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2016 YEAR-END TAX PLANNING TIPS FOR BUSINESS

As we head into the last quarter of 2016, it's a good idea to take stock at the end of the year to make sure you're on the right course to reach your company's goals. It's also a good time to take advantage of last-minute planning options that could reduce taxes for your business.

With all that in mind, please contact us at your earliest convenience to discuss your tax outlook so that we can develop a customized plan that will address your business's specific financial concerns. Here's a look at some of the issues we're recommending that clients consider as they begin their end-of-year review.

Tax Identity Theft Is a Significant Threat

Our firm takes security very seriously, so we want to begin our letter this year with a reminder that tax identity theft is a growing problem. Unfortunately, it can take many forms, so beware if you:

- Receive a notice or letter from the Internal Revenue Service regarding a tax return, tax bill or income that does not apply to you. It's possible that someone has filed a false return using your Employer Information or Social Security number to claim a refund or get a job.

- Get an unsolicited email or other contact asking for either your personal financial details or business information such as payroll or employee data. The IRS does not contact taxpayers using email, text or other social media channels, so it's likely that a scammer is trying to steal your confidential information.

- Receive a robocall insisting that you must call back and settle your tax bill. **The IRS does not initiate contact by phone (it will be by mail)**, demand immediate payment over the phone, threaten to arrest you or demand your credit or debit card number or that you use a certain payment method — such as a gift card — to pay your taxes.

If you receive any suspicious communications from the IRS, you can report the contact by going to the IRS Impersonation Scam Reporting section of the IRS website or call the service at 800.366.4484. We also urge you to contact our office for advice whenever you receive communication from the IRS or believe you might have been the victim of identity theft.

New Rules May Affect Your Businesses

New laws and regulations could have an impact on how you manage your business or your tax planning. Below is a summary of important developments you should be aware of:

- In a change from past rules, businesses must file all Forms W-2 and W-3 and some Forms 1099-MISC with the IRS and the Social Security Administration no later than Jan. 31 in the year following the one to which the forms relate. As a result, forms for 2016 activities must be filed by **Jan. 31, 2017**. Employees and vendors or independent consultants must still receive their forms by Jan. 31.

- There are new due dates for returns for partnerships, C corporations and several other business returns. For calendar-year partnerships, the new filing date is **March 15** and for C corporations, it's **April 15**. The date for fiscal year C corporations is the 15th of the fourth month following the end of the corporation's calendar year. This is good news. In fact, the CPA profession has long advocated for these changes because they'll minimize tax season complications and delays and make it easier to ensure that tax returns are accurate and on time. Among other benefits, those in partnerships should now receive their Schedule K-1s in time to file their individual returns by April 15.

- Small businesses may benefit from legislation that reset the rules on what kinds of property qualifies for bonus depreciation, because it scopes in "qualified improvement property," a new class of nonresidential real property. At the same time, bonus depreciation has been extended through 2019 (and through 2020 older transportation property). The new rules allow 50% bonus depreciation through 2017, 40% in 2018 and 30% in 2019.

- If your business is a partnership, there's now a much greater chance you could face an IRS audit, due to new audit and adjustment rules. Although the change will generally apply to returns for tax year 2018 and later, clients should start planning now to prevent any unexpected consequences down the road. In particular, we recommend reviewing your partnership operating agreement with the new rules in mind. Please don't hesitate to contact us for assistance with identifying what changes might be relevant to your agreement. Also, be aware that even if your business is not a partnership, you will want to evaluate the effect that these new rules and related agreement changes could have if you have invested in any partnership.

The AMT Remains a Concern, but Planning Can Help

The alternative minimum tax (AMT) scopes in many taxpayers, requiring them to add back in some of the deductions they've taken. There is some good news for businesses this year because some smaller companies can now claim the research and development tax credit, a benefit that's now permanent, against the AMT. We can also help you plan to minimize your exposure to the AMT using techniques such as managing timing of capital gains or dividends.

What Will a New Administration Mean to You?

Are you wondering if a new president — and a wave of newly elected senators and representatives — could have an impact on tax, business and financial regulation and specifically your business? Given the long-standing gridlock in Washington, it seems reasonable that we might not see significant change, at least over the near term. However, the political environment has shown itself to be extremely unpredictable, so our plan is to closely monitor the legislative and regulatory outlook to be sure we can alert clients to any new developments that may have an impact on them.

Keep an Eye on Affordable Care Act Rules

Are your employees enrolled in a health care plan? Here's a development to consider in your planning: Late in 2015, Congress delayed implementation of a significant tax on high-cost employer-sponsored insurance plans — the "Cadillac tax" — from 2018 to 2020. Under the rule, when the value of a health plan is more than $10,200 for individual coverage and $27,500 for family coverage, the plans face a 40% tax on the excess amount, but businesses now won't have to face that concern for a couple more years. Despite this delay, it's worthwhile keeping this potential tax on your radar screen.

Also, if your company was not subject to the Affordable Care Act for 2015, be aware that the thresholds changed dramatically for 2016. An organization becomes an Applicable Large Employer (ALE) when it employs an average of 50 or more full-time and full-time-equivalent employees on business days during the calendar year. ALEs must provide certain employees with health insurance that meets specific standards, or face significant penalties.

Be Sure Your Retirement Planning Is Up to Date

When's the last time you revisited your retirement or succession plan? We recommend that you review your situation at least annually and make revisions and adjustments as needed. That includes making the most of the many tax-advantaged retirement saving options for small business owners, some of which allow annual contributions that can be significantly higher than those for other kinds of IRAs. In some cases, you can establish these plans for yourself and also offer them to employees.

Participants can contribute up to $53,000 to SEP IRAs and solo 401(k)s in 2016 (or 25% of income, whichever is smaller). For a SIMPLE IRA, the 2016 contribution limit is $12,500. In all cases, participants who are age 50 or older can make catch-up contributions.

Whether it's selecting the right retirement plan, minimizing your tax exposure, or getting answers to questions about business or individual tax concerns, please call our office today (630-416-9422) to set up your year-end tax-season review. Planning ahead can help you minimize your tax bill and position your company for greater success.

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Reference Rates and Figures

Source: IRS

2016	2017	2016/2017

Single Taxpayers				
Taxable Income	**Tax Liability**	**Taxable Income**	**Tax Liability**	**Capital Gain Rate**
0 – 9,275	10% of taxable income	0 – 9,325	10% of taxable income	0%
9,275 – 37,650	927.50 + 15% of the amount over 9,275	9,375 – 37,950	932.50+ 15% of the amount over 9,325	0%
37,650 – 91,150	5,183.75 + 25% of the amount over 37,650	37,950 – 91,900	5,226.25 + 25% of the amount over 37,950	15%
91,150 – 190,150	18,558.75 + 28% of the amount over 91,150	91,900 – 191,650	18,713.75 + 28% of the amount over 91,900	15%
190,150 – 413,350	46,278.75 + 33% of the amount over 190,150	191,650 – 416,700	46,643.75 + 33% of the amount over 191,650	15%
413,350 – 415,050	119,934.75 + 35% of the amount over 413,350	416,710-418,400	120,910.25 + 35% of the amount over 416,700	15%
415,050+	120,529.75 + 39.6% of the amount over 415,050	418,400	121,505.25 + 39.6% of the amount over 418,400	20%

Head of Household				
Taxable Income	**Tax Liability**	**Taxable Income**	**Tax Liability**	**Capital Gain Rate**
0 – 13,250	10% of taxable income	0 – 13,350	10% of taxable income	0%
13,250 – 50,400	1,325.00 + 15% of the amount over 13,250	13,350 – 50,800	1,335.00 + 15% of the amount over 13,350	0%
50,400 – 130,150	6,897.50 + 25% of the amount over 50,400	50,800 – 131,200	6,952.50 + 25% of the amount over 50,800	15%
130,150 – 210,800	26,835.00 + 28% of the amount over 130,150	131,200 – 212,500	27,052.50 + 28% of the amount over 131,200	15%
210,800 – 413,350	49,417.00 + 33% of the amount over 210,800	212,500 – 416,700	49,816.50 + 33% of the amount over 212,500	15%
413,350 – 441,000	116,258.50 + 35% of the amount over 413,350	416,700 – 444,500	117,202.50 + 35% of the amount over 416,700	15%
441,000+	125,936.00 + 39.6% of the amount over 441,000	444,500+	126,950.00 + 39.6% of the amount over 444,500	20%

Married Filing Jointly (and Qualifying Widow[er]s)				
Taxable Income	**Tax Liability**	**Taxable Income**	**Tax Liability**	**Capital Gain Rate**
0 – 18,550	10% of taxable income	0 – 18,650	10% of taxable income	0%
18,550 – 75,300	1,855.00 + 15% of the amount over 18,550	18,650 – 75,900	1,865.00 + 15% of the amount over 18,650	0%
75,300 – 151,900	10,367.50 + 25% of the amount over 75,300	75,900 – 153,100	10,452.50 + 25% of the amount over 75,900	15%
151,900 – 231,450	29,517.50 + 28% of the amount over 151,900	153,100 – 233,350	29,752.50 + 28% of the amount over 153,100	15%
231,450 – 413,350	51,791.50 + 33% of the amount over 231,450	233,350 – 416,700	52,222.50 + 33% of the amount over 233,350	15%
413,500 – 466,950	111,818.50 + 35% of the amount over 413,350	416,700 – 470,700	112,728.00 + 35% of the amount over 416,700	15%
466,950+	130,578.50 + 39.6% of the amount over 466,950	470,700+	131,628.00 + 39.6% of the amount over 470,700	20%

Married Filing Separately				
Taxable Income	**Tax Liability**	**Taxable Income**	**Tax Liability**	**Capital Gain Rate**
0 – 9,275	10% of taxable income	0 – 9,325	10% of taxable income	0%
9,275 – 37,650	927.50 + 15% of the amount over 9,275	9,325 – 37,950	932.50+ 15% of the amount over 9,325	0%
37,650 – 75,950	5,183.75 + 25% of the amount over 37,650	37,950 – 76,550	5,226.25 + 25% of the amount over 37,950	15%
75,950 – 115,725	14,758.75 + 28% of the amount over 75,950	76,550-116,675	14,876.25 + 28% of the amount over 76,550	15%
115,725 – 206,675	25,895.75 + 33% of the amount over 115,725	116,675-208,350	26,111.25 + 33% of the amount over 116,675	15%
206,675 – 233,475	55,909.25 + 35% of the amount over 206,675	208,350-235,350	56,364.00 + 35% of the amount over 208,350	15%
233,475+	65,289.25 + 39.6% of the amount over 233,475	235,350	65,814.00 + 39.6% of the amount over 235,350	20%

Unearned income are subject to 3.8% Net Investment Income Tax if modified adjusted gross income over the thresholds below:
Wages/self-employed income are subject to 0.9% Additional Medicare Tax if wage/self-employed income over the thresholds below:

Single \$200,000, Head of Household \$200,000, Married filing jointly \$250,000, Married filing separately \$125,000.

2016	2017

Standard Deduction			
Single / MFS	6,300	Single / MFS	6,350
Head of Household (HH)	9,300	Head of Household (HH)	9,350
Married Filing Jointly	12,600	Married Filing Jointly	12,700
Blind/Aged Add'l - Single, HH	1,550	Blind/Aged Add'l - Single, HH	1,550
Blind/Aged Add'l - Married	1,250	Blind/Aged Add'l - Married	1,250

Alternative Minimum Tax (AMT) Exemption			
Single / HH	53,900	Single / HH	54,300
Married Filing Jointly	83,800	Married Filing Jointly	84,500
Married Filing Separately	41,900	Married Filing Separately	42,250

Personal Exemption (Before Limitation)	
4,050	4,050
Phase-out begins: Single $259,400, HH $285,350, MFJ $311,300, MFS $155,650	Phase-out begins: Single $261,500, HH $287,650, MFJ $313,800, MFS $156,900

Rates for Mileage Reimbursement	
.54 Business; .14 Charitable; .19 Medical or Moving	.535 Business; .14 Charitable; .17 Medical or Moving

1 Social Security/Medicare Point	
1,260	1,300

Maximum Taxable Social Security Wage Base	
118,500	127,200

Estate and Gift Tax Exemptions			
Annual Exemption	14,000	Annual Exemption	14,000
Lifetime Exclusion	5.45 million	Lifetime Exclusion	5.49 million
Top Transfer Tax Rate	40%		

2016 Corporate Tax Rates

Taxable Income	Tax Liability
$0 - $50,000	15% of taxable income
$50,001 - $75,000	$7,500 + 25% of the amount over $50,000
$75,001 - $100,000	$13,750 + 34% of the amount over $75,000
$100,001 - $335,000	$22,250 + 39% of the amount over $100,000
$335,001 - $10,000,000	$113,900 + 34% of the amount over $335,000
$10,000,001 - $15,000,000	$3,400,000 + 35% of the amount over $10,000,000
$15,000,001 - $18,333,333	$5,150,000 + 38% of the amount over $15,000,000
$18,333,334 or more	$6,416,667 + 35% of the amount over $18,333,333