



# MUHLENKAMP & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## **December 2016 Individual Newsletter**

### **TAX PLANNING**

There is still time to set up an appointment to discuss tax planning for the 2016 year. Call our office at your earliest convenience to schedule an appointment.

### **PORTAL**

We now have portal capability to send and receive data (Quickbooks and large files) to/from client more securely than e-mail. If you think a portal would be beneficial to yourself, contact our office about setting one up.

### **DEPRECIATION**

The Section 179 expensing of new or used equipment (including HVAC equipment) was permanently set at \$500,000 with phase outs beginning when total cost of equipment purchased is \$2,500,000. The 50% bonus depreciation was extended through 2017 and will phase down to 40% in 2018 and 30% in 2019. Ohio & Indiana still limits first year expensing to \$25,000.

### **OHIO CAT TAX – Commercial Activity Tax**

Taxpayers with gross receipts greater than \$150,000 are subject to the annual Ohio CAT tax. In addition, all taxpayers with gross receipts over \$1 million must file their returns quarterly. If you are currently not registered for this tax, contact our office. This tax is mandated to be filed online via the Ohio Business Gateway.

### **OHIO SMALL BUSINESS TAX DEDUCTION**

Ohio small businesses (and farms) will be entitled to take a 100% tax deduction on the first \$250,000 of business income. This deduction is also available to owners/investors of all companies structured as pass-through entities.

### **SELF-EMPLOYED – PAYING YOUR KIDS**

Did you know you can deduct wages paid to your children who work on your family farm or other self-employed business? The children then would pay very little, if any, income tax. You need to pay the children a physical paycheck regularly with reasonable wages, file the payroll forms & year-end W-2s, and BWC (workers compensation) coverage. It is a little more paperwork, but it may be a worth while deduction for your self-employed business.

### **GIFT TAX**

The annual gift tax exclusion amount for 2016 and 2017 is \$14,000. If you gave an individual more than \$14,000 in cash or property during the year, a gift tax return may be necessary. The lifetime gift exclusion for estate tax is currently \$5,450,000 for 2016 and \$5,490,000 for 2017.

### **MILEAGE RATE**

The mileage rate for 2016 is 54 cents per mile for business.

## **EDUCATION CREDITS**

There are two popular education credits available to college students.

- American Opportunity Credit – available first four years of college with maximum credit of \$2500 each year (100% credit on first \$2000 of expenses and 25% credit on the next \$2000 of expenses)
- Lifetime Learning Credit – 20% credit of the first \$10,000 of education expenses and no limit on number of years it can be claimed.

Both education credits **require receipts** to justify the credit.

## **ROTH CONVERSIONS**

Do you have money in traditional IRAs and want to convert them to a ROTH IRA? It may be beneficial to pay the tax on the conversion and let your interest grow tax-free in a ROTH account. Call our office if this may be for you.

## **HSA CONTRIBUTIONS**

HSA contribution limits for 2016 are \$3,350 for single and \$6,750 for family. HSA limits for 2017 are \$3,400 for single and \$6,750 for family. Individuals 55 or older can contribute an additional \$1,000. To be eligible for HSA accounts, you must have an eligible high deductible health insurance plan. Many employers offer these plans. Are you taking advantage of them?

## **RETIREMENT PLAN LIMITS**

The 2016 contribution limits (subject to income limits) did not change from 2015.

Traditional & ROTH IRAs	\$5,500 plus a \$1,000 “catch up” if over age 50
SIMPLE IRAs	\$12,500 plus a \$3,000 “catch up” if over age 50
401K	\$18,000 plus \$6,000 “catch up” if over age 50
SEP IRA	\$53,000 plus a \$6,000 “catch up” if over age 50

We can set up your business retirement plans (401K, Simple IRA, etc.) for employees and owners (partners, shareholders, and self-employed).

## **HEALTH INSURANCE**

All taxpayers must have applicable health insurance or pay a penalty on their 2016 tax return. The penalty for not having health insurance will be the greater of 2.5% of the household income or \$2,085/family (\$695/adult and \$347.50/child). If you do not receive a 1095-A, B, or C, we will ask you additional questions about your insurance coverage to help you avoid any penalties for failure to have health insurance.

## **IRS PHONE SCAMS/EMAIL PHISHING SCAMS**

The IRS does NOT contact taxpayers via phone calls or e-mails. These callers may try to trick you into sharing private information by demanding money or saying you have a refund due to you. Report phone scams to the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484 or at [www.tigta.gov](http://www.tigta.gov). Report email scams to the IRS at [phishing@irs.gov](mailto:phishing@irs.gov). Never give out any personal information.