

Office Update  
(continued from page 1):

have an on-going, fulfilling retirement. We thank them and wish them continued happiness.

As for the rest of our families and office staff, we're all doing just fine. **Murray and Wendy** oldest daughter Shelley is married to Dave, who is an Orange County Deputy Sheriff, and they have one daughter Emma, who is Murray's first and only grandchild. Shelly and Dave are excited to announce that they are expecting a baby boy in March. Their second daughter Holly got married in February. Holly works as a legal assistant in a law office and her new husband Cory is studying to become a physical therapist. Murray's son Grant left in June for a two-year church mission in Kobe, Japan and is having some amazing experiences learning Japanese, teaching the gospel, and doing service. Callie is a senior at Los Al High School and plays lacrosse; she is excited to finish her college applications and find out where she will be attending college next year.

**John & Kari** are rolling along too. They even added two grandkids in 2015. Most of you have seen their oldest daughter Brittany who works in the office, and she works as a gymnastics coach and as a fitness trainer as well. She has one son, Jacob. Next is Ashley, whose husband Luke is a doctor at Loma Linda Hospital. They had three kids but added a fourth this year – a healthy baby girl named Bailey Jane. There is also Brooklyn, Aubrey, and Cameron in their kid corral. Brad and Kellie live in Utah with their two kids, where Brad is a CFI (flight instructor) and working to get on with the airlines. They added Charley this year, a baby girl, and they already had young handsome Chase. Other big news for John and Kari was the return of their two missionary sons after two years of service. Brendan came home from Boise, Idaho, and Braden returned from Bahia Blanca, Argentina. It was great to see them after two years. Brendan is now a student at BYU-Hawaii and Braden will be attending BYU-Idaho in January (Brendan likes to surf and Braden likes to snow-board – go figure). Finally, their youngest daughter, Chelsea, is a senior at Cypress H.S. and plays on the soccer team. She is looking forward to attending Utah Valley University starting in the fall.

**Kristi Winn**, who most of you know, is in the office year-round. Kristi is our insurance specialist and she holds licenses in property/casualty insurance, as well as life, health, and disability insurance. Kristi is the insurance guru and makes sure that our insurance clients are expertly serviced and also works with our property management business. She also helps us out during tax season. She and her husband Dave have three daughters, one of whom is married to John's son Brad (see above).

finally...

We want all of our clients to understand that the topics covered in this and all monthly, quarterly, and annual newsletters are covered superficially at best. There is always considerably more to these tax laws than can be covered in simple newsletters. Give us a call or engage us during the interview if you have any questions. Mistakes can be costly.

Once again, we wish to thank you for your business. We are blessed to have you as a client and we hope that we can be of service to you for many years to come. If you ever have any questions or comments, please don't hesitate to give us a call.

We appreciate your client referrals. Because the new clients have already heard a good word about our firm from you, we are able to begin our relationship with them with a certain level of trust and confidence. In order to show our appreciation, we are offering a gift certificate to Claim Jumper for anyone who refers a new client to us.

That's it for this year. Many happy returns!

We've joined the  
online community  
with our new website:

LGSTAX.com

Services include finding out more about everything we do, the ability to make payments, a client portal, frequent newsletters, and the ability to request appointments. **The real meat though is found under a heading called Resources. In this part of the website, you can take advantage of many different financial helps, information, and calculators.** You'll see everything from financial planning and calculators, home and mortgage information, insurance, college financing, automotive, payroll, work benefits, cash flow, credit, and most importantly - taxes.

**Here is just a tiny random sampling of the more than 125 offerings under the Resources heading:** how much will I need to retire?; social security retirement income calculator; when should I begin saving for retirement?; calculate rate of return; convert to a Roth IRA?; lease or buy an automobile?; upgrade to a more fuel efficient vehicle?; how much should I be saving for college?; how much home can I afford?; how much life insurance do I need?; impact of increasing 401(k) contribution; and, where's my refund? – and on and on.

Again, that just gives you a small taste. If you go on to the site you will get a much better feel for how helpful it can be. The newsletter is posted on there, along with ways to pay your bill, request an appointment, and so much more. **We look forward to seeing you there soon, and getting your feedback!**

A special thanks to **David Regnier** of **DaveStudio.com**, for doing our newsletter for the past 13 years.

**For help with any graphic needs, you can reach him at (714) 206-3283 or email him at dave@davestudio.com.**

His creative services range from marketing materials to branding to complex point of sale displays and more, much of which you can see on his website. His clients are some of the largest companies in the nation, from just about every industry imaginable.

We appreciate his time and effort in putting our newsletter together each year!

HAPPY  
HOLLY  
DAZE!

# Taxing Issues

LG Smith Accountancy Corporation Newsletter Winter 2015 Volume 18

Please accept our warmest Christmas greetings along with our wishes for a happy New Year and a prosperous 2016.

**Taxes play an extremely important role in your overall financial welfare.** There are some new tax laws for 2016 and beyond, but a lot less than as usual. We hope that you will take a moment to look through this information that reviews some of these new laws as well as other pertinent items.

**Like we do every year, we have included your 2015 personalized tax organizer with your appointment time on the front page.** Please fill out the organizer and bring it with you to the interview. Regarding your appointment time, it is important that you understand that the tax-year 2015 appointment time that we have given you is based for the most part on your tax-year 2014 appointment time. **If for any reason the time that we have given you is inconvenient, please don't hesitate to give us a call. We are more than happy to change it for you!!**

For our mail-in clients, we have once again sent you an envelope that you can use to mail your organizer and information back to us at your convenience. **As with any mail-in return that we prepare, we ask that you mail your organizer back to us with 1099's you have received, along with other pertinent information. If you need any help organizing the information before you mail it in, feel free to give us a call.**

For those of you who travel to see us each year, we want you to know that we welcome your visit and there is always an appointment waiting for you if you like. Many of our clients have determined however that mailing us their information and having a phone interview, is a viable way to take care of their tax return preparation needs. *Again though, whatever method works best for you is what we will do.*

## Office Update & Some History (Who is L.G. Smith?)

L.G. Smith Accountancy Corporation and L.G. Smith Financial and Insurance Services have a history that not all of our clients are aware of. Our firm has been around since 1963. **That's 52 years!!** We are proud of our heritage. Our firm was started in Long Beach by Leon G. Smith, Murray's dad, and we have had only three addresses in our history, including being in our current location for over 35 years. Murray and John have well over 50 years of tax, accounting, and financial services experience between them.

When they first started, Leon and his wife Karen did all of the tax returns together. There were no computers, no internet, and not as many tax

laws. The most important tools were a pencil, an adding machine, and carbon paper. Many of our clients still remember coming into the office and meeting with Leon or Karen and having them calculate their tax right there in the interview. Since so many of you ask about them, we thought we would include a picture and a little update. **The update is... they're doing great.** They retired in 1995 although Karen continued to work for a few more tax seasons after that. For many years Leon continued to mentor Murray and John in all things tax and accounting. They still live in Seal Beach and have spent their retirement time traveling, doing church work, golfing, and spending time with their four children, 17 grandchildren and 12 great-grandchildren, who live in six states and various countries. They had a great career together, and now they

(continued on page 4)





# NEW TAX LAWS

Election years are almost always slow years for new tax laws and this year is no exception. There is now a new retirement plan, called a MYRA (we discuss this in another part of this newsletter). Additionally, there are some new Obamacare provisions which we will also give you. Most of the other new things are expiring tax laws, which might very well be brought back retroactively before year-end. Here are a few of the important laws that have expired, but which could return depending on what Congress does before December 31st:

- **Charitable Contribution From an IRA:** This allows retirees who are taking after age 70 ½ mandatory required distributions from an IRA, to re-direct those payments to a qualified charity and take a charitable deduction for the contribution. Doesn't mean much to taxpayers who already itemize their deductions, **but it's a fantastic boon for non-itemizers.**
- **Tuition and Fees Deduction:** There are some other education credits that are still with us but this one was good for some taxpayers in certain situations. Some of you have benefited considerably from this deduction.
- **Qualified Mortgage Insurance:** This will no longer be a deduction unless Congress votes to extend it before year-end.
- **Sales Tax Deduction:** Until 2015 taxpayers could deduct either the greater of sales tax paid or state income tax paid as an itemized deduction on Schedule A. This worked very well for taxpayers in states with no state income tax (i.e. Nevada, Washington, Texas, Florida, and a few others). We'll see if they decide to bring this one back.

## A Few Extra Taxing Issues...

- The deadline to file your tax return is April 18th this year. This is because April 16th each year is **Emancipation Day** (a new Washington D.C. holiday as of a few years ago). Since this year the 16th falls on a Saturday, they are giving the D.C. folks (including IRS employees) the 15th off.
- The Earned Income Credit (EIC) is available to taxpayers that don't make very much money. It is essentially welfare in the form of a tax refund and it affects very few of our clients. **There is also now a new California EIC as of 1/1/15 to help those who don't make very much.**
- There is a new retirement plan this year called a **MYRA**. It is only available to employees and can be thought of as kind of a Roth IRA through one's employer. The real value of a MYRA is that individuals can open an account and make contributions through direct deposits without any fees, and the balances are backed by the U.S. Treasury. More details can found on our website or at **myRA.gov**.
- The social security COLA (cost of living adjustment) was 1.7% for 2015 and is 0% for 2016. **No raises for you retired folks next year.**
- Regarding social security, the SSA now has a very cool way for individuals to access information. By signing up at [www.ssa.gov/myaccount](http://www.ssa.gov/myaccount) you can **track earnings, estimate future benefits, change an address or phone number, start or change direct deposit, check benefit and payment information, etc.**
- If you receive a settlement from a court case, is it taxable? Depends. Personal injury awards and workers' compensation claims are usually excludable from income. Most other settlements, i.e. punitive damages, employment discrimination, emotional distress, damages in lieu of income, etc. are taxable. There are a lot of rules and exceptions so call us if you have concerns in this area.
- Do you like giving charitably to low-income college students? If yes, there's a new California credit for you. **It's called the College Access Credit.** Funds donated go to the dwindling resources used to provide Cal Grants. You can claim a credit equal to 60% of what you give against California tax, and you can use the amount given as an itemized deduction on your federal tax return if you itemize.
- A Tax Court case this year was decided in favor of a self-employed financial advisor who determined that he used his home internet 75% of the time for business, and therefore his tax-preparer wrote-off 75% of the cost. The IRS said no way in an audit. **The Tax Court said yes-way.**
- There is a new California sick-pay law that started on July 1st of this year. Employers are now required to offer paid sick-leave to the tune of one hour of pay for every 30 hours worked. Obviously there is a lot more to this new law, outside of the scope of our small newsletter.
- There is a rarely-used federal credit that allows for up to \$1,000 off of your taxes when you contribute to pretty much any type of retirement plan (401(k), IRA, Roth-IRA, etc.). The reason that it's rarely used is because the income limits are incredibly low. **But here's a tax-tip if you feel like making a gift to a child or grandchild.** If one of those has low income, you can gift them \$2,000 to put into an IRA or Roth IRA and let them get up to \$1,000 off of their taxes. **It's a win-win for everyone** – you get to be a hero for giving the gift, a younger relative gets to put money away for retirement, and then that relative gets a bigger tax refund (or owes less). **Let us do the calculations for you if you're interested – before you make the gift.**
- Estate taxes and gift taxes are part of the same system. They are not income taxes, they are excise taxes. The indexed estate tax exemption is \$5.43 million for 2015 and \$5.453 million for 2016. This basically means that an individual can die with that much in assets and not have to pay any estate tax, and if the decedent is married, there is usually no estate tax that needs to be paid. The gift tax amount for 2015 and 2016 is \$14,000. If you give a gift of more than \$14,000 there is a gift tax return filing requirement even though you likely won't owe any gift tax.
- **The 2015 mileage rates** are \$.57 ½ a mile for business, \$.23 for medical, and \$.14 for charitable. The rates for 2016 haven't been published yet.
- A program called **IRS Direct Pay** allows taxpayers to pay their tax bills or make estimated tax payments directly from their checking or savings accounts without any fees or pre-registration. This does not include credit card payments. Some of the highlights of the program include instant payment confirmation; 24/7 access; non-retention of bank account information (**that's a biggie**); and simple steps to verify identity, enter a payment, review, sign, and record a transaction.

# Obamacare

**For the last six years' worth of newsletters, you have heard us tell you all about the Affordable Care Act (ACA) and how it relates to personal income taxes. It took six years for it to phase-in.**

For the most part, **Obamacare** as it is known has been fully implemented. Everyone has to have health insurance or they get penalized. Last year was the first year for the penalty. This year the penalty is much bigger, and it gets even bigger next year and beyond. If you decided to go without health insurance in 2015 **you get to pay a penalty of \$352 per adult and \$162.50 per child under 18 in your household, or, 2% of your household income, whichever is greater (maximum penalty is \$975).** For 2016 those numbers become a whopping \$695, \$347.50, 2.5%, and a \$2,085 maximum penalty. There are some exceptions but those are basically the numbers.

If you are on Medicare, you are considered covered. Otherwise, you need to have a healthcare plan that is qualified, although most now are. This year, unless you are covered under Medicare, you are going to receive a special form in the mail that you will need to give to us (we are the "Obamacare police"), to prove that you had health insurance this year. If you have health insurance through Covered California or through one of the Obamacare exchanges, you should receive Form 1095-A in the mail. If you went out and secured your own policy, or if you are covered by a "small-employer" (50 or fewer employees), you will receive a 1095-B. If you were covered by a large employer (50 or more), you will get a 1095-C. Whichever 1095 you get in the mail, (and your spouse if you are married), remember that we must get that form from you. Otherwise, we will be forced to put you in Obamacare jail, or calculate a penalty (see above) on your tax return – your choice.

**In order to pay for Obamacare, Congress put special taxes on rich people.** There's the 0.9% Additional Medicare Tax which is levied on folks with too much earned income (wages and self-employment income), along with the 3.8% Net Investment Income Tax which imposes a special tax on interest, dividends, capital gains, etc., also for those who make too much.

## Financial Planning UPDATE

**Most of you know that our financial planning firm, L.G. Smith Financial Services, is affiliated with the RKJ Group. Each year, we ask Mike Remedios, CFP, CIMA, and Jarrod Keen, CFP, to participate in our newsletter and write an article dealing with some aspect of financial planning. This year, Mike has written the following to bring us up to date on certain national and worldwide economic issues which affect the market. Enjoy!!**

### The Return of Volatility

If you forgot what volatility felt like, 2015 surely reminded you. After a very subdued 2014, 2015 started us off with a bang with the S&P -3.10% in January! February through May showed steady recovery, then came June. I was traveling in China in June, and I remember every time I checked the news it was all Greece all the time—I'm sure you remember that time frame. S&P was down 2.10% effectively wiping out all gains for the year. We were now half way through the year with zero returns. July had some nominal gains, then in August the Chinese stock market crashed; S&P: -6.26%. September was a combination of continued concerns about China and its fallout, weaker economic news in the U.S., and a fixation on whether the Federal Reserve was going to raise interest rates; S&P: -2.64%. I am currently writing this article at the end of October and the S&P is up 11.04 for the month! After all that, the market is up a whopping 1.57% so far for the year.

**As an investor, what can you conclude from all this?** That the markets can be volatile and unpredictable in the short run, and we feel that emotion would rarely lead you to accurate conclusions about what the future holds. **Given that most of our clients are either retired or nearing retirement, they generally don't want to experience all the volatility of the S&P, but at the same time don't want**

**to accept the negligible returns the banks are offering in fixed rate CDs.**

At RKJ Group, we employ a disciplined, diversified approach to portfolio construction. While this will not produce miraculous results in a year like we are having, this approach strives to reduce volatility and actually takes advantage of the market's swings through a strategic portfolio rebalancing discipline. While you cannot predict where the market is going in the short run, we believe you CAN control your behavior during this period. **Well-researched investment selection, combined with a disciplined, diversified portfolio approach and tailored to each individual investor, are the foundations of our success at RKJ Group.** Over the last 20 years, we have had the good fortune of working with many of the clients of LG Smith Accountancy Corp. We believe it is management style that may keep our clients from making emotional decisions that they may later regret as they're faced with volatile markets.

**If you ever have any questions about investing, the markets, our approach, etc., simply contact Murray Smith, President or John Campbell, Vice President of L.G. Smith Accountancy Corporation and they will gladly connect you to us.** We appreciate every one of our clients, maintain a high level of contact and communication, and fully intend to keep each relationship for life! Please let us know how we can help you.

The views expressed by the author are his own and do not necessarily reflect the opinion of Wells Fargo Advisors Financial Network or its affiliates. L.G. Smith Accountancy Corporation is not affiliated with Wells Fargo Advisors LLC and does not endorse any products or services Wells Fargo Advisors offers. Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), member SIPC. RKJ Group is a separate entity from WFAFN.

IRS Circular 230, and the U.S. government regulations contained therein, governs written communications about Federal tax matters between us and our clients. Our firm provides the information contained in this client newsletter for general informational and educational purposes only, and it does not constitute any type of legal advice, tax advice, accounting services, investment advice, or professional consulting of any kind. No one should use the information provided in this newsletter as a substitute for professional tax, accounting, financial, or legal advice. It is provided without assurance of accuracy or timeliness of the information, and without warranty of any kind, express or implied.