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2017 TAX PLANNING & TIPS

The tax laws continue to provide opportunities for the wise and traps for the unwary. Often, tax savings can be achieved by taking action before year-end. The information and strategies discussed herein may or may not be appropriate for your situation. Remember to consult with your tax professional before implementing them.

New Tax Laws

On September 29, President Trump signed into law H.R. 3823, the "Disaster Tax Relief and Airport and Airway Extension Act of 2017." The Act, which had been passed by Congress the day before, provides temporary tax relief to victims of Hurricanes Harvey, Irma, and Maria. Some of the tax provisions of this new law apply to all taxpayers, but most of the tax provisions only apply to those affected by Hurricanes Harvey, Irma, and Maria.

Businesses that qualify for relief may claim a new "employee retention tax credit" of up to $2,400 for qualified wages paid to eligible employees. Relief for qualified individuals includes, among other things:

Eased Casualty Loss Rules

- **10 percent limitation is removed:** If you are claiming a disaster loss, the law eliminates the requirement that personal casualty loss must exceed 10% of your adjusted gross income.
- **Relief available if you don't itemize:** Typically, taxpayers have to itemize their deductions in order to claim casualty losses, but victims of Hurricane Harvey, Irma and Maria do not have to itemize in order to claim their disaster loss.

Special Rule for EITC and the Child Tax Credit

- **Allows taxpayers to use lower income to qualify for credits:** Taxpayers can use income from 2016 instead of 2017, if it is lower, to qualify for the Earned Income Tax Credit and the Child Tax Credit.

Eased Access to Retirement Funds

- **Increased amount can be borrowed from employer plans:** Hurricane victims in need of a retirement plan loan can borrow up to $100,000 from their qualified employer plan.
- **Penalty relief:** Qualified hurricane distributions will not be subject to the 10 percent early retirement plan withdrawal penalty.
- **Re-contribution of retirement withdrawals for cancelled home purchases:** Taxpayers who cancelled home purchases as a result of the hurricanes can re-contribute retirement plan withdrawals for home purchases or construction and avoid tax on the plan withdrawal as long as the re-contribution is made by February 28, 2018.

Charitable Deductions

- **Limitations suspended:** Taxpayers who make donations for qualified hurricane relief will not be subject to charitable contribution limitations if contributions are made before December 31, 2017.

Health Care Reporting Requirement
For the upcoming 2018 filing season, the IRS will not accept electronically filed tax returns where the taxpayer does not address the health coverage requirements of the Affordable Care Act. In addition, returns filed on paper that do not address the health coverage requirements may be suspended pending the receipt of additional information and any refunds may be delayed.

Leave-Based Donations for Hurricane Victims. The IRS has announced that employees won't be taxed when they forgo vacation, sick, or personal leave in exchange for employer contributions of amounts to charitable organizations providing relief to Hurricanes & Tropical Storms Harvey, Irma and Maria victims.

Employers may deduct the payments as ordinary and necessary business expenses under Code Sec. 162 rather than Code Sec. 170. In other words, the employer will be able to deduct the payments without being subject to the various charitable contribution limits that apply under Code Sec. 170. However, employees who participate in a leave-sharing donation program won't be allowed to claim a charitable contribution deduction for the value of forgone leave excluded from wages.

Participation in these programs can help both employees who itemize and those who don't. For example, a lower adjusted gross income (AGI) from participating in the program may make it possible for the employee to achieve a greater tax benefit from any of the numerous deductions and credits that are reduced as AGI increases.

Additional Information

Standard mileage rate. Taxpayers can use the standard mileage rate (in lieu of actual expenses) in computing the deductible costs of operating automobiles owned or leased by them (including vans, pickups or panel trucks) for business purposes. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for business travel. The following rates are applicable for the 2017 tax year:

Business	$.535
Medical	.17
Moving	.17
Charitable	.14

If you are an employee with unreimbursed travel, you may deduct an amount computed using the standard mileage rate only as a miscellaneous itemized deduction, subject to 2% floor of adjusted gross income.

IRS Announces 2018 Pension Plan Limitations
The Internal Revenue Service recently announced cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2018.

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from $18,000 to $18,500. However, the catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans and the federal government's Thrift Savings Plan remains unchanged at $6,000.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), to contribute to Roth IRAs also increased for 2018.

Taxpayers can deduct contributions to a **traditional IRA** if they meet certain conditions. If during the year either the taxpayer or their spouse was covered by a retirement plan at work, the deduction may be reduced, or phased-out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor their spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) Here are the phase-out ranges for 2018:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is $63,000 to $73,000, up from $62,000 to $72,000.

- For married couples filing jointly, where the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is $101,000 to $121,000, up from $99,000 to $119,000.

- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between $189,000 and $199,000, up from $186,000 and $196,000.

- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

The limit on annual contributions to an IRA remains unchanged at $5,500. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains $1,000.

The income phase-out range for taxpayers making contributions to a **Roth IRA** is $120,000 to $135,000 for singles and heads of household, up from $118,000 to $133,000. For married couples filing jointly, the income phase-out range is $189,000 to $199,000, up from $186,000 to $196,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

Protecting Your Business from Identity Theft. During the 2017 filing season, the tax software industry began sharing data elements from tax returns with the IRS and states to help identify suspected identity theft business returns. For 2018, the number of elements shared from tax returns will increase to better help identify those suspect returns.

Also for 2018, the IRS will be asking tax professionals to gather more information on their business clients. All of the data being collected assists the IRS in authenticating that the tax return being submitted is the legitimate return filing and not an identity theft return. Some of the new information people may be asked to provide when filing their business, trust or estate client returns include:

- The name and Social Security number of the company individual authorized to sign the business return. Is the person signing the return authorized to do so?

- Payment history – Were estimated tax payments made? If yes, when were they made, how were they made, and how much was paid?

- Parent company information – Is there a parent company? If yes who?

- Additional information based on deductions claimed.

- Filing history – Has the business filed Form(s) 940, 941 or other business-related tax forms?

Proposed Tax Law Changes

Both the house and senate have passed proposed tax law changes. Congress would like to enact a new tax law before year end that would be effective for 2018 and may impact some decisions that you make for tax year 2017.

Year-End Planning

Year-end planning is always complicated by the uncertainty of what the following year may bring, but this year presents an even bigger challenge. Serious questions persist over whether tax legislation will pass this year and, if so, whether it will involve sweeping tax reform, simple rate cuts, or something in between. With that in mind, here are a few steps that you might consider saving you tax dollars if you act before the end of the year. Please note that all actions may not apply in your situation.

- If you become eligible in December of 2017 to make health savings account (HSA) contributions, you can make a full year's worth of deductible HSA contributions for 2017. ($3,400 for self-only coverage and $6,750 for family coverage in 2017).

- If you converted assets in a traditional IRA to a Roth IRA earlier in the year and the assets in the Roth IRA account declined in value, you could wind up paying a higher tax than is necessary if you leave things as is. You can back out of the transaction by recharacterizing the ROTH conversion - that is, by transferring the converted amount (plus earnings, or minus losses) from the Roth IRA back to a traditional IRA via a trustee-to-trustee transfer. You can later reconvert to a Roth IRA.

- Consider using a credit card to pay deductible expenses before the end of the year.
- Individuals at least 70½ years of age, have the ability to make a direct transfer from an IRA to a charitable organization and exclude from gross income (up to $100,000 per year) the qualified charitable distribution.

  Using your IRA distributions for charitable giving could save you more than taking a charitable deduction on a normal gift. That's because these IRA distributions for charitable giving won't be included in income at all, lowering your AGI. You'll see the difference in many AGI-based computations. Even better, the distribution to charity will still count toward the satisfaction of your minimum required distribution for the year.

- Postpone income until 2017 and accelerate deductions into 2017 to lower your 2017 tax bill. This strategy may enable you to claim larger deductions, credits, and other tax breaks for 2017 that are phased-out over varying levels of AGI.

- Realize losses on stock while substantially preserving your investment position. For example, you can sell the original securities and then buy back the same securities at least 31 days later.

- You can give up to $14,000 to as many people as you wish in 2017 ($15,000 for 2018), free of gift or estate tax. You get a new annual gift tax exclusion every year, so don't let it go to waste. If you are married, you and your spouse can elect to "gift split" and use your exemptions together to give up to $28,000 (for 2017) per beneficiary.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.

Merry Christmas

Holiday Hours:

Closed Monday December 25, 2017
Closed Monday January 1, 2018

Additionally, please call early for tax planning, as each of the staff will be observing a floating holiday during the last week of 2017.