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PONTE VEDRA BEACH, FL– (March 22, 2016) – This article on your **2016 tax return** and tax planning tips for nonqualified deferred compensation plans is reprinted with permission of myNQDC.com, a respected source of information, content, and tools on nonqualified deferred compensation.

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As you work on tax returns involving nonqualified deferred compensation, here's a quick take on issues to keep in mind.

What's new for the 2016 tax return season?

Here's a quick take on some new developments to be aware of when your tax return involves nonqualified deferred compensation:

1. For high-income people who participate in NQDC plans, the increased tax rates on ordinary income, capital gains, and dividends, along with the return of phaseouts on personal exemptions and itemized deductions, continue to affect tax strategies and tax-return reporting. These rate hikes took effect during the 2013 tax year and make deferral of income more attractive than ever.
2. The IRS has still not finalized the **Section 409A rules on W-2 reporting**. Therefore, your company does not need to indicate deferred income on your Form W-2, though it may do so voluntarily in **Box 14**. (Once the IRS has finalized the 409A rules on W-2 reporting, income deferred during the year will have to be indicated with **Code Y** in **Box 12**.) Distributions from plans usually appear in the W-2 boxes used for wages and other compensation, along with **Box**

11 for nonqualified plans (see another FAQ). Distributed amounts are reported on your tax return like any other compensation income: on Line 7 (Wages, Salary) of IRS Form 1040.

3. The IRS has two tax-return forms for the **increases in Medicare tax** stemming from the Affordable Care Act: the additional tax on compensation income (IRS Form 8959) and the surtax on net investment gains (IRS Form 8960). Nonqualified deferred compensation payouts can trigger both of these, while deferrals can keep you under the income thresholds (see the related FAQ).
4. If your plan violates Section 409A and you need to pay a penalty and interest:
    - Report this on **Line 62** of IRS Form 1040.
    - Check **Box c**.
    - Enter the amount with the code **NQDC**.

The income that is subject to this additional tax will also appear on your Form W-2 or 1099-MISC.

5. Following the Supreme Court's decision in *Obergefell v. Hodges* (June 2015), which legalized **same-sex marriage** throughout the United States, all same-sex spouses must now use married filing status not just for their federal tax returns but also for their state tax returns (whether married filing jointly or married filing separately). Before *Obergefell v. Hodges*, same-sex spouses who were married in a state where they did not live had to file as singles if their state of tax residence did not recognize their marriage. As filing under married joint status will often result in more tax than filing as singles will, they probably have little incentive to amend past tax returns from single to joint status. For more about the NQDC impact of the Supreme Court's decisions on same-sex marriage, see the related FAQ.
6. The **alternative minimum tax** (AMT) income exemption amounts, the point where the AMT exemption phaseout starts, and the threshold for the higher AMT rate have all been indexed for inflation. Nonqualified deferred compensation itself is not an AMT preference item. However, deferrals of income can serve to prevent you from triggering the AMT in a tax year; conversely, income you receive in a distribution can trigger the AMT.

If you need to **file an extension** of your tax-return deadline because of nonqualified deferred compensation, see the FAQ on mistakes to avoid with extensions.

Did you also have income from **equity compensation** or sell shares acquired from equity compensation? See myStockOptions.com for related changes in tax-return reporting.

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