RKKM
CERTIFIED PUBLIC ACCOUNTANTS

December 2016

To our Clients and Friends:

With the election behind us and 2016 coming to an end, we are not expecting any major tax law changes to affect your 2016 returns. Thanks to the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) that was passed in December of 2015, many items that were typically not extended until the January following the end of the tax year have been extended permanently. In this letter, we are providing information on a few topics that we feel will affect the largest number of our clients. Since we cannot possibly touch on every tax law change applicable to each client, included with this letter is a Quick Reference Chart that provides the most commonly requested rates, figures and limits for 2016 and 2017.

Tax Return Due Date Changes for Businesses

For C corporations reporting on a calendar year, the 2016 filing deadline is now on or before April 15th. For C corporations reporting on a fiscal year other than June 30th, the filing date is the 15th day of the fourth month following the close of the taxable year. For C corporations reporting on a June 30th fiscal year, the filing deadline remains the 15th day of the third month following the close of the taxable year (September 15). There is an automatic five month extension for calendar year C corporations, and an automatic seven month extension for fiscal year C corporations with a taxable year ending on June 30.

For partnerships reporting on a calendar year, the filing deadline is March 15th. For partnerships reporting on a fiscal year, the filing deadline is the 15th day of the third month following the close of the fiscal year. An automatic six month extension is available.

The reporting deadline for S corporations has not changed and remains March 15th, or the 15th day of the third month following the close of the taxable year for fiscal year S corporations

Individual Health Insurance Mandate

The individual health insurance mandate requires all individuals and their dependents to maintain minimum essential health insurance coverage or pay a penalty known as the shared responsibility payment, unless they are exempt from the requirement. Qualifying coverage can be obtained through employer-provided coverage, a government program such as Medicare or Medicaid, an individual broker or an Exchange. For lower-income individuals who obtain health insurance through an Exchange, a premium tax credit or cost-sharing reductions may be available to offset the costs.

For 2016, the individual shared responsibility payment is the greater of a) 2.5% of household income that is above the tax return filing threshold for the individual's filing status or b) the individual's flat dollar amount which is $695 per adult and $347.50 per child with an annual family limit of $2,085.

Ohio Taxpayers with Business Income

For 2016, all individuals who have business income that is taxable to the State of Ohio qualify to exclude 100% of the first $250,000 ($125,000 for married filing separate taxpayers) from their Ohio taxable income.

Energy Credits

The residential energy efficient property credit is available to taxpayers who install certain energy efficient property, such as photovoltaic panels, solar water heating property, fuel cell property, small wind energy property and geothermal heat pumps. The credit is available for the costs incurred for such property up to a specific percentage, except that a cap applies for fuel cell property. The credit for qualified fuel cell power plants, qualified small wind energy property and qualified geothermal heat pump property expires on December 31, 2016.

Taxpayers may claim a nonrefundable nonbusiness energy property credit for qualified residential energy efficiency improvements installed during the tax year and residential energy property expenditures paid or incurred during the tax year. Such property includes qualified windows, insulation, boilers, hot water heaters and circulating air fans. Each type of property has its own dollar limits, with a cumulative total lifetime limit of $500. To qualify for the credit, the property must be installed by the end of 2016.

Required Minimum Distributions after Reaching Age 70½

If you turned age 70½ in 2016, you are now required to take minimum distributions (RMDs) from your IRA, 401(k) plan or other employer-sponsored retirement plan each year. You have until April 1, 2017 to take your first RMD. If you wait to take your first RMD in 2017, you will be taking two RMDs in 2017 because you will need to withdraw the amount required for 2016 (by April 1) plus the amount required for 2017 (by December 31). Think twice before delaying your first required distribution to 2017 because bunching income into 2017 might push you into a higher tax bracket or have a negative impact on various income tax deductions that are reduced at higher income levels. On the other hand, it could be beneficial to take both distributions in 2017 if you know you will be in a lower bracket next year. Failure to take a required minimum distribution can result in a penalty equal to 50% of the amount that should have been withdrawn.

Traditional Year-End Planning Techniques

There are two positions, income acceleration or postponement, which will increase your tax bill in one year so that you can lower your tax bill in another year. Determining which position is best for you depends on your tax situation for the current year, along with your expected tax situation for the following year. Accelerating income into 2016 (or deferring deductions until 2017) may be beneficial in the case where your marginal tax rate is much lower in 2016 than you expect it to be in 2017. On the other hand, postponing income into 2017 (or accelerating deductions in 2016) would be desirable to other taxpayers who anticipate being in a lower tax bracket in 2017 due to changed financial circumstances.

For an in-depth look at year-end strategies we can offer you *Wolters Kluwer's 2016 Year-End Tax Planning Tax Briefing*. An electronic copy can be found on our website at http://www.rkkm.com/news or you may contact us for a paper copy.

If you are not already signed up for our email list, please visit our website at www.rkkm.com/newsletter to sign up. We would like to thank you for allowing us to be of service to you. If we can help in any way, please do not hesitate to contact our office.

Very truly yours,

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Quick Reference Chart

As of 12/14/16

	2016	2017
Mileage rate - business travel	54₵	53.5₵
Mileage rate - medical or moving	19₵	17₵
Mileage rate - charitable	14₵	14₵
401(k), 403(b) or 457 retirement plan deferral limit	$18,000	$18,000
Catch up contribution (age 50 or older)	$6,000	$6,000
Defined contribution plan total contribution limit	$53,000	$54,000
SIMPLE IRA deferral limit	$12,500	$12,500
Catch up contribution (age 50 or older)	$3,000	$3,000
Traditional and ROTH IRA contribution limit	$5,500	$5,500
Catch up contribution (age 50 or older)	$1,000	$1,000
Earned income limits for Social Security recipients:		
If you will not reach full retirement age by year end	$15,720	$16,920
During year of full retirement, prior to full retirement age	$41,880	$44,880
After full retirement age (66 for those born 1943-1954)	No limit	No limit
Standard deduction:		
Single or married filing separate	$6,300	$6,350
Married filing joint	$12,600	$12,700
Head of household	$9,300	$9,350
Personal exemption	$4,050	$4,050
Phase-out ranges for single	$259,400 - $381,900	$261,500 - $384,000
Phase-out ranges for married filing joint	$311,300 - $433,800	$313,800 - $436,300
Maximum earned income credit (EIC)	$6,269	$6,318
Flexible spending arrangement (FSA) contribution limit	$2,550	$2,600
Health savings account (HSA) contribution limits:		
Self-only coverage	$3,350	$3,400
Family coverage	$6,750	$6,750
Catch up contributions (age 55 or older)	$1,000	$1,000
Annual gift tax exclusion	$14,000	$14,000
Code Section 179 expense limitation	$500,000	$510,000
Code Section 179 investment limitation	$2,010,000	$2,030,000
Social Security (OASDI) wage base	$118,500	$127,200

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