

STAFF ANNOUNCEMENTS

We welcome Tara Spruill-Jones to our full time staff. Tara is a CPA with prior 'Big 4' accounting firm experience. We would also like to congratulate Liz Martin on her retirement!

2016 YEAR-END TAX ISSUES & REMINDERS

Below are some reminders and updates as 2016 comes to an end. Please contact us if we can help with a particular question or provide planning assistance.

Fraudulent IRS Calls: There has been a large increase in phone calls where scammers impersonate the IRS. The IRS will not call you about any tax matter without sending you a mailing first. For more info, visit: <https://www.irs.gov/uac/irs-warns-taxpayers-of-summer-surge-in-automated-phone-scam-calls-and-requests-for-fake-tax-payments-using-itunes-gift-cards>.

Identity Theft: If you were identified by the IRS as a victim of Identity Theft you will need an Identity Protection PIN to file your return. 2016 PINs will be mailed in December/January. For more info, visit: <https://www.irs.gov/individuals/get-an-identity-protection-pin>.

ROTH IRA "Loophole": If your income is too high for a ROTH, consider contributing to a nondeductible IRA and then do a Roth Conversion which is not subject to an income limitation. As long as any existing IRAs were funded with pre-tax dollars, no tax results.

Affordable Care Act: For 2016 and 2017, individuals without health insurance could face penalties of up to \$695 per adult and \$348 per child. For more info, visit: <https://www.healthcare.gov/fees/fee-for-not-being-covered/>.

Payments to Housekeepers, Child and Health Care Providers: Unless hired through an agency, such providers are classified as employees. If you will have paid any such worker > \$2k in 2016, you must issue them a Form W2 by 1/31/17 and have them complete an I-9 and W-4. Federal payroll taxes are due with your Form 1040; state unemployment taxes are due quarterly in MD and VA, and annually (by request) in DC. For more info, visit: <https://www.irs.gov/businesses/small-businesses-self-employed/hiring-employees>.

FBAR: If you have foreign financial accounts that totaled > \$10k during 2016 you will be required to file a Report of Foreign Bank and Financial Accounts (FBAR). The deadline to file FBAR's has been changed to April 15th. For more info, visit: <https://www.irs.gov/businesses/small-businesses-self-employed/report-of-foreign-bank-and-financial-accounts-fbar>.

401(k) Plans: If you own a retirement plan account and are a 5% owner of the business sponsoring the plan, you must take required minimum distributions once you are 70 ½ years of age, regardless of whether you are retired. For more info, visit: <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions>.

Individual Tax Rates: For 2017, tax rates on ordinary income range from 10% to 39.6%. The rate on capital gains and qualified dividends is 20% if taxable income is > \$415k (\$467k for couples); 15% for others.

- There is no tax on capital gains or qualified dividends if taxable income < \$37k (\$75k for couples).
- Taxpayers with gross income > \$200k (\$250k for couples) pay an additional 3.8% tax on the lesser of their income over that threshold or their net investment income.
- Taxpayers with earned income > \$200k (\$250k for couples) pay an additional .9% on compensation over the threshold.
- For children age 18 and under (and age 19-24 if a full time student), investment income > \$2.1k is taxed at the parents' highest rate.

For more information on Federal Income Tax rates for 2017, please visit: <https://www.irs.gov/uac/newsroom/in-2017-some-tax-benefits-increase-slightly-due-to-inflation-adjustments-others-are-unchanged>.

DC, MARYLAND, AND VIRGINIA

Section 529 Plans: DC/MD/VA allow deductions if the contribution is to their state sponsored plans.

DC Homestead Deduction and Senior Citizen Real Estate Tax Relief:

(1) Both forms of tax relief apply only to primary residences, not rental properties.

(2) The Senior Citizen Tax Relief applies if household income is < \$127k.

*** For both programs, it is your responsibility to notify DC of any changes in eligibility.

Residential Rental Owner Requirements:

DC: (1) Obtain a business license; (2) register with DC Consumer and Regulatory Affairs (DCRA); and (3) meet the District's housing code compliance standards. Visit: www.dkra.dc.gov/node/539512

Montgomery County: (1) Obtain a rental license; (2) pass a lead test if built before 1950; and (3) designate a MD resident agent. Units occupied by relatives, or in the cities of Rockville, Gaithersburg or Takoma Park are exempt. Visit: www.montgomerycountymd.gov/DHCA/housing/licensing.

Arlington County: Obtain a business license. Visit: <https://taxes.arlingtonva.us/business/new-businesses/>.

ESTATE & GIFT PLANNING

Estate and Gift Tax: For 2017, the federal estate tax exemption will be \$5.5M which is applied against the total of assets held at death and cumulative lifetime gifts (> the annual \$14k exclusion per donee). The rate remains at 40%. The MD exemption will rise to \$3M and the DC exemption may rise to \$2M. VA has no estate tax. For taxpayers with assets greater than their respective exemption amounts, planning using “marital”, “disclaimer”, and “irrevocable life insurance” trusts can provide estate tax savings and flexibility. In addition, since neither DC nor MD requires a decedent’s estate to add back gifts made during one’s life, lifetime gifts are an excellent state estate tax savings tool. Payments for qualified educational expenses and qualified medical expenses are excluded from reportable gifts if paid directly to the institution.

Estate Documents: Review your estate planning documents every five years, whenever there is a change in law, or if you experience a major life event. Please set up an appointment to have your will, trust, and any other estate planning document drafted or reviewed.

HAPPY HOLIDAYS FROM ALL OF US AT ABRAMSON & ASSOCIATES, LLC!