Year-End Tax Planning Summary
December 2015

Overview
Thanks to the continued political gridlock in Washington, 2015 did not see comprehensive tax reform. However, on December 18th, Congress passed the Protecting Americans from Tax Hikes (PATH) Act. The measure extends over 50 provisions, making some of them permanent. Those provisions include the research and development credit, enhanced Code Sec. 179 expensing for businesses and tax-free distributions from IRAs to charities. Some provisions, including bonus depreciation, were extended for five years, and over 25 other provisions were extended through 2016. Overall, the PATH Act makes permanent over 20 tax-extender benefits applicable to businesses and individuals. We believe comprehensive tax reform changes are more likely to occur either in 2017 or 2018 after the Presidential election next November.

For now, the basic year-end advice still applies: defer the recognition of taxable income into 2016, and accelerate deductible expenses or investment losses into 2015. Given the market volatility this year, we have been selectively harvesting tax losses and buying back comparable positions. While not a comprehensive list, we provide below a summary of some year-end planning considerations that we have been evaluating and/or implementing. Additional commentary is provided on the following pages. The Appendix includes tables with key rates and exemption amounts reflecting various inflation adjustments set to go into effect between 2015 and 2016.

Income Tax & Alternative Minimum Tax Planning

- Compare 2015 and 2016 marginal tax rates (considering Alternative Minimum Tax) and evaluate benefits of accelerating or deferring income and/or deductions
- Compare trust and individual marginal tax rates and impact of trust distributions
- Monitor expired tax breaks and last-minute planning opportunities (to the extent lawmakers extend expired provisions)
- Evaluate and facilitate state income tax credit planning opportunities
- Consider impact of the phase-out of itemized deductions and whether to bunch deductions

IRAs & Charitable Planning

- Facilitate annual IRA contributions and Required Minimum Distributions and related tax withholding
- Facilitate charitable contributions (e.g., utilization of RMDs from IRAs and appreciated securities)

Investment & Estate Planning

- Recognize unrealized capital losses (subject to wash-sale rules) to offset capital gains
- Consider impact of short-term capital gain mutual fund distributions (reported as ordinary income) and related planning opportunities
- Facilitate annual exclusion gifts and utilization of remaining lifetime exemptions

"Extender" Items Covered by PATH Act

The table below highlights some of the more notable tax provisions enacted by the recent PATH Act.

Highlights of PATH Act Signed into Law on December 18, 2015	
Individuals	- Permanent extension for deduction for state and local sales taxes
	- Permanent extension and modification of deduction for certain expenses incurred by teachers
	- Above-the-line deduction for qualified tuition and related expenses (subject to limits) extended thru 2016
	- Deduction for mortgage insurance premiums (deductible as qualified interest) extended thru 2016
	- Purchase of computer equipment and technology considered qualified expenditure from 529 account
	- Exclusion of discharge of principal residence indebtedness from gross income extended thru 2016
Charitable	- Enhanced charitable deduction for contributions of food inventory made permanent
	- PATH Act permanently allows tax-free distributrions from IRAs to charity at age $70^{1/2}$
	- Basis adjustment to the stock of S corporations making charitable contributions of appreciated property made permanent
	- Permanent deduction for contributions of certain capital gain property for conservation purposes
Businesses	- Permanent research and development tax credit
	- Five year extension of work opportunity tax credit (enhanced for employment of long term unemployed workers)
	- Permanent Section 179 expensing limit of $500,000 with $ 2 million investment before phase-out (indexed for inflation in 2016)
	- Special tax rules applicable to qualified small business stock made permanent
	- Reduction in S corporation recognition period for built-in-gains tax to 5 years made permanent
	- Five year extension for bonus depreciation subject to phase-down schedule
	- Fifteen year straight line cost recovery for qualified leasehold, restaurant and retail improvements made permanent
Energy	- Extension of credit for construction of energy-efficient new homes thru 2016
	- Energy-efficient commercial buildings deduction extended thru 2016
	- Production tax credit for wind energy extended with phase-down schedule thru 2019
	- Extension of solar investment tax credit with phase-down schedule thru 2021
	- Incentives for alternative fuel and alternative fuel mixtures extended thru 2016
Community	- Allocation of up to $3.5 billion in new markets tax credits thru 2019
	- Empowerment zone tax incentives extended thru 2016

*Source: CCH Incorporated (Federal & State Tax News Highlights, December 21, 2015)

Income & Expense Deferral/Acceleration

During the course of the year, Colony Family Offices has tried to identify one or more of the following strategies to defer income and accelerate deductions for clients, where applicable:

- Hold/sell appreciated assets and harvest losses to offset gains
- Accelerate income to utilize available carry forward losses
- Enter into/sell installment contracts
- Defer/receive bonuses before January
- Accumulate/declare dividends (especially C corporation owners)
- Delay/accelerate debt forgiveness
- Delay/accelerate Roth IRA conversions
- Pay bills in 2015/postpone receipts until 2016
- Match passive activity income and losses
- If you have W-2 income and "non-wage" income, consider increasing withholding of state and federal taxes to minimize exposure to estimated tax underpayment penalties.
- Pay last-quarter state income taxes and property taxes before December 31st rather than waiting until 2016
- Accelerate/delay charitable gifts and/or medical expenses
- Purchase state income tax credits to reduce overall state income taxes

Netting Process for Gains/Losses

Throughout the year, Colony Family Offices has reviewed portfolios to determine appropriate securities that qualify for tax loss harvesting based on the following IRS mandated "netting" process (in the order listed), where applicable:

- Net short-term gains and short-term losses
- Net long-term gains and long-term losses
- Net short-term gain/loss against net long-term gain/loss
- Taxpayers incur higher taxes on net short term gains (after netting against net long term gains/losses - based on normal ordinary income tax brackets)
- Taxpayers incur more favorable tax on net long term gains (after netting against net short term gains/losses - based on preferential rates that apply to net long term gains)
- Regardless of whether net short or net long term losses are projected, taxpayers may only deduct up to $3,000 of excess net losses against ordinary income each year
- All unused net losses are carried forward and may be applied against future tax years

IRA Planning

A contribution to a Traditional or Roth IRA is allowed only if the taxpayer has compensation from earned income. An exception exists for non-working spouses as long as the couple has at least $11,000 of combined earned income. As the chart below reflects, the contribution and phase-out limits are the same for spousal IRAs. Unless deduction limits apply, a couple may qualify for up to an $11,000 deduction if the working spouse contributes $5,500 to their own IRA and another $5,500 to an IRA created for their non-working spouse. Deductible contributions for 2015 are allowed until the return due date (April 2016 plus extensions).

IRA contribution limits	2014	2015	2016
Traditional and Roth IRAs	Lesser of $5,500 or 100% of earned income ($6,500 if age 50 or older)	Lesser of $5,500 or 100% of earned income ($6,500 if age 50 or older)	Lesser of $5,500 or 100% of earned income ($6,500 if age 50 or older)

Income phaseout range for determining deductibility of traditional IRA contributions for taxpayers:	2014	2015	2016
1. Covered by an employer-sponsored plan and filing as:			
Single/Head of household	$60,000 - $70,000	$61,000 - $71,000	$61,000 - $71,000
Married filing jointly	$96,000 - $116,000	$98,000 - $118,000	$98,000 - $118,000
Married filing separately	$0 - $10,000	$0 - $10,000	$0 - $10,000
2. Not covered by an employer-sponsored retirement plan, but filing joint return with a spouse who is covered by a plan	$181,000 - $191,000	$183,000 - $193,000	$184,000 - $194,000

Source: Internal Revenue Service

If you make too much money to contribute to a Roth IRA but wish to make a Roth contribution, you may be able to make a nondeductible contribution to a Traditional IRA and then immediately convert the account to a Roth IRA. The tax impact of this strategy is the same as contributing directly to a Roth IRA without the income limitations described on the next page.

Income phaseout range for determining ability to fund a Roth IRA for taxpayers filing as:	2014	2015	2016
Single/Head of household	$114,000 - $129,000	$116,000 - $131,000	$117,000 - $132,000
Married filing jointly	$181,000 - $191,000	$183,000 - $193,000	$184,000 - $194,000
Married filing separately	$0 - $10,000	$0 - $10,000	$0 - $10,000

Source: Internal Revenue Service

Net Investment Income Tax (NIIT)

The NIIT is a Medicare surtax of 3.8 percent imposed on the lesser of Net Investment Income (NII) or Modified Adjust Gross Income (MAGI) above a specified threshold. Distributions from IRAs, pensions, 401(k) plans, tax-sheltered annuities, and eligible Code Sec. 457 plans are excluded from NII and NIIT.

NII includes various types of investment income reduced by certain investment-related expenses, such as: investment brokerage fees, royalty-related expenses, and state and local taxes allocable to items included in NII. Taxpayers that are subject to NIIT may find the following planning opportunities helpful:

- Differentiate income derived from an active business and passive income that is subject to NIIT
- Consider recognizing unrealized losses to offset capital gains
- Evaluate closely-held business interests owned by non-grantor trusts and whether or not the trustee's active participation can be utilized when calculating the NII for the trust

Second Home or Rental Property

Investment real estate offers considerable tax advantages. Taxpayers can depreciate property, deduct interest on borrowed capital, exchange rather than sell properties to defer tax on gains, use installment sales to defer tax on sales, and profit from preferential rates on long-term capital gains. Most importantly, depreciation deductions can effectively turn actual income into tax losses (subject to passive loss rules).

- If you rent your vacation home for fewer than 15 days during the year, no rental income is includible in gross income and no deductions attributable to the rental are allowable.

- If you rent the property for 15 or more days during the tax year and it is also used by you for the greater of: (a) more than 14 days, or (b) more than 10% of the number of days rented, the rental deductions are limited. Under this limitation, the amount of the rental activity deductions may not exceed the amount by which the gross income derived from such activity exceeds the deductions otherwise allowable for the property, such as interest and taxes.

- If you rent the property for 15 or more days during the tax year but do not use the property for personal purposes for the greater of (a) more than 14 days or (b) more than 10% of the number of days rented, the property may be treated as true "rental" property in which losses are not limited to income from the activity if you have other passive sources of income.

Alternative Minimum Tax (AMT)
The AMT is a separate tax calculation that requires taxpayers to add back certain deductions that would otherwise be deductible against their regular tax calculation. While there are several factors that could contribute to a taxpayer being subject to AMT, a combination of the following preferences typically trigger an AMT liability:

- Long-term capital gains
- Exercise of Incentive Stock Options
- State and local income tax deductions
- Personal property and/or real estate taxes
- Investment advisory fees
- Accelerated depreciation deductions

To the extent that a taxpayer is subject to AMT, a common practice is to consider deferring certain deductions (preference items) into the subsequent year and/or accelerating income into the current year that becomes subject to lower AMT tax rates versus higher regular ordinary income tax rates.

Affordable Care Act (ACA)
While the Affordable Care Act (ACA) continues to be a discussion topic in Congress and on the campaign trail, most of its provisions are now fully effective. Under the ACA, individuals who choose not to obtain health insurance through government exchanges, on their own, or via their employers, have to pay an additional tax.

If you did not have health insurance coverage in 2015 and were not exempt, you may be responsible for a "shared responsibility payment" equal to the higher of:

- 2 percent of your yearly income above the tax-filing threshold (generally about $10,150), or
- $325 per adult and $162.50 per child, limited to a family maximum of $975
- The foregoing costs are also capped at the cost of the national average premium to purchase a "Bronze Plan" from the federal healthcare exchange. In 2015, the monthly national average premium for such a plan was $207 per individual and $1,035 for a family with five or more members.

In October 2015, Congress passed the PACE Act (Protecting Affordable Coverage for Employees) which maintains the current language in the ACA that defines "small employer" as an employer with fewer than 50 full-time employees. The PACE Act; however, gives states the option to apply the original definition of small employer to employees with 51 to 100 employees for purposes of the small group health market. Employers should check their own state's law.

Year End Planning for Businesses
End of year tax planning for businesses became a little clearer for the next few years with the passage of the PATH Act – at least until Congress decides to address comprehensive tax reform. Should you have additional business-related questions as a result of the enactment of the PATH Act, please don't hesitate to contact us and we will be happy to provide additional details.

Appendix A: Key Income & Net Investment Tax Rates – 2015 and 2016 Tax Years

The following tables reflect applicable ordinary income, long and short-term capital gains, qualifying dividends and net investment income tax brackets for 2015 and 2016 tax years.

2015 Federal Income Tax Brackets					
Single	Married Filing Jointly	Married Filing Separate	Head of Household	Estates & Trusts	Marginal Rate
Up to $9,225	Up to $18,450	Up to $9,225	Up to $13,150	NA	10%
$9,225 - $37,450	$18,450 - $74,900	$9,225 - $37,450	$13,150 - $50,200	Up to $2,500	15%
$37,450 - $90,750	$74,900 - $151,200	$37,450 - $75,600	$50,200 - $129,600	$2,500 - $5,900	25%
$90,750 - $189,300	$151,200 - $230,450	$75,600 - $115,225	$129,600 - $209,850	$5,900 - $9,050	28%
$189,300 - $411,500	$230,450 - $411,500	$115,225 - $205,750	$209,850 - $411,500	$9,050 - $12,300	33%
$411,500 - $413,200	$411,500 - $464,850	$205,750 - $232,425	$411,500 - $439,000	NA	35%
$413,200 and above	$464,850 and above	$232,425 and above	$439,000 and above	$12,300 and above	39.6%

2016 Federal Income Tax Brackets					
Single	Married Filing Jointly	Married Filing Separate	Head of Household	Estates & Trusts	Marginal Rate
Up to $9,275	Up to $18,550	Up to $9,275	Up to $13,250	NA	10%
$9,276 - $37,650	$18,551 - $75,300	$9,276 - $37,650	$13,251 - $50,400	Up to $2,550	15%
$37,651 - $91,150	$75,301 - $151,900	$37,651 - $75,950	$50,401 - $130,150	$2,551 - $5,950	25%
$91,151 - $190,150	$151,901 - $231,450	$75,951 - $115,725	$130,151 - $210,800	$5,951 - $9,050	28%
$190,151 - $413,350	$231,451 - $413,350	$115,726 - $206,675	$210,801 - $413,350	$9,051 - $12,400	33%
$413,351 - $415,050	$413,351 - $466,950	$206,676 - $233,475	$413,351 - $441,000	NA	35%
$415,051 and above	$466,951 and above	$233,476 and above	$441,001 and above	$12,401 and above	39.6%

Long-term capital gains and qualifying dividends generally taxed at maximum rate of:	2015	2016
Taxpayers in top (39.6%) tax bracket	20%	20%
Taxpayers in 25%, 28%, 33%, and 35% tax rate brackets	15%	15%
Taxpayers in tax rate bracket 15% or less	0%	0%

2015 Top Federal Income Tax Rates	
Ordinary earned income, not including short-term capital gains or passive income [1]	39.6%
Net investment income (interest, short-term capital gains, non-qualified dividends and other passive income) [2]	43.4%
Long-term capital gains [3]	23.8%
Qualified dividends [4]	23.8%

Notes:

1 Medicare surcharge of 0.9% applied to wages and self-employment income that exceeds $200K for singles and $250K for couples

2 Includes interest, dividends, royalties, net rental income and other passive income

3 Includes 3.8% surtax on net investment income over $200K for singles and over $250K for couples

4 Includes 3.8% surtax on net investment income over $200K for singles and over $250K for couples

Source: Internal Revenue Service

Appendix B: Key Exemptions and Estate, Gift & GST Tax Rates – 2015 and 2016 Tax Years

The following tables reflect personal and dependency exemptions, AMT exemptions and phase-outs and Estate, Gift and GST Exemptions and Tax Rates for 2015 and 2016 tax years.

Exemptions/itemized deductions	2015	2016
Personal & dependency exemptions	$4,000	$4,050
Phaseout threshold for exemptions and itemized deductions	$309,900 (MFJ) $284,050 (HOH) $258,250 (Single) $154,950 (MFS)	$311,300 (MFJ) $285,350 (HOH) $259,400 (Single) $155,650 (MFS)

** Exemptions and certain itemized deductions are phased-out equal to the lesser of: 3% of AGI in excess of the threshold levels or 80% of certain itemized deductions.*

Alternative Minimum Tax (AMT)	2015	2016
Maximum AMT exemption amount	$83,400 (MFJ) $53,600 (Single/HOH) $41,700 (MFS)	$83,800 (MFJ) $53,900 (Single/HOH) $41,900 (MFS)
Exemption phaseout threshold	$158,900 (MFJ) $119,200 (Single/HOH) $79,450 (MFS)	$159,700 (MFJ) $119,700 (Single/HOH) $79,850 (MFS)
26% rate applies to AMT income (AMTI) at or below this amount (28% rate applies to AMTI above this amount)	$185,400 ($92,700 if MFS)	$186,300 ($93,150 if MFS)

** Exemptions for the AMT are phased out as taxpayers reach high levels of alternative minimum taxable income (AMTI). Generally, the exemption amounts begin to be phased-out once an individual's AMTI exceeds the threshold levels above.*

Calendar Year	Estate Tax Exemption (Less Lifetime Gift Tax Exemption Utilized)	Gift Tax Exemption	Generation Skipping Transfer Exemption	Tax Rate
2015	$5,340,000	$5,340,000	$5,340,000	40%
2016	$5,450,000	$5,450,000	$5,450,000	40%

** In addition to the foregoing exemptions, annual exclusion gifts for 2016 remain $14,000 ($28,000 for married couples who elect to split their gifts)*

Source: Internal Revenue Service

General Disclaimer

This material is furnished for informational purposes only and does not constitute investment, legal or tax advice and should not be used as a substitute for the advice of a professional legal or tax advisor. This material does not constitute an offer to sell, or a solicitation of an offer to buy, any interest in any investment vehicle, and should not be relied on as such.

Colony Family Offices does not accept any responsibility or liability arising from the use of this material. No representation or warranty, express or implied, is being given or made that the information presented herein is accurate, current or complete, and such information is at all times subject to change without notice. This material may not be copied, reproduced, or distributed without prior written consent of Colony Family Offices. Information was obtained from third party sources which we believe to be reliable but are not guaranteed as to their accuracy or completeness.

This information is limited in scope and is not intended to provide an exhaustive analysis. Colony Family Offices and its directors, officers, agents and employees are not permitted to render tax or legal advice. Please consult with your tax and legal advisors prior to entering into or implementing any financial transactions. Specific tax strategies may or may not have been applied to your portfolio and/or accounts. Please reach out to Colony Family Offices for more information regarding strategies implemented during 2015 specific to your situation.

Unless otherwise specifically indicated, any tax advice contained in this presentation (including attachments) has not been prepared to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed by the Internal Revenue Service.

Colony Family Offices is a registered investment advisor. Registration does not imply a certain level of skill or training. More information about the firm, including its investment strategies and objectives, can be found in our ADV Part 2, which is available, without charge, upon request. Our Form ADV contains information regarding our Firm's business practices and the backgrounds of our key personnel.

Colony reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from an account's portfolio. CFO-15-109