

## **2016-2017 UPDATES FOR TAX FILING**

### **FILING DEADLINES and PROCESSING**

Employers must file **W-2s** and **1099-MISCs** by **Jan. 31<sup>st</sup>** in addition to providing the recipients copies on the same date. Please get all the information to us by Jan 23<sup>rd</sup>. Partnerships are now required to file 2½ months after their yearend – so calendar year **Partnerships** are due on **March 15** now instead of April 15<sup>th</sup> as in years past. **C-corporations** now have 3½ months to file so their due date of a calendar yearend is now **April 15<sup>th</sup>**.

Please don't wait until the last minute to schedule appointments as our schedules are already starting to fill up. For corporations and partnerships that have a due date of March 15<sup>th</sup> we will need the information prior to March 1<sup>st</sup> to ensure timely filing. For individual returns, **we will need the information prior to April 1<sup>st</sup>** and the last appointments will be on April 10<sup>th</sup>. We have limited evening hours available too.

For processing this year, we have invited many of you to our secure portal called SmartVault. It is a secure method to exchange files than emailing of information and is user friendly. We are discontinuing Intuit Link used last year based on feedback from clients. Additionally, we can send tax organizers by email or mail to assist you with organizing your tax information. If you haven't received an invite or would like an organizer, please contact Ellie at [ellie@gagnoncpa.com](mailto:ellie@gagnoncpa.com) or call 845.331.3600.

### **1099 REQUIREMENTS**

You must file a 1099 if you paid someone for business purposes more than \$600 in rent, services, prizes and awards, other income, or to an attorney. Additionally, if you pay royalties more than \$10. Please provide this information to us before January 23<sup>rd</sup> so that we can timely file the returns and avoid any penalties. The utilization of W9s to verify taxpayers ID numbers that you are using for payment will assist with the abatement of any penalties for incorrect ID numbers used for the 1099 filings.

### **PENALTIES**

The IRS will enforce penalties for non-filing or late filing of information reports such as 1099s and W2s. The reports will assess a penalty of \$50 per return filed late within the first 30 days, \$100 between the 31<sup>st</sup> day and August 1<sup>st</sup> and \$260 per return not filed. In the case of 10 1099s that should have been filed the penalty will be 10 times the amount based on the period of delinquency.

### **BUSINESS EQUIPMENT**

The business Sec 179 - \$500,000 on new equipment is permanent with a cap of \$2 million. Bonus depreciation - 50% cost of new property placed into service (used equipment not eligible) is reduced to 40% in 2018, 30% in 2019 and eliminated in 2020 – for now.

### **MILEAGE RATES**

Business - .54 per mile decreases to .535 in 2017, Medical and Moving decreased from .19 to .17 and charitable remains the same at .14 per mile.

## **DEPARTMENT OF LABOR FLSA OVERTIME SUSPENDED & MINIMUM WAGE**

Minimum wage has increased to \$9.70 (7.50 tipped employees plus tips) an hour as of 12/31/2016 with an increase to 10.40 as of 12/31/2017.

The new ruling from the US Department of Labor regarding the Fair Labor Standards Act (FLSA) - white collar overtime exemption has been suspended. The exemption would have required anyone on salary to raise the minimum rates from \$23,330/\$455 per year/month to \$47,476/\$913 per year/month. The other element was for businesses to relook their compensation methods and whether salary exempt employees were truly meeting the salary standards.

## **AFFORDABLE CARE ACT & HEALTH ITEMS**

Like last year to process your tax returns the Form 1095, if provided, will be necessary to accurately compute your tax return, especially if you received any premium credits. Health care penalty is \$695/adult 347.50/child with a cap of \$2,085/household for both 2016 & 2017.

The 40% Cadillac Tax on healthcare plans exceeding 10,200 for singles and 27,500 for family plans has been postponed until 2020. While this is an employer tax - benefits are being limited to reduce premiums, and avoid the tax. We expect that the ACA will undergo significant changes to its current structure. There are many projected changes, such as elimination of the Cadillac Tax, and potentially different structures to the exchanges which may result in cost savings.

Medical deductions are limited to an excess of 10% of AGI for all filers in 2017. In 2016, those over the age of 65 only had to exceed 7.5%. HSA limits for 2016 were \$3,350 self, \$6,750 family with \$1,000 catchup. The single rate was increased to \$3,400 while family catchup remained the same. FSA contribution limits are raised \$50 from \$2,550 for 2016 to \$2600 for 2017.

## **GIFTING**

The gifting limits remain at \$14,000. The federal gift/estate exemption limits increased to \$5,450,000 Federal and \$4,187,500 NYS.

## **ENERGY CREDITS**

Energy Credits for Home improvements remains at 10% of purchase price for 2016. Qualifying expenses include items such as insulation, windows, doors, water heaters, heat pumps, central air, furnaces, hot water boilers, circulating fans. If you have taken the credit in the past it is a cumulative maximum of \$500 since 2006. Other energy credits not subject to the limits are solar credits at 30% of expenditure through 2021, the law includes heat pumps, small wind energy systems and fuel cells.

## **SOCIAL SECURITY CHANGES**

S.S. Wage base increased from \$118,500 in 2016 to \$127,200 – a 7% increase. The SS beneficiaries will see an increase of 0.3% which translates to a whopping \$5 average benefit increase. The earning limit increased from 15,720 to \$16,920 for 2017.