



# J.K. LASSER'S<sup>TM</sup> YOUR INCOME TAX 2016 PROFESSIONAL EDITION

Prepared by the  
J.K. LASSER INSTITUTE<sup>TM</sup>

WILEY

## Staff for This Book

## J.K. Lasser Editorial

Elliott Eiss, Member of the New York Bar, Contributing Editor  
Barbara Weltman, Member of the New York Bar, Contributing Editor  
Angelo C. Jack, Senior Production Manager  
William Hamill, Copyediting and Proofreading  
Index by WordCo Indexing Services

## John Wiley & Sons, Inc.

John Wiley & Sons, Inc.  
111 River Street  
Hoboken, NJ 07030

Copyright © 2016 by John Wiley & Sons, Inc.  
All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey  
Published simultaneously in Canada

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the web at [www.copyright.com](http://www.copyright.com). Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993, or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at [www.wiley.com](http://www.wiley.com).

ISBN 978-1-119-13393-3

ISBN 978-0-13-443795-8

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

Seventy-Ninth Edition

---

# How To Use the *Professional Edition* of *Your Income Tax 2016*

**Tax alert symbols.** Throughout the text of *Your Income Tax*, these special symbols alert you to advisory tips about filing your federal tax return and tax planning opportunities:



**Filing Tip or Filing Instruction.**.....A **Filing Tip** or **Filing Instruction** helps you prepare your 2015 return.



**Planning Reminder.**.....A **Planning Reminder** highlights year-end tax strategies for 2015 or planning opportunities for 2016 and later years.



**Caution.**.....A **Caution** points out potential pitfalls to avoid and areas where IRS opposition may be expected.



**Law Alert.**.....A **Law Alert** indicates recent changes in the tax law and pending legislation before Congress.



**Court Decision.**.....A **Court Decision** highlights key rulings from the Tax Court and other federal courts.



**IRS Alert.**.....An **IRS Alert** highlights key rulings and announcements from the IRS.

## Visit [www.jklasser.com](http://www.jklasser.com) for **FREE** download of *e-Supplement*

You can download a free *e-Supplement* to *Your Income Tax 2016* at [www.jklasser.com](http://www.jklasser.com). The *e-Supplement* will provide an update on tax developments from the IRS and Congress, including a look ahead to 2016.

On the homepage at [jklasser.com](http://www.jklasser.com), you will find free tax news, tax tips and tax planning articles, and you can sign up for a free e-newsletter.

The PROFESSIONAL EDITION of *Your Income Tax* is divided into two volumes.

Volume I includes the complete 2016 edition of *Your Income Tax*, which for 79 years has helped subscribers solve their tax problems and has proven to be a solid reference work for tax professionals.

Volume II expands the usefulness of *Your Income Tax* for tax professionals by providing citations of tax authorities and sections devoted to practice before the IRS.

### VOLUME I: YOUR INCOME TAX (Parts 1–8)

This volume includes the 2016 edition of *Your Income Tax*. The contents start on page v, and the index begins on page 961.

### VOLUME II: PROFESSIONAL TAX PRACTICE (Parts 9–11)

This volume includes the following technical tax information:

**TAX LAW AUTHORITIES** (Part 9). Here is an explanation of tax authorities—legislative, administrative, and judicial—and their relative importance in the practice of tax law. Part 9 begins on page 789.

**CITATIONS OF AUTHORITY** (Part 10). Here are key authorities for the text of *Your Income Tax* that can save you time and effort in researching income tax problems. The authorities cited are the Internal Revenue Code, IRS regulations and rulings, and court decisions. Part 10 begins on page 795.

**PRACTICE BEFORE THE IRS** (Part 11). This section discusses how to handle tax audits and obtain a ruling from the IRS. Also discussed are the Circular 230 practice requirements and tax preparer penalties. Part 11 begins on page 919.

# IMPROVE YOUR BOTTOM LINE

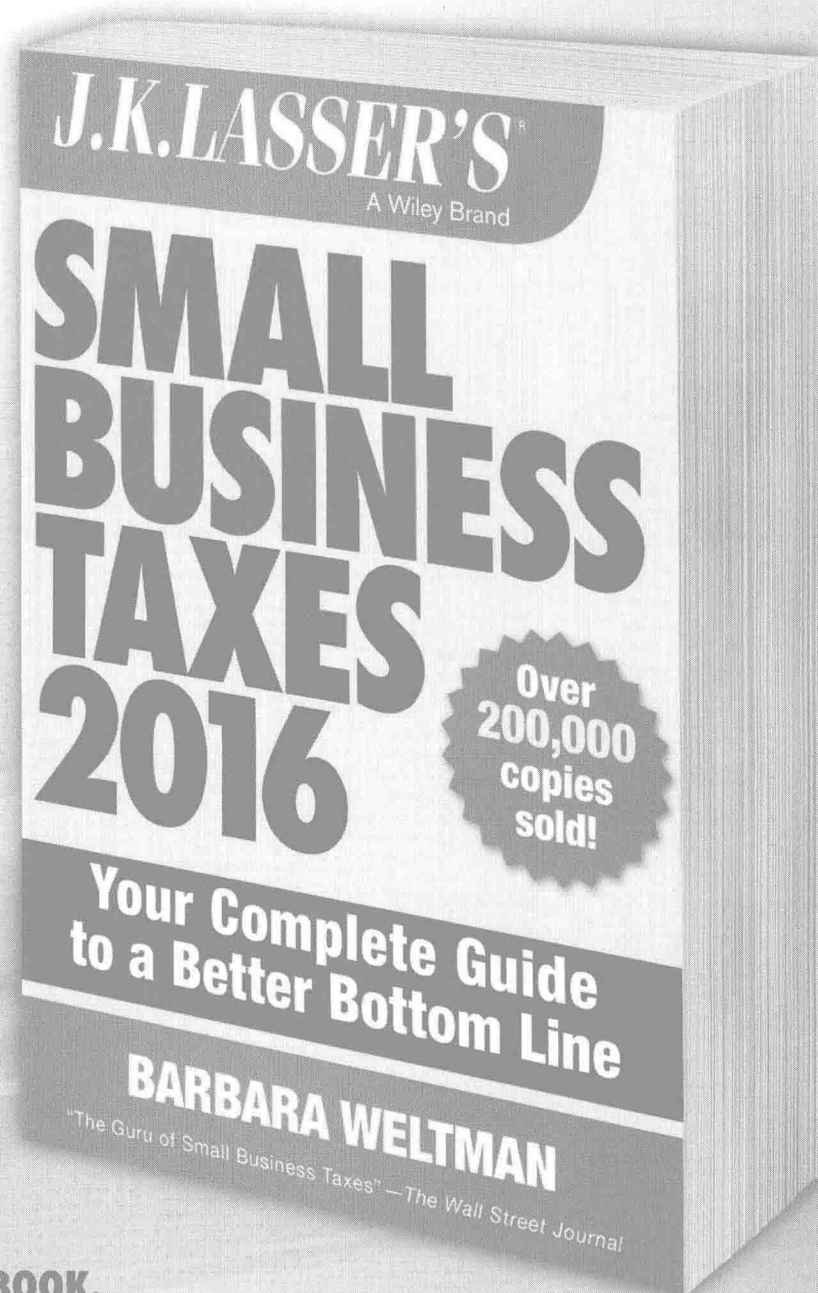
While all small business owners seek to improve their bottom line, few realize all the ways that both current and new tax laws can help them do so. With *J.K. Lasser's Small Business Taxes 2016*, you'll quickly discover how.

- Detailed coverage of the newest tax laws, court decisions, and IRS rulings
- Planning strategies to help you run a tax-smart business all year long
- Comprehensive information on each deductible expense
- Sample forms and checklists to help you prepare for tax time
- And more!

Get a  
**FREE supplement**  
to this book at  
**JKLasser.com**

**AVAILABLE NOW IN PRINT AND EBOOK.**

*J.K. Lasser's Small Business Taxes 2016:*  
*Your Complete Guide to a Better Bottom Line*  
Barbara Weltman • 978-1-119-14387-1



**J.K.LASSER™**  
A Wiley Brand

J.K. Lasser is a registered trademark of John Wiley & Sons, Inc.

此为试读, 需要完整PDF请访问: [www.ertongbook.com](http://www.ertongbook.com)

# What's New for 2015

For an update on tax developments and a free download of the *e-Supplement* to this book, visit us online at [www.jklasser.com](http://www.jklasser.com).

## Tax News for 2015

Item—	Highlight—
Tax rate brackets and preferential rates for capital gains/qualified dividends	<p>The 10%, 15%, 25%, 28%, 33%, 35% and 39.6% brackets for 2015 ordinary income reflect an inflation adjustment. The top bracket of 39.6% applies if taxable income exceeds \$413,200 for single taxpayers, \$439,000 for heads of households, \$464,850 for married persons filing jointly and qualifying widows/widowers, and \$232,425 for married taxpayers filing separate returns (1.2).</p> <p>Qualified dividends (4.2) and long-term capital gains (5.3) may escape tax entirely under the 0% rate, or be subject to capital gain rates of 15% or 20% depending on filing status, taxable income, and how much of the taxable income consists of qualified dividends and eligible long-term gains. The 20% capital gain rate has the same taxable income thresholds as the 39.6% ordinary income rate shown above, that is, either \$464,850, \$439,000, \$413,200, or \$232,425, depending on filing status. The 0%, 15%, and 20% rates do not apply to long-term gains subject to the 28% rate (collectibles and taxed portion of small business stock) or the 25% rate for unrecaptured real estate depreciation (5.3).</p>
Individual health care mandate and premium tax credit	<p>You are required to have minimum essential health coverage through an employer plan, a government program, or other plan, or pay a penalty (38.5), unless you are exempt from this requirement (38.6). The penalty amount for 2015 is the higher of (1) 2% of household income above your filing threshold, or (2) \$325 per person in your household (\$162.50 per dependent child under age 18), up to a maximum of \$975.</p> <p>To help those of modest means pay premiums for coverage obtained from a government exchange (Marketplace), there's a premium tax credit (25.12). Eligibility for this advanceable, refundable tax credit depends on your household income and other factors.</p> <p>If you claimed the credit in advance when you obtained coverage, you have to reconcile what you already applied toward your premiums with what you are actually entitled to; the difference is reported on your tax return (25.12). If you did not receive the credit in advance but are eligible for a credit, you can claim it on your return.</p> <p>If you do not claim the premium tax credit and qualify for Trade Adjustment Assistance (TAA), you may qualify for the health coverage tax credit of 72.5% of premiums (25.13).</p>
Phaseout of personal exemptions and itemized deductions	<p>Personal exemptions and itemized deductions are subject to a phaseout. Each \$4,000 personal exemption for 2015 is subject to a phaseout if adjusted gross income (AGI) exceeds \$309,900 if married filing jointly or qualifying widow/widower, \$284,050 if head of household, \$258,250 if single, and \$154,950 if married filing separately. Phaseout details are at 21.12.</p> <p>The above AGI phaseout thresholds for exemptions also apply to the phaseout of itemized deductions claimed on Schedule A (Form 1040), but there is no phaseout of deductions for medical expenses, investment interest, casualty/theft losses, and gambling losses. Other itemized deductions are reduced by 3% of AGI exceeding the applicable threshold, but the total reduction cannot exceed 80% of the deductions (13.7).</p>
Standard deductions	<p>The standard deduction for 2015 (13.1) is \$12,600 for married persons filing jointly and qualifying widows/widowers, \$9,250 for heads of households, or \$6,300 for single taxpayers or married persons filing separately. The additional standard deduction (13.3) for being 65 or older or blind is \$1,550 if single or head of household (\$3,100 if 65 and blind). If married filing jointly, the additional standard deduction is \$1,250 if one spouse is 65 or older or blind, \$2,500 if both spouses are at least 65 (or one is 65 and blind, or both are blind and under age 65).</p>

## Tax News for 2015

<i>Item—</i>	<i>Highlight—</i>
Mortgage interest limit for unmarried co-owners	An appeals court held that if unmarried individuals co-own a residence, each co-owner can deduct interest on acquisition debt of up to \$1 million and home equity debt up to \$100,000. This decision disagreed with the Tax Court and IRS view that the \$1.1 million debt limit must be divided among the co-owners (15.2).
Basis of property reported on estate tax return	Executors filing estate tax returns after July 31, 2015 must report the date-of-death value of property included in the gross estate to the IRS and to the heirs. The heirs will be subject to a penalty if on a later sale of the property, they claim a basis for the property that exceeds the amount that had been reported to the IRS by the executor (5.17).
Self-employment tax and deduction for portion of self-employment tax; Social Security wage base	<p>For 2015, the tax rate on the employee portion of Social Security is 6.2% on wages up to \$118,500, so Social Security tax withholdings should not exceed \$7,347. Medicare tax of 1.45% is withheld from all wages regardless of amount.</p> <p>On Schedule SE for 2015, self-employment tax of 15.3% applies to earnings of up to \$118,500 after the earnings are reduced by 7.65%. The 15.3% rate equals 12.4% for Social Security (6.2% employee share and 6.2% employer share) plus 2.9% for Medicare. If net earnings exceed \$118,500, the 2.9% Medicare rate applies to the entire amount (45.3–45.4). One half of the self-employment tax may be claimed as an above-the-line deduction on Form 1040 (45.3–45.4).</p>
IRA and Roth IRA contribution phaseout; Rollover limits	<p>For 2015, the contribution limit for traditional IRAs (8.2) and Roth IRAs (8.20) is unchanged at \$5,500, or \$6,500 for those age 50 or older.</p> <p>The deduction limit for 2015 contributions to a traditional IRA is phased out (8.4) for active plan participants with modified AGI (MAGI) between \$61,000 and \$71,000 for a single person or head of household, or between \$98,000 and \$118,000 for married persons filing jointly and qualifying widows/widowers. The phaseout range is \$183,000–\$193,000 for a spouse who is not an active plan participant and who files jointly with a spouse who is an active plan participant.</p> <p>The 2015 Roth IRA contribution limit is phased out (8.20) for a single person or head of household with MAGI between \$116,000 and \$131,000, and for married persons filing jointly and qualifying widows/widowers with MAGI between \$183,000 and \$193,000.</p> <p>You can make only one IRA rollover (60-day rollover) every 12 months (8.10). There is no restriction on the number of direct transfers you can make each year.</p>
First-year expensing	For qualifying property placed in service in 2015, first-year expensing (42.3) is allowed up to a limit of \$25,000, and the limit begins to phase out if the total cost of qualifying property exceeds \$200,000 (42.3). However, the more favorable limits that had applied in 2014 could be retroactively reinstated for 2015. See the <i>e-Supplement</i> at <a href="http://jklasser.com">jklasser.com</a> for an update.
IRS mileage allowance	<p>The IRS standard business mileage rate for 2015 is 57.5 cents a mile (43.1).</p> <p>The rate for medical expense (17.9) and moving expense (12.3) deductions is 23 cents a mile.</p> <p>For charitable volunteers (14.4), the mileage rate is unchanged at 14 cents a mile.</p>
Vehicle depreciation limit	For a car placed in service in 2015, the first-year depreciation limit is \$3,160 (43.5). For a light truck or van, the first-year depreciation limit is \$3,460 (43.5). However, if bonus depreciation, which expired at the end of 2014, is restored for 2015, these first-year limits would be increased by \$8,000 for vehicles purchased new and used over 50% for business in 2015. See the <i>e-Supplement</i> at <a href="http://jklasser.com">jklasser.com</a> for an update. The limits are reduced for personal use.
Health savings accounts (HSAs)	<p>The definition of a high-deductible health plan, which is a prerequisite to funding an HSA, means a policy with a minimum deductible for 2015 of \$1,300 for self-only coverage and a maximum out-of-pocket cap on co-payments and other amounts of \$6,450. These limits are doubled for family coverage (\$2,600/\$12,900) (41.10).</p> <p>The contribution for 2015 is capped at \$3,350 for self-only coverage and \$6,650 for family coverage (41.11).</p>



## Tax News for 2015

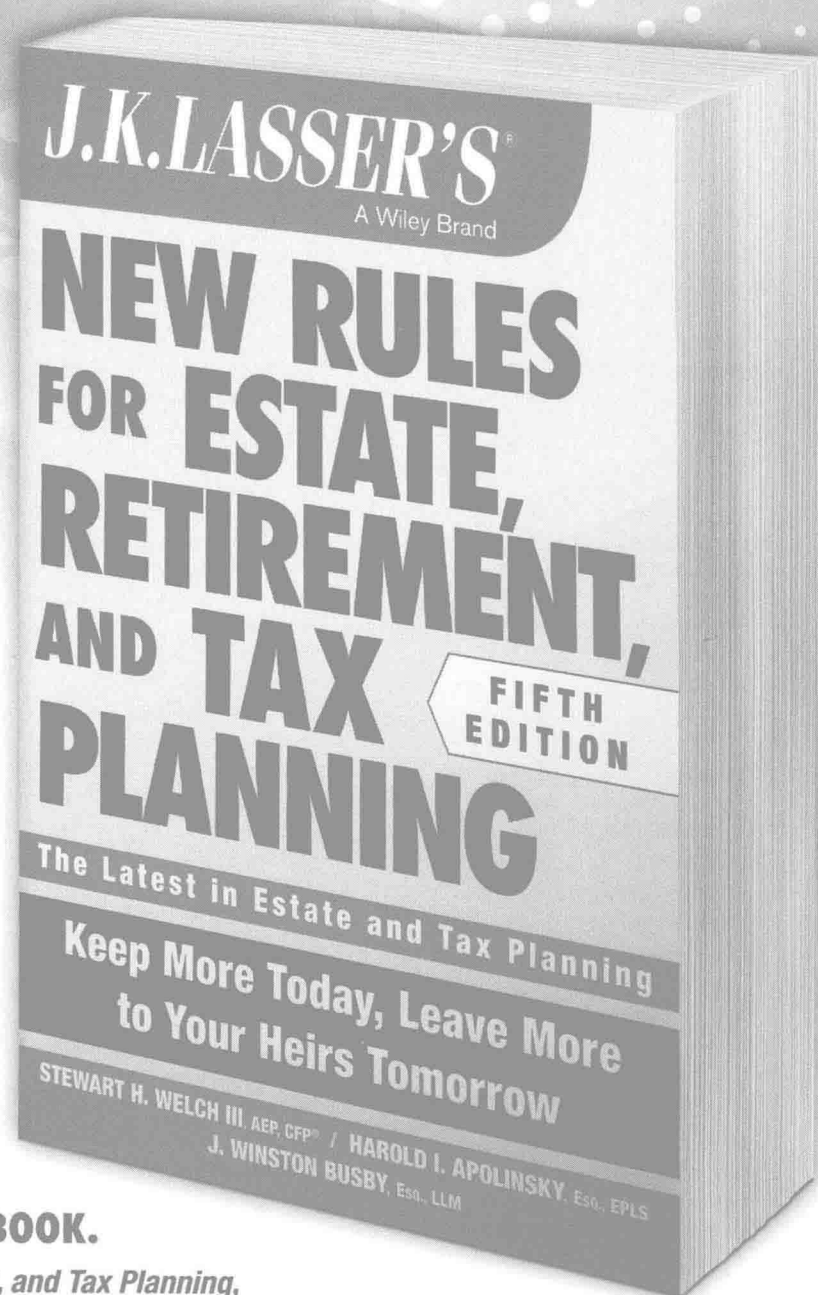
<i>Item—</i>	<i>Highlight—</i>
Adoption expenses	For 2015, the limit on the adoption credit as well as the exclusion for employer-paid adoption assistance is \$13,400. The benefit phaseout range is modified adjusted gross income between \$201,010 to \$241,010 (25.8).
Earned income tax credit	For 2015, the maximum credit amount is \$3,359 for one qualifying child, \$5,548 for two qualifying children, \$6,242 for three or more qualifying children, and \$503 for taxpayers who have no qualifying child (25.6). The phaseout ranges for the credit have been adjusted for inflation (25.7).
Alternative minimum tax (AMT) exemption and tax brackets	<p>The AMT exemptions, exemption phaseout thresholds, and the dividing line between the 26% and 28% AMT brackets are adjusted for inflation. The 2015 AMT exemptions (prior to any phaseout) are \$83,400 for married couples filing jointly and qualifying widows/widowers, \$53,600 for single persons and heads of households, and \$41,700 for married persons filing separately. See 23.1 for exemption phaseout rules and AMT calculation details.</p> <p>All nonrefundable personal credits for may be claimed against the AMT as well as the regular tax (23.3).</p>
Eligibility for saver's credit	The adjusted gross income brackets for the 10%, 20%, and 50% credits are increased for 2015. No credit is allowed when AGI reaches \$30,500 for single taxpayers, \$45,750 for heads of households, and \$61,000 for married persons filing jointly (25.11).
Deduction limits for long-term care premiums	The maximum amount of age-based long-term care premiums that can be included as deductible medical expenses for 2015 (subject to the 7.5% or 10% of AGI floor; see 17.1) is \$380 if you are age 40 or younger at the end of 2015; \$710 for those age 41 through 50; \$1,430 for those age 51 through 60; \$3,800 for those age 61 through 70; and \$4,750 for those over age 70 (17.15).
Foreign earned income and housing exclusions	The maximum foreign earned income exclusion for 2015 is \$100,800 (36.1). The limit on housing expenses that may be taken into account in figuring the housing exclusion is generally \$30,240, but the limit is increased by the IRS for high cost localities (36.4).
Annual gift tax exclusion; Gift tax and estate tax exemption	The annual gift tax exclusion stays at \$14,000 per donee for 2015 gifts of cash or present interests (39.2). The basic exemption amount for 2015 gift tax and estate tax purposes is \$5,430,000 (39.4, 39.9). The top tax rate remains at 40% (39.9).
Tax breaks that expired at the end of 2014 but could be extended retroactively for 2015	<p>Numerous tax breaks that expired at the end of 2014 will not apply in 2015 unless Congress enacts legislation authorizing another extension. This affects:</p> <ul style="list-style-type: none"> <li>• The election to deduct state and local general sales taxes as an itemized deduction in lieu of state income taxes (16.3).</li> <li>• The above-the-line deductions for tuition/fees (33.12).</li> <li>• The above-the-line deduction for educator expenses (12.2).</li> <li>• The exclusion for qualified charitable distributions (QCDs) from a traditional IRA, allowing a tax-free direct transfer from an IRA to a charity by those age 70½ or older (8.8).</li> <li>• The itemized deduction for mortgage insurance premiums (15.6).</li> <li>• Parity for the monthly exclusion for transit passes/van pooling fringe benefits with the exclusion parking benefits (3.8).</li> <li>• The exclusion for cancelled principal residence indebtedness (11.8).</li> <li>• The tax credit for home insulation, storm windows, and other energy improvements (25.15).</li> <li>• Higher expensing limits at the favorable 2014 dollar amounts (42.3).</li> <li>• Bonus depreciation (42.20, 43.5) for most assets, and the</li> <li>• 15-year recovery for leasehold, restaurant, and retail improvements (42.14).</li> </ul> <p>See the e-Supplement at <a href="http://jklasser.com">jklasser.com</a> for a legislation update.</p>



# LOCK DOWN YOUR ASSETS AND PROVIDE FOR THOSE YOU LOVE

**You've worked hard your entire life and you've managed to accumulate assets. Don't let them go to taxes instead of the people and charities you love.**

- Understand estate planning and learn solid strategies for growing your wealth
- Discover just how much money you'll need for retirement
- Explore asset protection and succession planning strategies
- Study the do's and don'ts of gifting assets to family
- And more!



**AVAILABLE NOW IN PRINT AND EBOOK.**

*J.K. Lasser's New Rules for Estate, Retirement, and Tax Planning, Fifth Edition*

Stewart H. Welch III, Harold I. Apolinsky, and J. Winston Busby  
978-1-118-92999-5

**J.K.LASSER™**  
A Wiley Brand

# Key Tax Numbers for 2015

## Exemptions

Each allowable exemption (21.1)	\$ 4,000
Phaseout starts/ends (21.12)	
Joint return/Qualifying widow/widower	\$309,900/\$432,400
Head of Household	\$284,050/\$406,550
Single	\$258,250/\$380,750
Married filing separately	\$154,950/\$216,200

## Standard Deduction (13.1)

Joint return/Qualifying widow/widower	\$ 12,600
Head of Household	\$ 9,250
Single	\$ 6,300
Married filing separately	\$ 6,300
Dependents-minimum deduction (13.5)	\$ 1,050
Additional deduction if age 65 or older, or blind (13.4)	
Married-per spouse, filing jointly or separately	\$ 1,250 (\$2,500 for age and blindness)
Qualifying widow/widower	\$ 1,250 (\$2,500 for age and blindness)
Single or head of household	\$ 1,550 (\$3,100 for age and blindness)

## Long-term Care Premiums (17.15)

Limit on premium allowed as medical expense	
Age 40 or under	\$ 380
Over 40 but not over 50	\$ 710
Over 50 but not over 60	\$ 1,430
Over 60 but not over 70	\$ 3,800
Over 70	\$ 4,750

## IRA Contributions

Traditional IRA contribution limit (8.2)	\$ 5,500
Additional contribution if age 50 or older but under 70½	\$ 1,000
Deduction phaseout for active plan participant (8.4)	
Single or head of household	\$ 61,000 – \$ 71,000
Married filing jointly, two participants	\$ 98,000 – \$ 118,000
Married filing jointly, one participant	
Participant spouse	\$ 98,000 – \$ 118,000
Non-participant spouse	\$ 183,000 – \$ 193,000
Married filing separately, live together, either participates	\$ 0 – \$ 10,000
Married filing separately, live apart all year	
Participant spouse	\$ 61,000 – \$ 71,000
Non-participant spouse	no phaseout
Roth IRA contribution limit (8.20)	\$ 5,500
Additional contribution if age 50 or older but under 70½	\$ 1,000
Contribution limit phaseout range	
Single, head of household	\$ 116,000 – \$ 131,000
Married filing separately, live apart all year	\$ 116,000 – \$ 131,000
Married filing jointly, or qualifying widow/widower	\$ 183,000 – \$ 193,000
Married filing separately, live together at any time	\$ 0 – \$ 10,000

## Elective deferral limits

401(k), 403(b), 457 plans (7.18)	\$ 18,000
Salary-reduction SEP (8.16)	\$ 18,000
SIMPLE IRA (8.17)	\$ 12,500

**Elective deferral limits (continued)**

Additional contribution if age 50 or older ("catch-up" contributions)	
401(k), 403(b), governmental 457 and SEP plans (7.18, 8.16)	\$ 6,000
SIMPLE IRA (8.17)	\$ 3,000

**Education**

American Opportunity credit limit-per student (33.8)	\$2,500
Lifetime Learning credit limit-per taxpayer (33.9)	\$2,000
Phaseout of American Opportunity credit (33.8)	
Married filing jointly	\$ 160,000–\$ 180,000
Single, head of household, or qualifying widow/widower	\$80,000–\$ 90,000
Phaseout of Lifetime Learning credit (33.9)	
Married filing jointly	\$ 110,000–\$ 130,000
Single, head of household, or qualifying widow/widower	\$ 55,000–\$ 65,000
Student loan interest deduction limit (33.13)	\$2,500
Phaseout of deduction limit	
Married filing jointly	\$130,000–\$160,000
Single, head of household, or qualifying widow/widower	\$65,000–\$80,000
Coverdell ESA limit (33.10)	\$2,000
Phaseout of limit	
Married filing jointly	\$190,000–\$220,000
All others	\$95,000–\$110,000
Tuition and fees deduction (33.12) (if extended to 2015 by Congress)	
Tuition and fees deduction-tier 1 limit	\$4,000
Income cut-off	
• Married filing jointly	\$130,000
• Single, head of household, or qualifying widow/widower	\$65,000
Tuition and fees deduction limit-tier 2 limit	\$2,000
Income cut-off	
• Married filing jointly	\$160,000
• Single, head of household, or qualifying widow/widower	\$80,000

**Capital gain rates-assets held over one year (5.3)**

If otherwise subject to regular 10% or 15% rate	0%
If otherwise subject to regular rates over 15% but below 39.6%	15%
If otherwise subject to regular rate of 39.6%	20%
Collectibles gain-maximum rate	28%
Unrecaptured Section 1250 gain on depreciated real estate-maximum rate	25%

**Qualified dividends tax rate (4.2)**

If otherwise subject to regular 10% or 15% rate	0%
If otherwise subject to regular rates over 15% but below 39.6%	15%
If otherwise subject to regular rate of 39.6%	20%

**IRS mileage rates**

Business (43.1)	57.5 cents/mile
Medical (17.9) and Moving (12.3)	23 cents/mile
Charitable volunteers (14.4)	14 cents/mile

**Exclusion for employer provided transportation (3.8)**

Transit passes and commuter	
Vehicle transport (unless Congress allows same rate as for parking)	\$130/month
Qualified parking	\$250/month
Qualified bicycle commuting	\$ 20/ month

## Tax-Saving Opportunities

Objective—	Explanation—
<b>Realizing long-term capital gains</b>	Long-term capital gains are taxed at lower rates than short-term gains and regular income. <i>See Chapter 5</i> for basic capital gain rules. <i>See Chapters 30 and 31</i> for discussions of special investment situations.
<b>Earning qualifying dividends</b>	Qualified dividends (4.2) are subject to the reduced tax rates for long-term capital gains.
<b>Earning tax-free income</b>	<p>You can earn tax-free income by—</p> <ol style="list-style-type: none"> <li>1. Investing in tax-exempt securities. However, before you invest, determine whether the tax-free return will exceed the after-tax return of taxed income (30.12).</li> <li>2. Taking a position in a company that pays tax-free fringe benefits, such as health and life insurance protection. For a complete discussion of tax-free fringe benefits, <i>see Chapter 3</i>.</li> <li>3. Seeking tax-free education benefits with scholarship arrangements, qualified tuition programs and Coverdell ESAs; <i>see Chapter 33</i>.</li> <li>4. Taking a position overseas to earn excludable foreign earned income; <i>see Chapter 36</i>.</li> <li>5. Investing in Roth IRAs; <i>see Chapter 8</i>.</li> </ol>
<b>Deferring income</b>	<p>You can defer income to years when you will pay less tax through—</p> <ol style="list-style-type: none"> <li>1. Deferred pay plans, which are discussed in <i>Chapter 2</i>.</li> <li>2. Qualified retirement plans such as 401(k) plans (<i>Chapter 7</i>), self-employed plans (<i>Chapter 41</i>), and traditional IRA and Roth IRA plans (<i>Chapter 8</i>).</li> <li>3. Transacting installment sales when you sell property; <i>see 5.21</i>.</li> <li>4. Investing in U.S. Savings EE bonds or I-bonds (4.28–4.29, 30.14–30.15).</li> </ol>
<b>Income splitting</b>	Through income splitting you divide your income among several persons or taxpaying entities that will pay an aggregate tax lower than the tax that you would pay if you reported all of the income. Although the tax law limits income-splitting opportunities, certain business and family income planning through the use of trusts and custodian accounts can provide tax savings; <i>see Chapters 24 and 39</i> .
<b>Tax-free exchanges</b>	You can defer tax on appreciated property by transacting tax-free exchanges (6.1, 31.3).
<b>Buying a personal residence</b>	<p>Homeowners are favored by the tax law.</p> <ol style="list-style-type: none"> <li>1. If you buy a home, condominium, or cooperative apartment, you may deduct mortgage interest (15.2) and taxes (16.4). When you sell your principal residence, you may be able to avoid tax on gains of up to \$250,000 if single and up to \$500,000 if married filing jointly; <i>see Chapter 29</i>.</li> <li>2. Homeowners can borrow on their home equity and deduct interest expenses within limits (15.3).</li> </ol>
<b>Take advantage of special personal tax breaks for education</b>	The tax law provides several breaks for education expenses; <i>see Chapter 33</i> , which discusses scholarships, grants, tuition plans, savings bond tuition plans, education credits, Coverdell Education Savings Accounts, and student loan interest deduction.
<b>Take advantage of special tax breaks for health care expenses</b>	The tax law provides several breaks for health care expenses. Employer-provided health and accident plans, including flexible spending arrangements, are discussed in <i>Chapter 3</i> . Health savings accounts (HSAs) can be used to save for health care expenses on a tax-free basis (3.2, 41.10). Newly-authorized ABLE accounts can be set up for individuals who become disabled before age 26 persons and be used to build up a fund from which tax-free distributions for qualified expenses can be made (34.12). You may be able to qualify for the premium tax credit to help offset the cost of premiums for coverage obtained through the government Marketplace (25.12).
<b>Take advantage of personal tax credits</b>	<i>See Chapter 25</i> for personal tax credits such as the premium tax credit, child tax credit, dependent care credit, saver's credit and adoption credit that can reduce your tax liability.

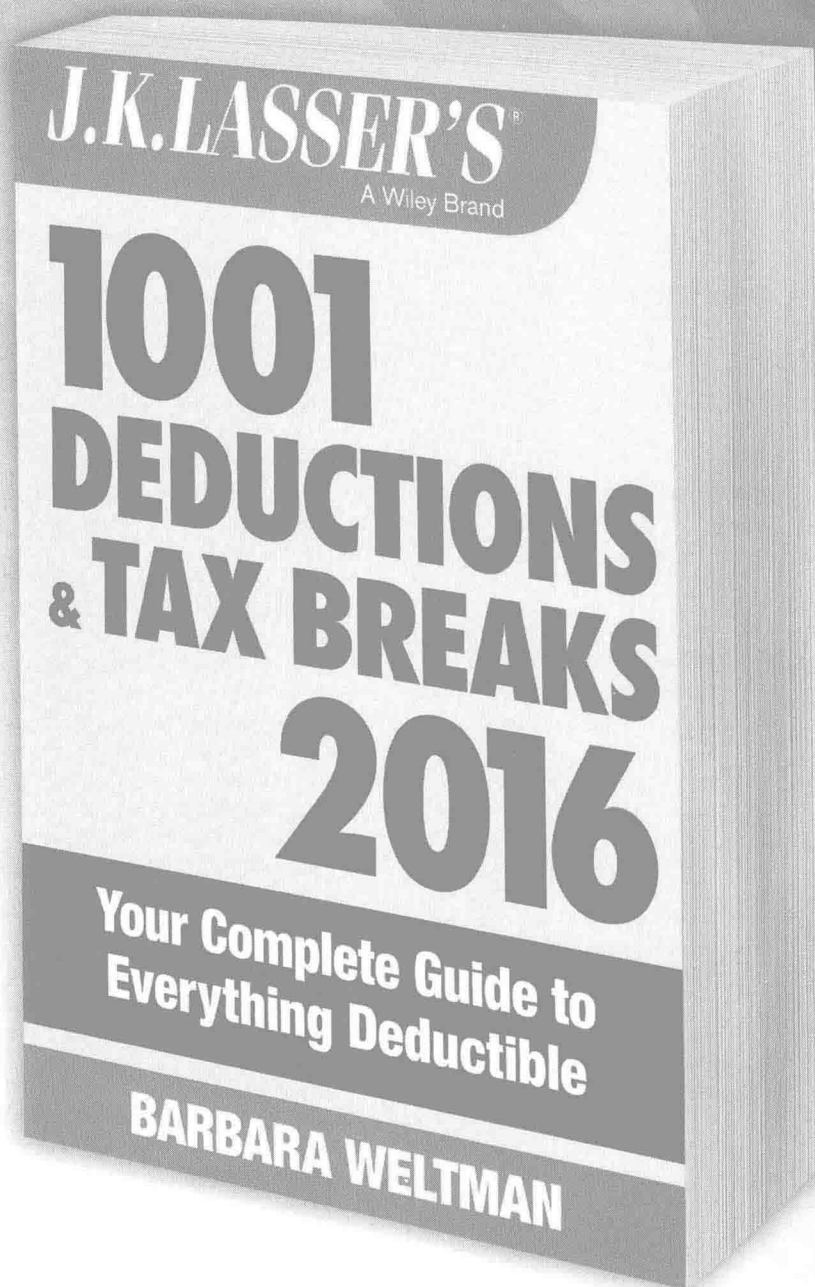
# DON'T MISS A SINGLE DEDUCTION

**You don't want to pay a penny more in tax than you have to — and this book will help you find every last legal deduction or credit.**

Find deductions and tax breaks for:

- You and your family
- Your home and car
- Your job or business
- Your investments and retirement savings
- Medical and dental expenses
- Health savings accounts
- Education costs
- Your charitable giving
- Casualty and theft losses
- And more!

**Get a  
FREE supplement  
to this book at  
[JKLasser.com](http://JKLasser.com)**



**AVAILABLE NOW IN PRINT AND EBOOK.**

***J.K. Lasser's 1001 Deductions and Tax Breaks 2016:  
Your Complete Guide to Everything Deductible***  
**Barbara Weltman • 978-1-119-14381-9**

J.K. Lasser is a registered trademark of John Wiley & Sons, Inc.

**J.K.LASSER™**  
A Wiley Brand

# Contents Chapter by Chapter

What's New for 2015	xxv
Key Tax Numbers for 2015	xxix

## PART 1 FILING BASICS 1

Do You Have to File a 2015 Tax Return?	3
Filing Tests for Dependents: 2015 Returns	4
Where to File Your 2015 Return	5
Filing Deadlines (on or before)	6
Which Tax Form Should You File?	8

## Filing Status 9

1.1 Which Filing Status Should You Use?	10
1.2 Tax Rates Based on Filing Status	11
1.3 Filing Separately Instead of Jointly	12
1.4 Filing a Joint Return	14
1.5 Nonresident Alien Spouse	15
1.6 Community Property Rules	15
1.7 Innocent Spouse Rules	17
1.8 Separate Liability Relief for Former Spouses	18
1.9 Equitable Relief	21
1.10 Death of Your Spouse in 2015	22
1.11 Qualifying Widow/Widower Status If Your Spouse Died in 2014 or 2013	23
1.12 Qualifying as Head of Household	24
1.13 Filing for Your Child	25
1.14 Return for Deceased	26
1.15 Return for an Incompetent Person	28
1.16 How a Nonresident Alien Is Taxed	28
1.17 How a Resident Alien Is Taxed	28
1.18 Who Is a Resident Alien?	29
1.19 When an Alien Leaves the United States	31
1.20 Expatriation Tax	31

## PART 2 REPORTING YOUR INCOME 33

### Wages, Salary, and Other Compensation 35

2.1 Salary and Wage Income	38
2.2 Constructive Receipt of Year-End Paychecks	39
2.3 Pay Received in Property Is Taxed	39
2.4 Commissions Taxable When Credited	40
2.5 Unemployment Benefits	40
2.6 Strike Pay Benefits and Penalties	41

2.7	Nonqualified Deferred Compensation	41
2.8	Did You Return Wages Received in a Prior Year?	43
2.9	Waiver of Executor's and Trustee's Commissions	43
2.10	Life Insurance Benefits	43
2.11	Educational Benefits for Employees' Children	44
2.12	Sick Pay Is Taxable	45
2.13	Workers' Compensation Is Tax Free	45
2.14	Disability Pensions	46
2.15	Stock Appreciation Rights (SARs)	47
2.16	Stock Options	48
2.17	Restricted Stock	50

---

<b>Fringe Benefits</b>	<b>52</b>
------------------------	-----------

3.1	Tax-Free Health and Accident Coverage Under Employer Plans	54
3.2	Health Savings Accounts (HSAs) and Archer MSAs	54
3.3	Reimbursements and Other Tax-Free Payments From Employer Health and Accident Plans	56
3.4	Group-Term Life Insurance Premiums	59
3.5	Dependent Care Assistance	61
3.6	Adoption Benefits	61
3.7	Education Assistance Plans	62
3.8	Company Cars, Parking, and Transit Passes	62
3.9	Working Condition Fringe Benefits	64
3.10	<i>De Minimis</i> Fringe Benefits	65
3.11	Employer-Provided Retirement Advice	66
3.12	Employee Achievement Awards	66
3.13	Employer-Furnished Meals or Lodging	66
3.14	Minister's Housing or Housing Allowance	69
3.15	Cafeteria Plans Provide Choice of Benefits	70
3.16	Flexible Spending Arrangements	70
3.17	Company Services Provided at No Additional Cost	73
3.18	Discounts on Company Products or Services	73

---

<b>Dividend and Interest Income</b>	<b>74</b>
-------------------------------------	-----------

4.1	Reporting Dividends and Mutual-Fund Distributions	75
4.2	Qualified Corporate Dividends Taxed at Favorable Capital Gain Rates	76
4.3	Dividends From a Partnership, S Corporation, Estate, or Trust	77
4.4	Real Estate Investment Trust (REIT) Dividends	77
4.5	Taxable Dividends of Earnings and Profits	77
4.6	Stock Dividends on Common Stock	78
4.7	Dividends Paid in Property	78
4.8	Taxable Stock Dividends	79
4.9	Who Reports the Dividends	79
4.10	Year Dividends Are Reported	80



4.11	Distribution Not Out of Earnings: Return of Capital	80
4.12	Reporting Interest on Your Tax Return	81
4.13	Interest on Frozen Accounts Not Taxed	82
4.14	Interest Income on Debts Owed to You	82
4.15	Reporting Interest on Bonds Bought or Sold	82
4.16	Forfeiture of Interest on Premature Withdrawals	83
4.17	Amortization of Bond Premium	84
4.18	Discount on Bonds	85
4.19	Reporting Original Issue Discount on Your Return	86
4.20	Reporting Income on Market Discount Bonds	87
4.21	Discount on Short-Term Obligations	88
4.22	Stripped Coupon Bonds and Stock	89
4.23	Sale or Retirement of Bonds and Notes	90
4.24	State and City Interest Generally Tax Exempt	90
4.25	Taxable State and City Interest	91
4.26	Tax-Exempt Bonds Bought at a Discount	91
4.27	Treasury Bills, Notes, and Bonds	92
4.28	Interest on United States Savings Bonds	93
4.29	Deferring United States Savings Bond Interest	94
4.30	Minimum Interest Rules	95
4.31	Interest-Free or Below-Market-Interest Loans	95
4.32	Minimum Interest on Seller-Financed Sales	97

Reporting Property Sales		100
5.1	General Tax Rules for Property Sales	101
5.2	How Property Sales Are Classified and Taxed	101
5.3	Capital Gains Rates and Holding Periods	103
5.4	Capital Losses and Carryovers	106
5.5	Capital Losses of Married Couples	106
5.6	Losses May Be Disallowed on Sales to Related Persons	107
5.7	Deferring or Excluding Gain on Small Business Stock Investment	108
5.8	Reporting Capital Asset Sales on Form 8949 and on Schedule D	110
5.9	Counting the Months in Your Holding Period	118
5.10	Holding Period for Securities	118
5.11	Holding Period for Real Estate	119
5.12	Holding Period: Gifts, Inheritances, and Other Property	119
5.13	Calculating Gain or Loss	120
5.14	Amount Realized Is the Total Selling Price	121
5.15	Finding Your Cost	121
5.16	Unadjusted Basis of Your Property	121
5.17	Basis of Property You Inherited or Received as a Gift	123
5.18	Joint Tenancy Basis Rules for Surviving Tenants	126
5.19	Allocating Cost Among Several Assets	128
5.20	How To Find Adjusted Basis	128
5.21	Tax Advantage of Installment Sales	129
5.22	Figuring the Taxable Part of Installment Payments	130

5.23	Electing Not To Report on the Installment Method	133
5.24	Restriction on Installment Sales to Relatives	134
5.25	Contingent Payment Sales	135
5.26	Using Escrow and Other Security Arrangements	136
5.27	Minimum Interest on Deferred Payment Sales	137
5.28	Dispositions of Installment Notes	137
5.29	Repossession of Personal Property Sold on Installment	138
5.30	Boot in Like-Kind Exchange Payable in Installments	139
5.31	“Interest” Tax if Sales Price Exceeds \$150,000 With Over \$5 Million Debt	139
5.32	Worthless Securities	139
5.33	Tax Consequences of Bad Debts	141
5.34	Four Rules To Prove a Bad Debt Deduction	142
5.35	Family Bad Debts	143
<b>Tax-Free Exchanges of Property</b>		<b>144</b>
6.1	Trades of Like-Kind Property	145
6.2	Personal Property Held for Business or Investment	146
6.3	Receipt of Cash and Other Property—“Boot”	147
6.4	Time Limits and Security Arrangements for Deferred Exchanges	150
6.5	Qualified Exchange Accommodation Arrangements (QEAAAs) for Reverse Exchanges	152
6.6	Exchanges Between Related Parties	153
6.7	Property Transfers Between Spouses and Ex-Spouses	153
6.8	Tax-Free Exchanges of Stock in Same Corporation	156
6.9	Joint Ownership Interests	156
6.10	Setting up Closely Held Corporations	156
6.11	Exchanges of Coins and Bullion	157
6.12	Tax-Free Exchanges of Insurance Policies	157
<b>Retirement and Annuity Income</b>		<b>159</b>
7.1	Retirement Distributions on Form 1099-R	161
7.2	Lump-Sum Distributions	163
7.3	Lump-Sum Options If You Were Born Before January 2, 1936	163
7.4	Averaging on Form 4972	164
7.5	Capital Gain Treatment for Pre-1974 Participation	166
7.6	Lump-Sum Payments Received by Beneficiary	166
7.7	Tax-Free Rollovers From Qualified Plans	167
7.8	Direct Rollover or Personal Rollover	168
7.9	Rollover of Proceeds From Sale of Property	171
7.10	Distribution of Employer Stock or Other Securities	171
7.11	Survivor Annuity for Spouse	173
7.12	Court Distributions to Former Spouse Under a QDRO	173
7.13	When Retirement Benefits Must Begin	174
7.14	Payouts to Beneficiaries	174
7.15	Penalty for Distributions Before Age 59½	175