

# Gould, Stinson & Comer, P.C.

## Business Tax Matters: 2016-2017

Some may wonder, when there aren't any big tax acts like we had annually a few years ago, whether there could be enough fodder for a business tax newsletter. Well, alas, in fact there is not enough time or space to let you know everything we would like you to know. In reality, there are even things we would like to know, but the 17,000 page tax code is just the worst (or some might say the best) nighttime reading material. Hence, here is the Editor's choice of topics for this year's newsletter:

### 1. New tax return due dates:

- a. **Partnerships (or two or more member LLC's) that file Form 1065 are now due on March 15.** In the past the due date was the same as 1040's, that being April 15. This is a big change. Partnerships will need to have their information in order earlier than usual, and perhaps more of these returns will be extended.
- b. **S-Corporations** are still due on March 15, as before; but just to confuse people, regular **C-Corporations** will be due on April 15 now (in prior years that was March 15).
- c. **Penalties:** Here is the reason Partnership/LLC and S-Corp returns **MUST** be filed timely (or extended and filed timely)... the penalty for late filed tax returns for these entity types is nearly \$200 per month, per partner/member or shareholder.
- d. **Fiscal tax year filers:** contact us for details on due dates.

### 2. Some new IRS rates for 2016, and 2017 if we have them yet:

- a. **Mileage rate:** 2016 = .54 cents per mile
- b. **FICA wage base:** 2016 = \$118,500; 2017 = \$127,200
- c. **Health savings accounts, or H.S.A.'s:**  
2016 = \$3,350 single; \$6,750 family; \$1,000 additional if over 55 years old;  
2017 = only change is to the single amount, increasing to \$3,400.
- d. **Retirement account limits, including 50 years and older "catch up" provision:**
  - i. Qualified plans like 401k and 403b: 2016 and 2017 = \$18,000 and \$6,000 "catch up"
  - ii. Simple IRA plans: 2016 and 2017 = \$12,500 and \$3,000 "catch up"
  - iii. SEP IRA: 2016 = \$53,000; 2017 = \$54,000

### 3. Form 1099-MISC... PENALTIES getting ugly:

- a. 1099-MISC government copies must be filed by January 31 now, instead of February 28.
  - \$50 penalty per form if filed up to 30 days late;
  - \$100 penalty per form if filed between March 1 and August 1;
  - \$250 penalty per late, incomplete, incorrect, or unfiled 1099-MISC forms filed after August 1.
- b. \$500 penalty per form if non-filing is due to "intentional disregard." Instead of wondering how they will prove this, just file those things timely and completed accurately!
- c. Each business tax form the past few years asks these two questions:
  - i. "Were you required to file any Form 1099s?" and,
  - ii. "If yes, did you file them?"

In other words, don't lie and fess up. It is tough to answer this one if the 1099s were ignored, so work with us to get all 1099s completed by January 31.

#### **4. Expensing equipment purchases rather than depreciating them:**

- a. \$500... Last year (2015 returns) a new rule allowed businesses to write off any items of small equipment purchased for under \$500. All that was needed for this approach was to make an election on the tax return that a policy existed within the business to expense equipment in this manner.
- b. \$2,500... We're not sure why it took years to come up with that \$500 policy, but for 2016 that same policy and approach was available for equipment purchases (of any single items) up to \$2,500. For many small businesses, they may rarely buy equipment for over \$2,500.
- c. There is still the rule for businesses with a profit to fully depreciate (or write off) even more expensive equipment under a rule known as "Section 179 deduction". In addition, another legal concept is "bonus depreciation" where certain new equipment can be written off 50% in the year of purchase. Of course, there is the old, boring regular depreciation over a set number of years, such as 5 or 7 years for most equipment.
- d. WHAT?? This is the kind of nighttime reading I discussed in the first paragraph. Basically, each business, depending on multiple factors including current year profit or loss, future year projections, cash flow needs, etc., might make any one of these choices in any given year. We address this depreciation and expensing decision when we do year end planning or while preparing the business tax return, taking the most advantageous approach for that year.

#### **5. Affordable Care Act (ACA):**

- a. So much complexity, so much confusion, so much unknown with a new administration. Will the ACA be repealed completely or partially? Will all the rules that businesses of all sizes spent millions or billions trying to comply with be scrapped, and if so, when and how? We better just look at a few topics at this time.
  - i. Under current rules, no business should be reimbursing any employee for health insurance premiums paid by the employee personally any more. This rule has been in effect for well over a year now, and the penalties for not abiding by this rule are astronomical at \$100 per day per employee. One way around this problem is to pay employees more, but the increase CANNOT be conditioned on the employee actually using the extra pay to actually purchase health insurance.
  - ii. S-Corporation shareholders have their own unique set of rules. We can explain these rules with you if you are a shareholder / employee of your own S-corporation.
  - iii. Businesses with over 50 employees (full-time equivalents) also are subject to a more complex set of rules and requirements, and failure to follow those rules could result in debilitating penalties. If you need guidance in this realm, give us a call.

#### **6. New Overtime Rules from the DOL, through the Fair Labor Standards Board:**

- a. Due to pending legislation, as of November 23, 2016, a federal district judge ruling has delayed the implementation date of these new OT rules (which were to begin December 1).
- b. On behalf of our federal government, we apologize to all those businesses which have spent time and money making sure these "new" rules would be followed!