Tax filing reminders

- **September 15 –** Third quarter installment of 2016 individual estimated income tax is due.
- **September 15 –** Filing deadline for 2015 tax returns for calendar-year corporations that received an automatic extension of the March filing deadline.
- **September 15 –** Filing deadline for 2015 tax returns for partnerships that received an extension of the April filing deadline.
- **October 1 –** Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2016.
- **October 17 –** Deadline for filing 2015 individual tax returns on extension.
- **October 17 –** Deadline for reconverting a Roth IRA to a regular IRA.

IRS sets 2017 HSA limits

The IRS announced inflation-adjusted limits for deductible contributions to health savings accounts (HSAs) for 2017. For family coverage, the contribution limit will be $6,750, and for individual coverage, the limit will be $3,400. If you're age 55 or older, you can contribute an additional $1,000 during 2017. HSAs combine high-deductible health insurance plans with pretax contributions to a healthcare savings account. The savings account funds can be withdrawn tax-free to pay unreimbursed medical expenses.

FSA or HSA? Choosing between health accounts

Are you confused about your choices for paying medical expenses under your employer's benefit plan? Here are differences between two types of commonly offered accounts: a health savings account (HSA) and a health care flexible spending account (FSA).

Overview. An FSA is generally established under an employer's benefit plan. You can set aside a portion of your salary on a pretax basis to pay out-of-pocket medical expenses. An HSA is a combination of a high-deductible health plan and a savings account in which you save pretax dollars to pay medical expenses not covered by the insurance.

Contributions. For 2016, you can contribute up to a maximum of $2,550 to an FSA. Typically, you have to use the funds by the end of the year. Why? Unused amounts are forfeited under what's commonly called the "use it or lose it" rule. However, your employer can adopt one of two exceptions to the rule.

If you are single, the 2016 HSA contribution limit is $3,350 ($6,750 for a family). You can add a catch-up contribution of $1,000 if you are over age 55. You do not have to spend all the money you contribute to your HSA each year. You can leave the funds in the account and let the earnings grow.

Earnings. FSAs do not earn interest. Your employer holds your money until you request reimbursement for qualified expenses. HSAs are savings accounts, and the money in the account can be invested. Earnings held in the account are not included in your income.

Withdrawals. Distributions from both accounts are tax- and penalty-free as long as you use the funds for qualified medical expenses.

Portability. Normally, your FSA stays with your employer when you change jobs. Your HSA belongs to you, and you can take the account funds with you from job to job. That's true even if your employer makes contributions to your HSA for you.

Because you generally can't contribute to both accounts in the same year, understanding the differences can help you make a decision that best fits your circumstances. Contact us for help as you consider your benefit choices.

Could you qualify for a partial home-sale exclusion?

Generally, when you're single, you can exclude up to $250,000 of gain from the sale of a home ($500,000 if you're married filing jointly) when the home is used as a primary residence for two years in a five-year period that ends on the date of sale. Tax law also provides for a partial exclusion when the time and ownership requirements are not met, if the primary reason for the sale is unforeseen circumstances. "Unforeseen" means events you could not have reasonably anticipated before buying the home and moving in. How flexible is the definition? Recently, the IRS allowed a partial exclusion when a family living in a two-bedroom, two-bath condominium gave birth to another child and needed a larger residence before the two-year rule was met.

Consider these financial tips in troubling economic times

Reacting badly to bad national economic events can turn a challenging situation into a devastating one. When troubling headline news comes your way, consider these tips before making financial moves.

- **Don't be an average investor.** Economists have noted that even in good times average investors usually fail to benefit fully from a market upswing. The reason: not staying invested for the duration of the cycle. Average investors tend to bail out when the future looks troubling, in essence "locking in" losses. Good investing techniques can be as much about mental toughness as about financial acumen.

- **Focus on costs.** Periods of economic uncertainty are a good time to focus on costs, especially in a low-return environment. Make sure you're not overpaying for fund management or sales commissions. And be mindful of tax costs, which can have a negative effect on overall returns. If you decide to sell a stock in a taxable account, consider choosing one you have held for more than one year to qualify for the long-term capital gain tax rate. A market downturn might provide an opportunity to harvest capital losses to help offset previous gains.

- **Revisit your tax planning.** Unfavorable economic news might require a tweak to your tax planning. Lower anticipated income could justify reduced estimated tax payments or income tax withholding. If you're retired, consider deferring retirement account withdrawals or changing the type of investments you were planning to liquidate. A review of your tax situation is always a smart move.

The bottom line: Don't make a bad economic situation worse. Contact our office for help in navigating the current financial environment.