the property is reduced by the bonus depreciation before computing the amount otherwise allowable as depreciation deduction for the tax year and any later tax years. There is no AMT depreciation adjustment. Luxury vehicles are now eligible if they meet certain tests.

20. Health Flexible Savings Accounts—Good News

Beginning January 1, 2014, there is a limit of $2,550, in addition to health insurance premiums, on contributions to health flexible spending arrangements (cafeteria plans). This limit is indexed to the Consumer Price Index. Participants can now carry over up to $500 to the next year if there is an unused balance in the account, but plans have to be amended to provide for the carry over provision. Health flexible accounts that have a 75

day grace period provision must select either the carry over or grace period provisions. They cannot have both provisions in their plan.

21. Health Savings Accounts—Good News and Bad News

Health savings accounts are eligible for a deduction up to $3,350 in 2015 for single individuals and $6,650 in 2015 for families. For individuals over age 55, there is an additional $1,000 deduction for qualified health savings accounts. To qualify for health savings account status, the account holder's insurance policy must have a high deductible in 2015—$1,300 for single individuals and $2,600 for family coverage. For year 2016—the deductibles are $1,300 for single individuals and $2,600 for family coverage.

Note that over-the-counter drugs are not reimbursable from health savings accounts for years beginning January 1, 2011, and forward.
The additional tax on distributions from health savings accounts not used for qualified medical expenses has increased to 20% from 10% for distributions after December 31, 2010. These amounts are to be reported on Form 8889.
An individual need not have earned income in order to qualify to own a health savings account. Individuals who are on Medicare are not eligible to own a health savings account.

22. Social Security Earnings Test—Bad News

For 2015, employers must withhold Social Security tax on the first $118,500 (up from $117,000 in 2014) of earned income. Medicare taxes of 1.45% must be withheld on all earned income paid to employees. (Note that the employer must match the Social Security and Medicare taxes and remit them to the federal government.)

Social security benefits will be affected depending on the earnings of certain individuals. People who turn 66 years old in 2015 do not lose any benefits if they earn $41,880 or less before they reach that age.

Individuals between the ages of 62 and 66 by the end of 2015 can earn up to $15,720 before they lose any benefits. There is no earnings cap once a beneficiary reaches age 66.

The amount needed to qualify for coverage for social security increases to $1,220 a quarter. So, anyone earning $4,880 during 2015 will receive the full four quarters of coverage to be eligible for social security benefits.

23. Medicare Part B Coverage—No News

The basic Medicare Part B premium cost remains at $104.90 per month. Note that individuals with modified adjusted gross income exceeding $170,000 for married filing jointly or $85,000 for single persons will have a surcharge added to their Medicare Part B premiums. The surcharge can be as high as $301.60 a month.

24. Capital Gains and Losses—Bad News and Good News

Capital gains and losses are to be reported on one of six federal Forms 8949, and the totals are to be reported on Schedule D. If you sold a security in 2014 and beyond, you should receive a Form 1099-B (or substitute statement) that shows your cost basis, date of purchase, selling price, and date of sale.

In 2015, a permanent extension is included in the Act to increase the rate for long-term capital gains and dividends to 20% for individuals whose taxable income is above $413,200 for single filers and $464,850 for married filing jointly filers.

For taxpayers in the 15% and below ordinary income tax bracket, the federal long-term capital gains tax rate is 0% for assets held more than 12 months. For individuals whose ordinary income tax rate is over 15% but below 39.6%, the tax rate for long-term capital gains is 15%. For individuals whose ordinary income tax rate is 39.6% or higher, the long-term capital gains tax rate is 20%. For individuals who sell collectibles, the maximum long-term capital gains rate is 28%.

Note also that in 2015 the 3.8% additional tax on unearned income, which includes dividends and taxable capital gains, is imposed on single taxpayers with MAGI of $200,000, married taxpayers filing jointly with MAGI of $250,000, and married taxpayers filing separately with MAGI of $125,000.

25. Charitable Contribution of IRAs by Donors over Age 70 ½

Donors who are over age 70 ½ at the time of the distribution, can make a direct contribution of their IRA to a charitable organization without including the amount of the donation as taxable income. Donors can contribute directly from the IRA to the charitable organization up to $100,000 per year.

Note that if this direct contribution is not included as taxable income, a charitable contribution deduction cannot also be taken.

26. Maximum Deductible 401(k) Contributions—Good News

The maximum deductible employee contribution is $18,000 for 2015 for qualified employees under age 50. For individuals age 50 and over, the maximum deduction is $24,000 for 2015.

For 2015, a single-member 401(k) plan is allowable for sole proprietors who report earnings on Schedule C of their individual income tax return (from consulting and other businesses). Individuals can contribute up to the lower of 100% of their taxable income or $53,000 ($59,000 if the owner is over 55 years of age on December 31, 2015). These single-member 401(k) plans must be set up prior to the end of the year, but the funding for these plans is not required to be paid until the due date of the tax return (including extensions).

Note that amounts paid to other 401(k) plans from other employers are to be included in calculating the maximum contribution amount. For instance, in 2015, if an employee under age 50 invests $18,000 in their employer's 401(k) plan, the maximum he or she could invest in this single-member 401(k) plan is $35,000 for that year.

27. SIMPLE Plans—Good News

The 2015 annual deferral limit for participants in SIMPLE IRA or SIMPLE 401(k) plans is $12,500 for individuals under age 50 and $15,500 for individuals age 50 and over.

28. SEP Contributions—Good News

The maximum SEP contribution is the lower of 25% of compensation or $53,000 for 2015. There is no catch-up allowed for SEP contributions for individuals age 50 and over.

29. Mileage Allowances—Good News for 2015 and Some Bad News for 2016

For the year beginning January 1, 2015, business travel expenses are subject to a mileage rate of 57.5 cents per mile for all business miles. This is decreased to 54 cents per mile beginning January 1, 2016. Note that the business mileage rate is not available for use in the following situations:

- Five or more automobiles used simultaneously, such as in fleet operations
- Any vehicle previously depreciated using a method other than straight-line or claiming a first-year Section 179 depreciation or when ACRS or MACRS depreciation has been used
- U.S. Postal Service employees who receive qualified reimbursement for collection and delivery of mail on a rural route
- Leased vehicles, unless the taxpayer uses the standard business mileage rate or the FAVR allowance for the entire lease period

The charitable mileage rate remains 14 cents per mile because it is set by statute.

The mileage rate for medical/moving was increased to 23 cents per mile beginning January 1, 2015, but decreases to 19 cents per mile beginning January 1, 2016.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the modified accelerated cost recovery system (MACRS) or after claiming the Section 179 deduction for that vehicle. In addition, the business standard mileage rate for more than four vehicles used simultaneously.

30. Federal Per Diem Rates—Good News

From October 1, 2014 to October 4, 2015, the combined rate for overnight travel in specified **high-cost** areas is $259 per day, which consists of $194 for lodging and $65 for meals and incidentals.

Effective October 5, 2015, the combined rate for overnight travel in specified **high-cost** areas is $275 per day, which consists of $207 for lodging and $68 for meals and incidentals.

From October 1, 2014 to October 4, 2015, the combined rate for **low-cost** areas is $172 per day, which consists of $120 for lodging and $52 for meals and incidentals.

Effective October 5, 2015, the combined rate for overnight travel in **low-cost** areas is $185 per day, which consists of $128 for lodging and $57 for meals and incidentals.

The combined lodging and meals rates may not be used by self-employed individuals or by employees deducting their own expenses. The combined rate can be used only by employees or independent contractors who are under a third-party reimbursement arrangement.

Neither the combined per diem rate nor the meals and incidental expenses rate may be used for reimbursement by any related party (anyone having 10% or greater ownership in the entity).

The Internal Revenue Service (IRS) has a specific list of locations that qualify for the high-cost area rates. If a location is not on that list, it is considered a low-cost area. (Cook County, Illinois, is on the list. No Wisconsin or Minnesota cities are on the list.)

There is a per diem of $5 per day for incidental expenses for taxpayers who are travelling.

31. Business Use of Home—Good News

The Internal Revenue Service has provided a "safe harbor" rule for business use of the home. Beginning January 1, 2013 and beyond, the IRS will allow taxpayers a deduction for business use of the home of $5 per square foot for the portion of the home used for qualified business. This "safe harbor" amount cannot exceed $1,500. An election must be made annually to claim this deduction. A qualifying use of the home includes use of the home for meeting with clients, business storage, daycare services, or as a principal place of business. No Form 8829 needs to be filed to claim this deduction. This safe harbor amount or other appropriate amount is to be listed as "other expense" on Schedule C, Schedule E, or Schedule F.

32. Small-Employer Health Insurance Tax Credit—Good News

In 2015, there is a health insurance tax credit for employers with fewer than 25 full-time equivalent employees (excluding owners, family members, and seasonal employees) and whose employees' average annual wages do not exceed $50,000.

Employers with 10 or fewer full-time employees (excluding owners, family members, and seasonal employees) whose wages do not exceed $25,000 are eligible for the full credit.

The credit is a formula based on the particular state in which the employees are employed.

This credit is nonrefundable to for-profit taxpayers, but it is refundable to tax-exempt entities (churches, etc.).

This credit is completely phased out for employers who have 25 full-time employees.

33. Deduction of Bonuses to Employees—Bad News

Under the accrual basis method of accounting, employers are allowed to deduct bonuses to employees if paid before two and a half months after year-end and declared prior to the year end of the company (approved by the officers and/or board of directors). However, if all of the bonuses are not paid within the two and a half months, no deduction is allowed for any of the bonus.

In other words, if at year-end, bonuses of $20,000 each were awarded to five named individuals, and one individual doesn't receive a bonus (due to no longer working for the company), no deduction is allowed for the $100,000.

34. Federal Estate Exemptions—Good News

Individuals who are U.S. citizens have a federal estate exemption of $5,430,000 for estates of decedents who died in 2015. This exclusion amount increases to $5,450,000 for estates of decedents who die in 2016.

There is no Wisconsin estate or inheritance tax.

35. Annual Gift Tax Exemption—Good News

There is an annual gift tax exemption of $14,000 per donee per year for gifts made in 2015 and 2016.

There is no Wisconsin gift tax.

Although this Good News/Bad News Letter is not all-inclusive, our intention is to make you aware of the federal and Wisconsin changes that may impact your and your clients' tax returns and subsequent tax planning. Feel free to call Mary Jo Werner at 608.784.7300, or e-mail her at mwerner@wipfli.com if you would like to further explore these changes.