

Business Hours: Starting January 1, 2017, PPG Partners is open 8:00 AM-5:00 PM Monday-Friday.

Tax and Small Business Changes in 2017

- After holding at \$118,500 for 2016 and 2015, the maximum amount of earnings subject to Social Security tax will rise to \$127,200 in 2017.
- The due dates for employers to submit Forms W-2 to the SSA and Forms 1099-MISC to the IRS have been moved to Jan. 31, with no extension for filing electronically.
- Beginning in 2017 (reporting for the 2016 calendar year), the FinCEN 114, *Report of Foreign Bank Account* (FBAR) will share the same filing deadline as individual income tax returns — April 15. Like income tax returns, FBARs will be permitted to go on extension up to six months, for a final deadline of Oct. 15.
- Unchanged in 2017 is the maximum amount workers can contribute to their 401(k) or 403(b) retirement plans. This remains at \$18,000 (\$24,000 for workers over age 50 in 2017). Amounts allowed as contributions to IRAs are also the same: \$5,500 and \$6,500 for those over age 50.
- The 2017 HSA contribution limit for family coverage will stay unchanged at \$6,750. The 2017 HSA contribution limit for individual coverage will go up by \$50, to \$3,400.
- Individual income tax brackets have been adjusted for inflation. The good news is that inflation has been nominal, meaning there wasn't a large shift upwards in the tax schedule. You can view the new tax brackets at ppgpartners.net/2017-tax-brackets.
- Your standard deduction will go up a smidge in 2017. Individual filers and heads of household will receive a standard deduction of \$6,350 and \$9,350, respectively, in 2017, up \$50 from 2016. Couples filing jointly get a \$100 lift to \$12,700 in 2017.
- For the vast majority of Americans in 2016, your medical expenses would have had to surpass 10% of your adjusted gross income (AGI) before you could take a deduction. However, taxpayers 65 and older are able to use a threshold of just 7.5% of their AGI when itemizing and taking a deduction in 2016. Beginning in 2017, everyone is on the same playing field. If you're 65 and older, your medical expenses will have to top 10% of your AGI before you can claim itemized medical expenses.
- If a taxpayer pays above a certain amount to a person that works in their home, they will owe the so-called "Nanny tax." For 2017, the domestic employee coverage threshold, or the amount at which the "Nanny tax" will kick in, is \$2,000, which is the same as the 2016 threshold.

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2016 Standard Mileage Rates for Business, Medical and Moving

Beginning on Jan. 1, 2017, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 53.5 cents per mile for business miles driven, down from 54 cents for 2016
- 17 cents per mile driven for medical or moving purposes, down from 19 cents for 2016
- 14 cents per mile driven in service of charitable organizations, remaining unchanged

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

IRS Penalty on Employer Reimbursements for Health Insurance Eliminated

In December 2016, President Obama signed into law the “21st Century Cures Act” (the Act). Among several provisions, the Act eliminates a tax penalty on employers who reimburse employees for the cost of health insurance premiums.

The IRS began enforcing a penalty on employers in 2015. Employers who violated the rule could be fined up to \$100 per day for each employee, or up to \$36,500 a year, which is 18 times more than the penalty imposed on larger employers that don't offer insurance to workers.

Beginning on Jan. 1, 2017, a company with fewer than the equivalent of 50 full-time employees — that is, a business not subject to the Affordable Care Act's employer mandate to offer insurance coverage to employees — can reimburse employees for purchasing individual health insurance as if it were directly paying the premiums on a group health policy: the employee won't have to pay taxes on the company's premium contribution, and the company won't owe payroll taxes on it, either.

The law sets some conditions for this new benefit: the company cannot offer a separate group health plan, and it must make the reimbursement available on the same terms to all employees, although it can vary the amount of the reimbursement based on the employee's age and family size (two main factors under the Affordable Care Act that insurers can use to determine the cost of plans). The law limits reimbursement to \$4,950 for individual insurance, and \$10,000 for a family plan. These amounts are indexed for inflation.

Reminder Regarding Charitable Contributions Documentation

If you made charitable contributions at year-end (or at any time during 2016), be sure to obtain proper documentation. Cash contributions of \$250 or more require a specific written statement from the organization or an appropriate bank or payroll deduction record. Documentation for noncash contributions depends on the amount, with progressively more rigorous requirements at thresholds of \$250, \$500, \$5,000, and \$500,000.

Used Dental Gold

Trading in used dental gold for cash, “free” trips, gold coins or jewelry is definitely a taxable transaction. This has been abused in the past on the theory that the chance of IRS challenge is small. That is wrong and a mistake! In selling used gold to a dealer, the dentist is at the dealer's mercy in establishing a price. To get the best price, you could ask two dealers for a price to get a comparison. Also, ask what the dealer would pay if you take the value in supplies or equipment instead of cash. You might find you get more value if it is a trade and the dealer does not have to part with cash.