



Online Advisor – February 2017

Major Tax Deadlines For February 2017

* February 15 - Deadline for brokers to provide 2016 Forms 1099-B and 1099-S to recipients.

* February 28 - Payers must file 2016 information returns (except certain Forms 1099-MISC with non-employee payments in box 7, which are due January 31) with the IRS. (Electronic filers have until March 31 to file).

Coming in March

* March 1 – Farmers and fishermen who did not make 2016 estimated payments must file 2016 tax returns and pay taxes in full.

* March 2 – Large employers must furnish Form 1095-B and Form 1095-C to employees.

Note: Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

Payroll tax deposits: Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of FICA taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual liability is \$1,000 or less.

* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.

* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.



What's New in Taxes

IRS makes inflation adjustments to 2017 tax numbers

Each year the IRS adjusts certain tax numbers for inflation and tax law changes. Here are some of the adjusted numbers you'll need for your 2017 tax planning.

- * Standard mileage rate for business driving decreases to 53.5¢ a mile. Rate for medical and moving mileage decreases to 17¢ a mile. Rate for charitable driving remains at 14¢ a mile.
- * Social security taxable wage limit increases to \$127,200. Retirees under full retirement age can earn up to \$16,920 without losing benefits.
- * Kiddie tax threshold remains at \$2,100 and applies up to age 19 (up to age 24 for full-time students).
- * Nanny tax threshold increases to \$2,000.
- * Health savings account (HSA) contribution limit increases to \$3,400 for individuals and to \$6,750 for families. An additional \$1,000 may be contributed by those 55 or older.
- * 401(k) maximum salary deferral remains at \$18,800 (\$24,000 for 50 and older).
- * SIMPLE maximum salary deferral remains at \$12,500 (\$15,500 for 50 and older).
 - IRA contribution limit remains at \$5,500 (\$6,500 for 50 and older).
 - Estate tax top rate remains at 40%, and the exemption amount increases to \$5,490,000.
 - The annual gift tax exclusion remains at \$14,000.
 - Tax credit for adopting a child is \$13,570 for 2017.
 - Alternative minimum tax exemption amounts increase to \$54,300 for single taxpayers and \$84,500 for married couples filing a joint return.
 - Limit on monthly transportation fringe benefit is \$255 for vehicle/transit passes and \$255 for qualified parking.



Get more from your tax refund

Before making the decision to spend your tax refund on a purchase, you might consider investing your refund or using it to increase your financial security. While everyone's needs are different, here are some optional uses of your refund that may work for you.

- * Contribute your refund to your employer's 401(k) plan. If your employer offers a matching contribution, that's an immediate return on your money in addition to deferring taxes on your contribution. And, funds in the plan grow free of tax until withdrawal.
- * Use your refund to pay down credit card balances – you could earn a double-digit return.
- * Consider investing your refund in your child's education. Both Section 529 college savings plans and education savings accounts offer tax-advantaged ways to save for college costs.
- * Take full advantage of your IRA options for retirement savings. Both Traditional and Roth IRAs are great ways to save for retirement.
- * If you've maximized your retirement and education savings, and your credit cards are under control, put your refund in diversified investments that make sense for your age and financial situation.
- * Ask yourself if getting a big refund every year is a smart idea. Would you rather invest your money during the year instead of making an interest-free loan to the government? If so, consider filing an updated Form W-4 with your employer.

New Business

2017 Section 179 Deduction - Is now the time for an equipment purchase?

In 2017, business owners can take advantage of permanent tax breaks like the generous Section 179 deduction of up to \$510,000 for qualified new or used business equipment. Note, however, that the deduction is limited for every dollar spent on equipment in excess of \$2,030,000. Additionally, new equipment purchased in 2017 may qualify for 50% bonus depreciation. In 2018, this bonus rate drops to 40% so plan your acquisitions accordingly.



Make your business meetings worth the time

As business meetings become more and more common, the risk of them becoming dull, uninspiring, and inefficient increases. Make some small changes to keep your organization's meetings vibrant, engaging, productive, and future-focused* Respect. Show your employees how much they matter by providing necessary training, acknowledging outstanding work, and creating a healthy and upbeat workplace.

Set ground rules. Attendees should be on time, prepared, and ready to actively participate. Keep your sessions disciplined and business-like. But don't forget the benefits of humor to lighten things up and reduce stress.

Have an agenda, but be prepared to leave it. If a stimulating and productive discussion develops, exploit it. Harvest those creative ideas. You can always revisit agenda items later.

Challenge your meeting time and formats. If your meetings get in a rut, try something different. Don't underestimate the power of mixing things up.

Avoid the trivial. Handle routine updates via memos or e-mail.

Recognize excellence. Praise and reward performance.

Focus on the positives and keep future-focused. Maintain a positive tone. Discuss your yesterdays only to improve your tomorrows.

Recap and take action. Resolve issues, determine a course of action, and assign action steps. It's important to make recognizable progress.

End on a unifying note. Reinforce the common bond and move forward together.

Commit to making one or two of these changes each meeting and you will find your attendees engaged and more focused.



What's New in Finances

The new cost of grandparenting

Raising a child is costly and time consuming not just for parents. A growing number of grandparents are helping raise their grandchildren. Grandparents are giving their time and money, helping with the cost of toys, clothing, education and extracurricular activities. This can add up to thousands of dollars. Many millennials indicate they could not afford their lifestyle if it were not for the help their parents provide.

While helping to support grandchildren may improve the quality of life for the grandparents, it's critical they build their own financial security first. One way for grandparents to benefit their grandchildren while protecting their own finances is contributing to a college plan. This provides a potential tax break while preparing their grandchildren for an education their parents might not be able to afford on their own.

If you would like more information on tax breaks associated with education plans, give us a call.

Get in the habit of tracking education expenses

A deduction is allowed only if you keep proper records "substantiating" the deduction. In other words, maintain good paperwork. Recordkeeping for education expenses can be especially important, because federal tax benefits are available that can significantly reduce your tax liability. If you're claiming benefits such as the American Opportunity Credit or the Lifetime Learning Credit, you must keep underlying documents proving your payments. Estimates or approximations do not qualify as proof.

Here are common items that can substantiate the amount you claim on your tax return.

* Tuition statements. Retain these statements with proof of your check or credit card payment and match them to the Form 1098-T, Tuition Statement, received from the educational institution. Note: Beginning with your 2016 tax return, you'll need to make sure that you receive Form 1098-T from the educational institution. Recently passed legislation requires that students have a valid Form 1098-T in order to claim tax benefits.

* Transcripts. Transcripts provide proof of attendance.

* Books and required supplies. Keep invoices and proof of payment for required course-related books and supplies.



* Scholarships, fellowships, and grants. Document these receipts, as all or part of what you receive may be tax-free. In addition, these items can affect how much you can claim for expenses that qualify for tax benefits.

* Student loans. Qualified expenses paid for with the proceeds are deductible in the year you make the payment.

Give us a call for more information on how to substantiate your qualified tuition expenses.

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