



Online Advisor – January 2017

Major Tax Deadlines For January 2017

* January 17 - Final 2016 individual estimated tax payment is due, unless 2016 tax return is filed and taxes are paid in full by January 31, 2017.

* January 31 - Employers must provide 2016 W-2 statements to employees, and send copies to the Social Security Administration (both paper and electronic).

* January 31 - Payers must provide 2016 Forms 1099 to payees. (Brokers have until February 15 to provide Form 1099-B and consolidated statements to customers.)

* January 31 - Payers must file all copies of 2016 Forms 1099-MISC with non-employee compensation in Box 7. For these forms, the January 31 due date applies to both paper and electronic filing.

* January 31 - Employers must generally file Form 941 for the fourth quarter of 2016 and pay any tax due.

* January 31 - Employers must generally file 2016 federal unemployment tax returns and pay any tax due.

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

Get ready for tax season

January 23, 2017, is the day the IRS will begin accepting electronically filed 2016 tax returns, and April 18, 2017, is the last day for filing your 2016 return. Are you expecting an income tax refund this year? In general, you can expect your federal refund to be issued approximately 21 days after your electronically filed tax return has been accepted. However, identity theft is still a major problem, and the IRS continues to implement new strategies to protect taxpayer data. For example, if you claim the Earned Income Tax Credit or Additional Child Tax Credit on your 2016 individual federal income tax return, your refund will be held until February 15.

Take advantage of tax breaks for volunteer work

In addition to intangible benefits, charitable giving offers breaks that can help reduce the amount you owe on your federal income tax return. Along with your monetary donations, you may be able to deduct other expenses incurred in support of your favorite charity, such as vet bills for your local humane society, or lumber and nails for a charity that provides or improves housing.

As an illustration, in one tax court case, deductions were allowed for mileage at the prescribed IRS rate, as well as air fare, lodging, and meals during trips to benefit a charity, even though the charity did not initiate, control, supervise, or assist with the trips. Actions taken by the charity helped the court reach the favorable ruling. For example, the charity was qualified under IRS rules, and provided letters of commendation serving as introductions to other charitable groups. After the trip, the charity publicized the efforts to related charities.

Charitable deductions may also be available if you're a board member of a charity, or simply significantly involved with the charity. In another decision, the tax court noted "control" by the charity



is only one of the factors considered when determining allowable deductions, meaning you don't necessarily have to be controlled or directed by a charity to claim a deduction. However, in this situation, you will have to maintain a strong affiliation with the charity, and you must be accountable to the charity.

Some gifts have special rules. For instance, education and medical expenses that you pay directly to the respective providers do not reduce your annual exclusion.

As the name suggests, the annual exclusion is a use-or-lose tax break that expires on December 31 of each year. For 2017, the annual exclusion remains \$14,000.

One more tip: To get the most benefit from your charitable activities, remember that recordkeeping requirements apply to all charitable deductions, and noncash contributions greater than \$250 must be acknowledged by the charity.

If you assist a charity or charities, contact us for more details about how you can claim deductions for your contributions.

New Business

Update your mileage reimbursements

The standard mileage rate for business driving in 2017 is 53.5¢ a mile, a decrease from the 2016 rate of 54¢ per mile. You can use this rate for cars, vans, pickups, and panel trucks instead of tracking the actual costs of operating those vehicles for business purposes.

In addition to the mileage rate, a separate deduction may be claimed for parking fees, tolls, interest relating to the purchase of a business automobile, and state and local personal property taxes.

The standard business mileage rate isn't applicable to automobiles used for hire, such as taxicabs, or for fleets of automobiles you use simultaneously. One other caution: You can't use the standard rate if the vehicle was depreciated by other than the straight-line method, including bonus depreciation or the Section 179 deduction.

A depreciation component of 25¢ a mile is included in the 2017 business mileage rate (up from 24¢ in 2016). This depreciation reduces your cost basis in the vehicle.



Four factors that make your company a great place to work

You might think that compensation is the primary factor for retaining employees. Yet if employee retention is "all about the money," how do you account for those firms you know of that provide stellar compensation packages and still suffer high turnover, low morale, and dwindling market share? And what about others that may not offer tip-top benefit packages, and maintain a loyal and dedicated workforce that regularly contributes to the success of the business? Why the seeming contradiction? Studies have shown compensation is only one part of reducing employee turnover. Here are four other key factors

- * Respect. Show your employees how much they matter by providing necessary training, acknowledging outstanding work, and creating a healthy and upbeat workplace.
- * Fairness. Treat your employees equitably. This applies to hiring and promotion decisions as well as to compensation, such as sharing your firm's success through a structured bonus plan.
- * A sense of pride. Create a team environment that engages your employees in accomplishing meaningful work. State your firm's mission clearly, communicate the mission to your employees in unambiguous terms, and strive to make each employee an integral part of achieving the mission.
- * Opportunity. No matter the job description, give your workers opportunities for advancement and career development. Cross-training can nurture new skills and encourage innovation, and an employee mentoring program can provide support to help employees learn how to handle challenging work situations.

Satisfied workers provide better customer service, are less likely to quit or call in sick, and can help propel your company to prosperity. Then, when you're ready to expand, your happy workers will let their talented friends know your company is a great place to work.



What's New in Finances

Make the most of your retirement plan contributions in 2017

Each year, the IRS makes inflation adjustments to the contribution limits for retirement plans. For 2017, the numbers barely budged. Here's an overview as you begin making 2017 retirement plan contributions.

- * The IRA contribution limit when you're under age 50 remains at \$5,500. You can add an extra \$1,000 when you're 50 or older.
- * The 401(k) salary deferral limit is still \$18,000 when you're under age 50. If you're 50 or older, the catch-up contribution is \$6,000.
- * The Savings Incentive Match Plan for Employees (SIMPLE) deferral limit remains at \$12,500 if you're under age 50, with a catch-up contribution of \$3,000 if you're 50 or older.
- * The Simplified Employee Pension (SEP) plan annual contribution limit increases for 2017 to \$54,000, up from \$53,000 for 2016.

For more information on 2017 inflation adjustments, including income phase-out thresholds for plan eligibility, please contact our office.

Three retirement planning mistakes to avoid

Retirement can creep up on you. One day you're climbing the corporate ladder or building a client base for your business. Next thing you know, retirement is looming and thoughts of spending your days playing golf, pursuing a favorite hobby, or traveling to far-flung regions start calling you away from the daily grind. But without careful planning, your golden years may become tarnished. Here are three mistakes to avoid.

Failure to plan. Ideally, you started planning for retirement early in your career and your investments have been growing. What if your situation is less than ideal? Assess how much time you have until you retire. Then use an online calculator to ballpark the amount you need to save, when to take social security benefits, and your estimated retirement expenses. Schedule an appointment with a finance professional to review your numbers and help craft a plan to fit your circumstances.



Failure to save. If your employer offers a 401(k) plan, take full advantage of the employer match. "Matching" funds are contributions your employer will deposit into your account in addition to the contributions you make yourself. The idea is to sock away as much as you can, as early as you can. If you're self-employed, set up a retirement plan for your business.

Failure to consider life expectancy. These days, if you're a 65-year-old man, you can expect to live to age 83. A woman of the same age may live to age 85. Depending on your health, family history, and other factors, you could live into your nineties or beyond. As a result, your nest egg might need to last 30 years or more. While social security benefits will supplement your savings, you'll still need to set aside a healthy amount.

Having a good plan can help your retirement dreams come true. Contact us for assistance.

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