November 2016

Dear Client:

As the year draws to a close, now is the time to review your tax planning strategies to ensure they meet your needs and to develop plans for 2017. With planning you can take advantage of last-minute opportunities that could save you money now and in the coming year. This letter is an overview of tax planning strategies. Further detail related to topics listed below as well as our business and farm planning worksheets can be accessed on our website: www.brsw-cpa.com or contact our office for paper copies.

Please review the enclosed information and give us a call to discuss further. Our mission is to provide tax, accounting, and advisory services to enable your success and we appreciate the opportunity to serve you.

Tax Day 2016

Since April 15, 2017 is a Saturday and Emancipation Day will be observed on Monday April 17, Tax Day 2017 will be on April 18 for the second year in a row. October 16, 2017 will be the due date for returns on a 6 month extension.

What Will a New Administration Mean to You?

Are you wondering if the new president — and a wave of newly elected senators and representatives — could have an impact on tax, business and financial regulation and on your tax return or overall financial planning? Given the recent election resulting in a Republican president and Republican majorities in both houses of Congress, significant 2017 tax legislation and health care reform legislation seem likely. We will alert you to any new developments that may have an impact. If you think the new administration will lower taxes in the future, then the tax strategy is to defer income to next year. However, this letter focuses on the law and how it stands today.

What's New That Affects You?

While it doesn't seem like the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 would have much to do with taxes, it actually introduced quite a few important tax return due date changes. If you file a partnership or corporation tax return, your due date will be different this year. See a complete list of changes on our website. **CAUTION: 1099 forms are now due to the IRS by January 31st. If you have typically filed your 1099's with the IRS in February or March, please provide your information to us early to meet the new deadline. Late filing (and non-filing) penalties have been substantially increased.**

Department of Labor Overtime Rules

The new Department of Labor overtime rules take effect December 1, 2016. See our website for more information.

Review Your Approach to Health Insurance Costs and Coverage

The Affordable Care Act (ACA) generally requires that all individuals have qualifying health insurance coverage, also referred to as Minimum Essential Coverage (MEC), in effect for each month, other than certain short coverage gaps, of 2014 and succeeding years. The penalty for not having this coverage is the greater of 2.5% of your yearly household income or $695 per adult and $347.50 per child under 18, up to a maximum of $2,085. There are exemptions from coverage, such as a short coverage gap or income below the minimum threshold.

CAUTION: If you are currently receiving a health insurance subsidy from Obamacare, if your income increases too much, you may have to pay some or all of it back.

Besides avoiding the penalty, another way to lower your taxes is to take advantage of medical flexible spending accounts (FSAs), which allow you to set aside pretax dollars to cover unreimbursed medical bills.

If you are enrolled in what the IRS defines as a high-deductible health plan, you might be eligible to contribute to a health savings account (HSA), which can offer you a pre-tax option for covering your deductible. In 2016, the contribution limits are $3,350 for individuals and $6,750 (up $100 from 2015) for a family. And there is no time limit on when you can use your contributions to cover unreimbursed qualified medical expenses. Catch up contributions are $1,000 per individual age 55 or older.

Now is the time to review and update your health insurance benefits and make any necessary changes to maximize your coverage options, tax benefits, and avoid last-minute surprises when you file your taxes.

Charitable Contribution Reminder

If you give an amount to a charitable organization, you can deduct the amount on your tax return (assuming you itemize). However, there are guidelines that must be followed for the amount to be deductible. If the donation is by check or cash, you must have a proof of payment. If the donation is a cash or non-cash donation of $250 or more, you will need "contemporaneous written acknowledgement" from the charity stating that no goods or services were received by the donor. For non-cash donations over $500 you will need details of what was donated, its cost, value and more (see Form 8283). Donated clothing and household items must be in good used condition or better. Without a receipt that contains the required specific wording the donation will be disallowed.

For more advantageous tax results, active farmers should consider donating commodities raised in a previous year to charities, and anyone with appreciated stock should consider donating the stock directly to charities.

Please see us if you are unsure about the documentation you have received from a charity or if you have questions regarding charitable donations.

Be Sure Your Retirement Planning Is Up to Date

We recommend that you review your retirement situation at least annually and make revisions and adjustments as needed. That includes making the most of tax-advantaged retirement saving options. For example, if you're eligible, there's still time to contribute up to $5,500 in total ($6,500 if you're 50 or over) to a traditional or Roth IRA; you may be able to even deduct your contribution to a traditional IRA. If you're heading closer to retirement, we can help you determine whether you're on target to reach your savings goals.

Protecting Americans from Tax Hikes (PATH) Act of 2015

This law, passed on December 18, 2015, reinstated tax extender provisions beneficial to both individuals and businesses, and it also made several tax extender provisions permanent (or until the law changes again). Some of the provisions of the Act include:

- **Section 179 Expensing (Permanent)-** Taxpayers may elect to expense up to $500,000 of Section 179 property and the phase out is set at $2 million, and will be indexed for inflation beginning in 2017. Qualified real property is eligible to be expensed.
- **Bonus Depreciation (Extended)-** In addition to the $500,000 Section 179 deduction, taxpayers are also allowed to take 50% of the depreciable basis of the property in the first year placed in service. This 50% has been extended until 2018, where it changes to 40%, and in 2019 will be reduced to 30%.

- **Child Tax Credit (Permanent)-** This credit is $1,000 per child with the threshold for refundable portion permanently set at $3,000.
- **American Opportunity Tax Credit (Permanent)-** The American Opportunity Tax Credit is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of $2,500 per eligible student. If the credit brings the amount of tax you owe to zero, you can have 40 percent of any remaining amount of the credit (up to $1,000) refunded to you.
- **Deduction of State/Local Sales Taxes (Permanent)-** option to claim itemized deduction for sales tax in lieu of state and local taxes paid
- **Tax Free Distributions from IRAs for charitable purposes (Permanent)-** This allows someone who is at least 70 ½ years old to make a direct IRA transfer up to $100,000 to charity.

Plan for the Alternative Minimum Tax (AMT)

Under the tax law, certain tax benefits can significantly reduce a taxpayer's regular tax amount. The alternative minimum tax (AMT) applies to taxpayers with high economic income by setting a limit on those benefits. It helps to ensure that those taxpayers pay at least a minimum amount of tax. A wide range of AMT triggers could subject you to the tax, including many factors associated with substantial deductions. The good news is that there are ways to plan around the AMT, including accelerating or delaying income or expenses so you will be subject to the tax in one year but not another, lowering taxable income through retirement account contributions; or managing timing of capital gains or dividends.

Ohio Items

Ohio's minimum wage has been increased for 2017 from $8.10 to $8.15 per hour for non-tipped employees and from $4.05 to $4.08 per hour for tipped employees. The minimum wage will apply to employees of businesses with annual gross receipts of more than $299,000 per year.

For employees at smaller companies with annual gross receipts of $299,000 or less per year after January 1, 2017 and for 14- and 15-year-olds, the state minimum wage is $7.25 per hour. For these employees, the state wage is tied to the federal minimum wage of $7.25 per hour which requires an act of Congress and the President's signature to change.

Last year, the Ohio Small Business Deduction allowed married filing joint taxpayers a deduction of up to $187,500 of business income. In 2016 tax year (filed in 2017), the deduction is up to $250,000 for business income. Above the $250,000 threshold, the income is taxed at 3%.

Avoid a Growing Problem: Tax-Related Identify Theft

Identity theft is a complex and evolving threat, and one that costs U.S. citizens billions of dollars annually. Without question, it is one of the most pressing challenges facing our country. Unfortunately, the problem is growing, and fraudsters are always looking for new ways to steal confidential information to commit crimes. As your trusted adviser, we understand your concerns with identity theft and take every precaution to keep your personal information safe.

In a typical case, scammers use your identification number to get a fraudulent refund. You may not be aware that it has happened until you file your own return and are told by the IRS that another return has already been filed in your name. In the meantime, the scammer has collected a refund under your name. In other cases, taxpayers receive collection notices from the IRS for taxes they do not owe or referring to employers for whom they never worked. Yet another way fraudsters try to obtain information from you is by calling you and impersonating the IRS or other agencies. **Note: If any caller requests that you verify personal information, be extremely cautious and ask for further confirmation of their identity, such as their telephone number, website, email address, supervisor's name, and mailing address. The IRS never initiates contact by telephone.**

Please contact us for advice on how to respond to any tax notice you receive, as well as ways to avoid falling prey to identify theft and to spot potential signs that it has happened. You may also visit our website at www.brsw-cpa.com for a checklist of steps you should take to help mitigate the damage of identity theft should you fall victim.

Please call our office today (Van Wert: 419-238-0658, Paulding: 419-399-3686) to set up your year-end tax season review. Thank you for the opportunity to work with you and we wish you and your family a happy and blessed Holiday season.

Sincerely,

BASHORE REINECK STOLLER & WATERMAN INC