



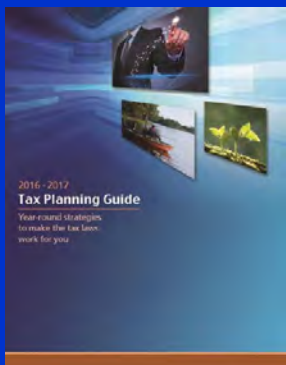
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Tax Planning Guide



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FEBRUARY 2017

February 28

- Payers must file information returns (except certain Forms 1099-MISC with non-employee compensation payments in box 7, which are due before February 1) with the IRS. (Except for certain Forms 1099-MISC outlined earlier, the deadline is March 31 if filing electronically.)
- Forms 1095-B and 1095-C due to the IRS, *if filing on paper*.

March 1

- Farmers and fishermen who did not make 2016 estimated tax 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.

March 15

- 2016 calendar-year S corporation Form 1120S income tax returns are due.
- 2016 calendar-year partnerships Form 1065 income tax returns are due.

March 31

Forms 1095-B and 1095-C due to the IRS, *if filing electronically*. (Employers who have 250 or more employees are required to file electronically.)

Time to plan for inflation-adjusted 2017 tax numbers

- Each year, certain tax figures are adjusted for inflation. While most figures are unchanged versus 2016, there is more than a 7% increase to the maximum earnings subject to social security tax. Take note of these numbers to use in your 2017 planning.
- The maximum earnings subject to social security tax in 2017 is \$127,200. The earnings limit for those under full retirement age increases to \$16,920 for 2017.
- The "nanny tax" threshold remains \$2,000 in 2017. If you pay household employees \$2,000 or more during the year, you're generally responsible for payroll taxes.
- The "kiddie tax" threshold remains \$2,100 for 2017. If you have a child under the age of 19 (under age 24 for full-time students) who has more than \$2,100 of unearned income, such as dividends and interest income, the excess could be taxed at your highest rate in 2017.
- The maximum individual retirement account (IRA) contribution you can make in 2017 remains unchanged at \$5,500 if you are under age 50 and \$6,500 if you are 50 or older.
- The maximum amount of wages employees can contribute to a 401(k) plan



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remains at \$18,000, with an additional \$6,000 if you are 50 or older. The 2017 maximum contribution for SIMPLE plans is \$12,500 and an additional \$3,000 if you are 50 or older.

- The maximum you can contribute to a health savings account in 2017 is \$3,400 for individuals and \$6,750 for families. The catch-up contribution if you're age 55 or older is \$1,000.

Making the most of your tax refund

If you are expecting a tax refund, 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'll earn a guaranteed 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.

Contact our office if you have questions about getting more out of your tax refund.

Can bartering be an effective business strategy?

Have you ever thought about bartering as a way to get the goods and services you need for your business? A growing number of businesses are finding ways to use the bartering system as a means to avoid using up their company's cash.

A simple bartering arrangement involves two parties trading items of similar value. For example, let's say your business owns a building located next to a telephone company. An internet service provider might be interested in storing its servers in an unused portion of your basement. Instead of paying rent, they offer to provide you with a high-speed internet connection and website.

Complicated bartering may now take place through bartering clubs that give members credits for items or services they contribute. Members can then use the credits to pay for goods or services offered by other club members. This service offers a convenience to businesses, as it can be difficult to find the businesses that offer what you are looking for when searching on your own.

It's important to note that there are income tax consequences to bartering. To be safe, view your trades as if cash changed hands, since the goods and services are valued for tax purposes at their fair market values and taxed accordingly. Also, a bartering arrangement does not always result in a deduction immediately equal to the income you recognized. You might provide a service and recognize income immediately in exchange for some equipment you will end up depreciating over several years.

Please call us if you need more information about implementing bartering as a strategy to help your business.

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