SSA Scoop

Smoker, Smith & Associates P.C.
CERTIFIED PUBLIC ACCOUNTANTS
A Higher Level of Commitment

VOLUME 4, ISSUE 2 Fall 2016

SCHEDULE YOUR YEAR-END TAX PLANNING APPOINTMENT NOW!

Now is the time to meet with us to review tax changes and planning opportunities for the remainder of 2016. Many tax-saving strategies and planning opportunities are only effective if implemented before year-end. Your specific situation will determine what tax-planning opportunities make sense for you.

CALL US

to set up an appointment with your tax advisor before year end to be sure you are taking advantage of every tax benefit possible!

Helping to maximize your tax-saving opportunities is important to us!

A few tax provisions that may provide you with tax savings this year include:

- Individuals age 70 ½ or over may transfer tax free up to $100,000 per year of required minimum distributions from their IRA directly to a qualified charitable organization.
- Increase pretax salary deferrals to your employer's 401(k), 403(b).
- Possibly defer income (bonus) to 2017 if you expect less taxable income during 2017.
- Increase itemized deductions for 2016, such as charitable contributions, if itemized deductions may be phased out due to higher income anticipated in 2017.
- The residential energy credit is only available through 2016. (*Solar improvements will be available through 2021.)*
- College Credits and deductions are still available, but may be phased out due to income.
- 2016 IRS Depreciation Planning
  - 50% Bonus Deprecation on "New Assets"
  - Section 179 Maximum $500,000

New Due Dates Apply to Certain 2016 Tax Returns to be filed in 2017

RETURN TYPE	OLD LAW	NEW DUE DATE	EXTENDED DUE DATE
Partnership 1065	April 15th	March 15th	September 15th
S Corporations 1120S	March 15th	March 15th	September 15th
Trusts 1041	April 15th	April 15th	September 30th
Estates 1041	15th day of 4th month following fiscal year end		30th day of 5th month
Individual 1040	April 15th	April 15th	October 15th
Exempt Org 990	May 15th	May 15th	November 15th
C Corporation	April 15th	April 15th	October 15th
FinCen Form 114	June 30th	April 15th	October 15th

THE EXTENSION ADVANTAGE

There may be times when it is advantageous to file an extension for an individual tax return. There may be extenuating circumstances; such as sickness, a death in the family, job change, or move. Possibly, 1099's, K-1's and other tax reporting documents will be issued late. At times, someone may just need more time to assemble their information such as expenses for a rental property, medical expenses, education expense, etc. It is to the taxpayer's advantage to have enough time to gather all pertinent documents and figures to take advantage of every tax deduction and credit available to them.

Many clients fear that filing an extension causes either a red flag or black mark with the IRS. We want to assure our clients that filing an extension is not a bad thing. The Internal Revenue Code provides for extensions. Congress understands that there are times people cannot file their taxes by the April 15th deadline. By filing Form 4868, an individual's tax return filing deadline is extended to October 15th.

The important thing to keep in mind is that the extension is for filing the tax return, and not for paying any tax balance due. Any expected balance due must be paid at the time the extension is filed to avoid penalties and interest. Please let us know if you are interested in pursuing this option!

MEDICAL EXPENSE DEDUCTION

In 2016, individuals will be able to claim medical expenses paid during the year if they itemize. However, the amount deductible is only the amount that exceeds 10% of Adjusted Gross Income (AGI). The AGI limitation is 7.5% for those individuals age 65 or older. The age exception only applies through 2016; it will increase to 10% for medical expenses for all individuals in 2017.

Amounts contributed to your employer's medical Flexible Spending Account are not deductible as medical expenses, since those amounts were already subtracted from taxable wages (pre-tax). Keep in mind, not only are FSA dollars pre-taxed for federal income tax purposes, they are also deductible for Social Security, Medicare, State, and Local wages. The maximum amount that may be contributed for medical and dental purposes during 2017 will slightly increase to $2,600.

Please do not hesitate to contact your tax advisor at Smoker, Smith & Associates if you have any questions concerning any of the topics covered in this newsletter.

RECIPROCAL AGREEMENT BETWEEN NJ AND PA WILL END DECEMBER 31ST

The reciprocal agreement between New Jersey and Pennsylvania will end December 31, 2016. This agreement allowed employees to pay income tax to the state where they live, rather than the state where they work. Effective January 1, 2017, those employees will be subject to state income tax in the state where they work. Pennsylvania residents employed in New Jersey will now be subject to New Jersey tax, and will claim a credit against their PA income tax, and vice versa for New Jersey residents working in PA. Currently, Pennsylvania has reciprocal agreements with Maryland, Ohio, West Virginia, and Virginia.

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SOCIAL SECURITY ANNOUNCES 2017 CHANGES

Based on the Consumer Price Index, Social Security & SSI beneficiaries will receive a slight 0.3% increase in 2017. In addition, the maximum taxable earnings subject to Social Security withholding will increase to $127,200, up from $118,500 in 2016.

INFLATION ADJUSTMENTS FOR 2017

The 2017 Standard Deduction will increase to $12,700 for Married Filing Jointly, $6,350 for Single Individuals, & $9,350 for Heads of Household. Exemption amounts remain the same ($4,050). There has been no change to IRA, Simple Plan, 401(k), 403(b), or 457 retirement plan contribution limits.

Bonus depreciation will remain at 50% for new business assets placed in service during 2017, but will decrease to 40% in 2018. Section 179 increases up to $510,000, maximum. *(The qualified property phase-out threshold also increases to $2,300,000.)*

For decedents, whose date of death is after December 31, 2016, the federal Estate Tax Exclusion will increase to $5,490,000. Due to portability features between two spouses, the total exclusion per married couple will be $10,980,000. The Gift Tax Exclusion remains $14,000 per donee per individual. *(Married couples may elect gift splitting.)*