# 2016 Tax Planning Calendar

Tax and financial planning are activities best pursued year-round. Although the timing of some activities is critical, you should review all tax considerations from the perspective of your specific needs and establish an individualized planning calendar.

If the last day for filing a return, paying tax or performing other activities falls on a Saturday, Sunday or legal holiday (in the District of Columbia), you have until the next day that is not a Saturday, Sunday or legal holiday to perform that act. Use the following list to remind yourself of important activities and dates:

## First Quarter

### General

- Complete Form W-4, Employee's Withholding Allowance Certificate, and adjust withholding, if needed.
- Evaluate before-tax and voluntary aftertax contributions to retirement plans.
- Apply for a Social Security number for any child who does not have one.

### January 15

- Pay fourth-quarter 2015 estimated tax voucher if you did not pay your income tax for the year through withholding, or if you did not pay enough through withholding. You do not have to make this payment if you file your 2015 return and pay any tax due by February 1, 2016.
- Make quarterly defined-benefit Keogh contribution for preceding year.

### February 1

- File your income tax return (Form 1040) for 2015 if you did not pay your last installment of estimated tax by January 15. Filing your return and paying any tax due by February 1 prevents any penalty for late payment of last installment.
- Make sure you have recieved a Form W-2 from each employer you worked for in 2015.

## Second Quarter

### April 1

- Comply with required minimum distribution (RMD) rules for qualified retirement plans if you attained age 70½ in the previous year.

### April 18

- File individual and gift tax returns (or apply for an extension); residents of Massachusetts and Maine can file on April 19. If you want an automatic six-month extension of time to file the return, file Form 4868; or, you can get an extension (until October 17) by phone or over the Internet if you pay part or all of your estimate of income tax due with a credit card.
- File Schedule H (Form 1040) with your tax return if you paid cash wages of $1,900 or more in 2015 to a household employee.
- Report federal unemployment (FUTA) tax on Schedule H if you paid total cash wages of $1,000 or more in any calendar quarter of 2014 or 2015 to household employees.
- Pay first-quarter estimated tax if you are not paying your 2016 income tax through withholding or you will not pay enough that way.
- Make prior-year IRA and Coverdell Education Savings Account contributions.
- Make prior-year Keogh or SEP plan contribution (unless you applied for an extension of time to file your return).
- Make quarterly defined-benefit Keogh contribution for the current year.

### June 15

- Pay second-quarter estimated tax voucher if you are not paying your income tax for the year through withholding, or if you are not withholding enough.

## Third Quarter

### July 15

- Make quarterly defined-benefit Keogh contribution for the current year.

### September 15

- Pay third-quarter estimated tax voucher if you are not paying your income tax for the year through withholding, or if you are not withholding enough.

## Fourth Quarter

### General

Begin your year-end tax planning:
- Project your current year and next year tax liabilities.
- Evaluate the applicability of the AMT and other taxes.
- Adjust withholding, if necessary.
- Evaluate year-end capital transactions.
- Establish a separate Keogh plan for self-employment income.
- Comply with minimum distribution rules for qualified plans.

### October 17

- If you extended your individual tax return, file your 2015 income tax return and pay any tax, interest and penalties due.
- Make quarterly defined-benefit Keogh contribution for the current year.

### December 31

- Comply with required minimum distribution (RMD) rules for qualified retirement plans. Can delay if obtained age 70½ during 2016.

## Throughout the Year

- Re-evaluate your long-term strategies.
- Evaluate your tax and financial strategy for receiving discretionary and mandatory retirement plan distributions.
- Rebalance investment portfolio and re-evaluate your uses of debt.
- Consider making gifts up to the annual gift tax exclusion.
- Evaluate passive loss exposure and potential investment shifts.
- If you have excess cash flow, consider how to invest those funds.
- Optimize mix of interest expense items.
- Consider making charitable contributions of property.
- Consider ways to fund your children's education.
- Evaluate your mix of portfolio and passive income.

## 2016 Federal Legal Holidays (in the District of Columbia)

January 1—New Year's Day
January 18—Birthday of Martin Luther King Jr.
February 15—Washington's Birthday
April 15—D.C. Emancipation Day Observed
May 30—Memorial Day
July 4—Independence Day
September 5—Labor Day
October 10—Columbus Day
November 11—Veterans Day
November 24—Thanksgiving Day
December 26—Christmas Day

*(continued from page 14)*
and vice versa. If you still have losses remaining after offsetting capital gains, you can reduce your "ordinary" income by up to $3,000. Losses not used this year can be carried forward to future years until they are used up. For more information, see "Capital Pains: Rules for Capital Losses" by Julian Block in the September 2010 *AAII Journal* (available at AAII.com).

When planning, make sure you don't run afoul of the wash-sale rules. If you sell an investment at a loss and then acquire a substantially identical security during the 30-day period before or 30-day period after the sale, the loss will be disallowed. If your loss is disallowed by the wash-sale rule, you can increase the cost basis of the new position of the substantially identical security by the amount of the disallowed loss. The holding period for the new position is also adjusted to include the holding period of the position sold at the disallowed loss. You cannot adjust the cost basis or holding period if you acquire the investment in an IRA or Roth IRA, however. For information, see "Keeping Transactions Clean From the Wash-Sale Rules" by R. Kevin Trout in the December 2014 *AAII Journal* (available online at AAII.com).

### Be Aware of Holding Period for Qualified Dividends

In order to qualify for the reduced 15% (20% for higher earners) tax rate on qualified dividends, a 61-day holding period must be satisfied. Specifically, the stock must be owned for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date. The ex-dividend date is generally two trading days prior to the record date.

Not all dividends are qualified. Qualified dividends are paid by common stocks. Preferred stock dividends, real