



January/February/March 2016

Citation and Resource Guide

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Past Losses Offer Winning Opportunities

- The IRS explains the wash sale rules in Publication 550, Investment Income and Expenses, p. 59, at www.irs.gov/pub/irs-pdf/p550.pdf.

What You Should Know About Student Loans

- For a description of federal education loans from the U.S. Department of Education, go to <https://studentaid.ed.gov/sa/types/loans>.

Passive Activity Losses From Rental Property

- The IRS explains the taxation of losses from passive activities at www.irs.gov/taxtopics/tc425.html.

Supreme Court Decision May Affect State Taxes

- The Supreme Court decision in *Comptroller of the Treasury of Maryland v. Wynne* can be found at www.supremecourt.gov/opinions/14pdf/13-485_o7jp.pdf.

SIMPLE 401(k) Plans May Appeal to Employees

- The IRS explains the rules for SIMPLE 401(k) plans at www.irs.gov/Retirement-Plans/Choosing-a-Retirement-Plan:-SIMPLE-401%28k%29-Plan.

Practice Development Tip

Pay Attention to Plans for Clients' Parents

At client meetings, it's natural to ask some questions about family life and future plans, to help with tax planning. To get valuable information, don't forget to ask if clients have living parents.

If so, ask your clients if they expect to help with parents' care, now or in the future. Also, ask if your clients can expect to receive an inheritance. The answers can provide valuable insights.

If clients expect to care for their parents, there may be some financial issues facing their parents. You might suggest a session with an elder law attorney, to see if there is anything that can be done to preserve family assets if long-term care is needed.

You also might suggest astute ways that your clients can provide financial help, such as giving appreciated securities to their parents. Lower-income parents can sell the securities and possibly owe no tax on the gains. If the proceeds are held by the parents in transfer-on-death investment accounts, for example, funds not used by the parents ultimately will come back to your clients, if they are the named beneficiaries, perhaps with a basis step-up. Your clients likely will appreciate such suggestions to help reduce the financial burden of helping parents.

At the other end of the spectrum, some clients' parents might have substantial assets, so the clients expect an inheritance. In those cases, you might mention some family tax planning ideas. Philanthropic intentions could be satisfied from tax-deferred retirement accounts, reducing income tax burdens on human beneficiaries, while appreciated assets are held for heirs, who'll get a basis step-up. Parental Roth IRA conversions, in low tax brackets, could pass tax-free growth accounts to your clients.

Again, your clients probably will welcome suggestions to reduce family tax bills—and you might wind up with referrals to wealthy parents in need of sound tax planning.

Regardless of the family financial situation, you might suggest that clients urge parents to execute a health care proxy and a durable power of attorney. Both documents enable the designated agent to make decisions for someone who is unable to do so. With such formalities in place, the agent or agents can agree to medical treatment, if indicated, and see that a disabled parent's expenses continue to be paid.



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