



**FINEMAN WEST & COMPANY LLP**  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## **Fineman West & Company** **October 2016 Newsletter**

### **Dear Clients and Friends,**

In this issue of our newsletter we discuss the U.S. Treasury Department's new proposed regulations on tactics used by wealthy tax payers to avoid paying estate and gift taxes. Also featured in this issue, information on how to report gambling winnings and losses on your taxes. For more information about featured stories in this newsletter, please contact the team at Fineman West & Company.

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## **Crack Down on Tax Payer Tactics to Avoid Paying Estate and Gift Taxes**

Recently, the U.S. Treasury Department and IRS have proposed new limits in place to regulate the taxes on the transfer of assets from wealthy business owners to their heirs. Under the current regulation, owners of closely held businesses and land, have the option to discount the value of ownership stakes to be less than \$10.9 million lifetime exclusion for married couples which would allow them to significantly reduce or avoid paying estate and gift taxes.

For example, under the current federal tax law, certain gifts of up to \$14,000 can be excluded per recipient each year without depleting any of your lifetime gift and estate tax exemption. If discounts total 30% in 2016, you can gift an FLP interest that's worth as much as \$20,000 before discounts (based on the net asset value of the partnership's assets) tax-free because the discounted fair market value doesn't exceed the \$14,000 gift tax annual exclusion.

An FLP must be established for a legitimate business purpose, such as efficient asset management and protection from creditors, to qualify for valuation discounts. Partnerships set up exclusively to minimize gift and estate taxes won't pass IRS muster.

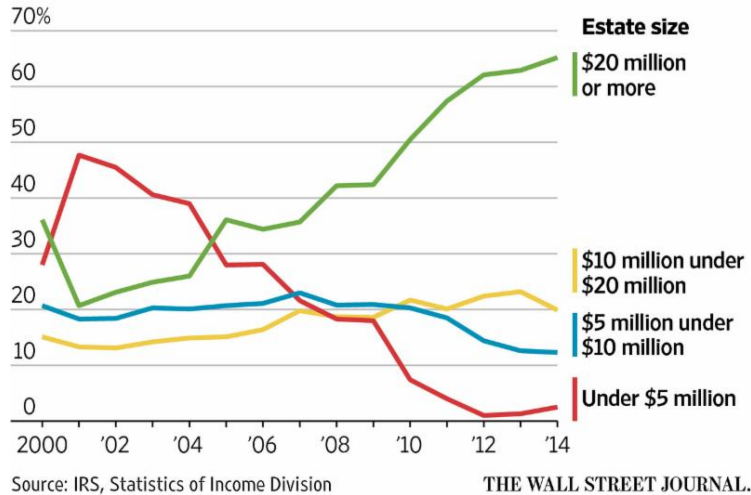
According to a report by the Wall Street Journal, this crack down by the Treasury Department will address the use of discounting the value of ownership stakes in closely held businesses or land. The government has made it clear that these planned regulations are impending. The proposal must first go through a 90-day public-comment period and won't go into effect until 30 days after the government issues the final version upon passing the ruling.

Please contact our tax specialist for more information. [Contact Our Team](#)

## Top Taxes

As Congress expanded the estate tax exclusion to protect almost all households, the levy has become more concentrated among very large estates.

### Percentage of total estate taxes paid by size of gross estate



## Don't Roll The Dice With Your Taxes If You Gamble This Year



For anyone who takes a spin at roulette, cries out "Bingo!" or engages in other wagering activities, it's important to be familiar with the applicable tax rules. Otherwise, you could be putting yourself at risk for interest or penalties - or missing out on tax-saving opportunities.

### Wins

You must report 100% of your wagering winnings as taxable income. The value of complimentary goodies ("comps") provided by gambling establishments must also be included in taxable income because comps are considered gambling winnings. Winnings are subject to your regular federal income tax rate, which may be as high as 39.6%.

Amounts you win may be reported to you on IRS Form W-2G ("Certain Gambling Winnings"). In some cases, federal income tax may be withheld, too. Anytime a Form W-2G is issued, the IRS gets a copy. So if you've received such a form, keep in mind that the IRS will expect to see the winnings on your tax return.

### Losses

You can write off wagering losses as an itemized deduction. However, allowable wagering losses are limited to your winnings for the year, and any excess losses cannot be carried over to future years. Also, out-of-pocket expenses for transportation, meals, lodging and so forth don't count as gambling losses and, therefore, can't be deducted.

**To claim a deduction for wagering losses, you must adequately document them, including:**

1. The date and type of specific wager or wagering activity.
2. The name and address or location of the gambling establishment.
3. The names of other persons (if any) present with you at the gambling establishment. (Obviously, this is not possible when the gambling occurs at a public venue such as a casino, race track, or bingo parlor.)
4. The amount won or lost.

The IRS allows you to document income and losses from wagering on table games by recording the number of the table that you played and keeping statements showing casino credit that was issued to you. For lotteries, your wins and losses can be documented by winning statements and unredeemed tickets.

If you qualify as a "professional" gambler, some of the rules are a little different. Please contact us if you have questions or want more information. [Contact Our Team](#)

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