

2016 TAX UPDATE

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PRESENTED TO AAI 12/10/2016

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FILING

- IRS announced the beginning of tax filing to be January 23rd
- Due date is extended to April 18th
- Refunds will be held until February 27th
 - When claiming the EITC
 - When Claiming the ACTC

2016 STANDARD DEDUCTION AND EXEMPTIONS

MFJ/QW 12,600

Single 6,300

- HH 9,300

MFS 6,300

- Taxpayers over 65 or blind additional 1,250 MFJ, MFS, QW
1,550 Single, HH

- Personal Exemptions 4,050 per dependent

Exemption Phase Out

- 311,300-433,800 MFJ/QW

- 259,400-381,900 Single

- 285,350-407,850 HH

- 155,650-216,900 MFS

DO I NEED TO FILE?

Year	Single		HH		MFJ		MFS	QW		
	Under 65	Over 65	Under 65	Over 65	Under 65	I Over 65				
						Both Over 65	Any age	Under 65	Over 65	
2016	10,350	11,900	13,350	14,900	20,700	21,950	23,200	4,050	16,650	18,200
2015	10,300	11,850	13,250	14,800	20,600	21,850	23,100	4,000	16,600	17,850

ITEMIZED DEDUCTION PHASE OUTS

- 2016 3% Reduction applies to AGI over \$259,400 Single \$156,650 MFS, 285,350 HH & 311,300 MFJ
- The limitation cannot exceed 80% of the itemizations
- Exempted from the cuts are;
 - Medical 10% of AGI for everyone as of 1/1/17 (2016 7.5%)
 - Investment interest
 - Casualty losses
 - Gambling losses to the extent of winnings

KIDDIE TAX

- First \$1,050 of unearned income tax free, the next \$1,050 is taxed at 10%, additional amounts are taxed at parents tax rate for 2016
- In 2015 the amount increased to \$1,050 and \$1,050 and was not adjusted in 2016.
- This is unearned income and assuming there was no earned income

TAX RATES SCHEDULES MFJ

2015

- \$18,450=10%
- \$74,900=15%
- \$151,200=25%
- \$230,450=28%
- \$411,500=33%
- \$464,850=35%
- Over = 39.6%

2016

- Married Filing Joint
- \$18,550 = 10%
- \$75,300 = 15%
- \$151,900 = 25%
- \$231,450 = 28%
- \$413,350 = 33%
- \$466,950 = 35%
- Over = 39.6%

SINGLE

- 2015

- \$9,225=10%
- \$37,450=15%
- \$90,700=25%
- \$189,300=28%
- \$411,500=33%
- \$413,200=35%
- Over=39.6%

- 2016

- \$9,275 = 10%
- \$37,650 = 15%
- \$91,150 = 25%
- \$190,150 = 28%
- \$413,350 = 35%
- Over = 39.6%

CAPITAL GAINS

- If Tax Rate is 10% or 15% Capital Gains Rate = 0
- If Tax Rate is 25%, 28%, 33%, or 35% Capital Gains Rate is 15%
(could also be +3.8%NIIT)
- If Tax Rate is 39.6% Capital Gains Rate is 20% + 3.8%NIIT

NEW FILING DEADLINES

- W-2s and 1099's need to be filed with IRS by 1/31/17
- Partnership returns are now due the 15th day of the 3rd Month (3/15 for calendar year filer)
- C Corps now file the 15th day of the 4th month (4/15 calendar year filer) with the exception of Corps who's year ends 6/30
- No change for S-Corp they remain the 15th day of the 3rd month
- FIN CEN Form 114 (FBAR) Due 4/15 and do not forget to include your Bit Coin

MEDICARE PART B

Beneficiaries who file an individual tax return with income:	Beneficiaries who file a joint tax return with income:	Total monthly Part B premium amount
Less than or equal to \$85,000	Less than or equal to \$170,000	\$134
Greater than \$85,000 and less than or equal to \$107,000	Greater than \$170,000 and less than or equal to \$214,000	\$187.50
Greater than \$107,000 and less than or equal to \$160,000	Greater than \$214,000 and less than or equal to \$320,000	\$267.90
Greater than \$160,000 and less than or equal to \$214,000	Greater than \$320,000 and less than or equal to \$428,000	\$348.30
Greater than \$214,000	Greater than \$428,000	\$428.60

EXTRA GOODIES SOCIAL SECURITY

- Social Security Cost of Living 2015 1.5% 2016 0.% 2017 0.3%
- Maximum Earnings 2015 \$15,720 2016 \$15,480 2017 \$127,200 (yes a 7.2% increase)
- Minimum Earnings per Qtr. 2015 \$1,220 2016 \$1,260
- Maximum Wage Subject 2015 \$118,500 2016 \$118,500

IRAS.....

- Self Directed IRA invested in Real Estate
- Watch out for prohibited transactions
 - Sale/exchange/leasing
 - Lending money between to plan or guarantee of loan
 - Furnishing goods/services/facilities
 - Be careful here.....
- Self Certification for Late Rollovers
 - No need for a PLM
 - Specific verbiage needed

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- RMD can be used as a charitable contribution with out recognition of income
 - Something to consider if going to make contribution anyway
 - Have money sent directly for IRA account to organization
 - Benefit lower AGI may lower taxability of SSI as lowers AGI which may help with AGI based deductions Medical and Miscellaneous
 - May help reduce NIIT
- Cannot use to make contribution without recognition of income prior to age 70 1/2

ACA (AKA OBAMACARE)

- As of 2014 everyone is required to have health insurance or pay a penalty with certain exclusions.
- When purchasing from an exchange there may be subsidies to help offset the cost if the taxpayer is between 100-400% of the poverty level.
- Problem # 1: someone needs to pay for this and that is done with increased Medicare taxes to those who earn over a certain amount which varies whether it is earned or investment income.
- Problem # 2 when applying you are basing your premiums on assumptions of your next years earnings.

ADDITIONAL MEDICARE TAX EARNED INCOME

- 0.9% Additional Medicare Tax applies to earned income over:
 - Married Filing Joint \$250,000
 - Married Filing Separately \$125,000
 - Single \$200,000

- This applies to wages or self employed income
- With a joint return there may not be enough withholdings, as employers are not required to withhold additional amount until earnings exceed \$200,000

NET INVESTMENT INCOME TAX (NIIT)

- Reported on Form 8960 - Net Inv. Income Tax
- 3.8% applies to “lesser of” MAGI above the threshold or actual net investment income (MAGI is generally the same as AGI unless foreign income is excluded)
- MFJ-\$250k, S-\$200k, MFS-\$125k
- GIDARR – Gains, Interest, Dividends, Annuities, Royalties, and Rent
- Trusts and estates exceeding \$12,150 in 2014 - The start of the 39.6% bracket and the 3.8% net investment income tax
- Distributions to the Beneficiaries allows for a reduction in the above tax bracket and elimination of NIIT

STRATEGIES TO REDUCE NIIT

- Retirement funds are exempt from NIIT
- Parents should consider dropping Form 8814 on child's investment income
- Tax Exempt Interest (MAGI exempt)
- Deferring Income (lowering MAGI)
 - Sale Proceeds to an Installment Sale
 - Sale to a Like-Kind Exchange (1031)
- Gifting appreciated stock to a church or charity rather than Schedule D

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- Limit taxable sales that affect MAGI
- 'Income Producing' Property could be transferred/gifted to others
- For Emergencies, tap into a Line-of-Credit or Loan, rather than your IRA or Retirement Account
- Contribute to a 401(k) or IRA
- If you qualify elect to be treated as a Real Estate Professional

HERE PHISHY PHISHY

- The IRS will not call and demand payment
- The IRS will not send an email to a taxpayer demanding payment or say you are due a refund
- There is also a letter that appears to be coming from the IRS claiming a balance due for ACA
- Targeting parents and students demanding payment for “FAKE student tax
- Calling to Verify tax return information
- BE ON THE LOOKOUT
- Do not give the caller any information and you can call TIGTA 800.366.4484 to report if in doubt you can call the IRS 800.829.1040 to verify.

WHAT IS THE IRS LOOKING AT LATELY

- National Research Projects
- Mortgage Interest Deduction
- Real Estate Professionals
- Miscellaneous Itemized Deductions
- Foreign Bank Accounts
- Unreimbursed Employee Business Expenses
- Stock Trading
- Schedule C Businesses
- Pass Through Entities
- Ministers
- Contributions

CA FILING REQUIREMENTS

Filing Status	Age as of December 31, 2016*	California Gross Income			California Adjusted Gross Income		
		Dependents			Dependents		
		0	1	2 or more	0	1	2 or more
Single or head of household	Under 65	\$16,597	\$28,064	\$36,664	\$13,278	\$24,745	\$33,345
	65 or older	\$22,147	\$30,747	\$37,627	\$18,828	\$27,428	\$34,308
Married/RDP filing jointly or separately	Under 65 (both spouses/RDPs)	\$33,197	\$44,664	\$53,264	\$26,558	\$38,025	\$46,625
	65 or older (one spouse)	\$38,747	\$47,347	\$54,227	\$32,108	\$40,708	\$47,588
	65 or older (both spouses/RDPs)	\$44,297	\$52,897	\$59,777	\$37,658	\$46,258	\$53,138

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Qualifying widow(er)	Under 65	N/A	\$28,064	\$36,664	N/A	\$24,745	\$33,345
	65 or older	N/A	\$30,747	\$37,627	N/A	\$27,428	\$34,308

Under 65 More than your standard deduction

Dependent of another person (Any filing status)

65 or older More than your standard deduction

If you turn 65 on January 1, 2017 you are considered 65 at the end of 2016

CA TAX RATES MFJ

2015		2016	
Over 15,700	2%	Over 16,030	2%
37,220	4%	38,002	4%
58,744	6%	59,978	6%
81,546	8%	83,258	8%
103,060	9.3%	105,224	9.3%
526,444	10.3%	537,500	10.3%
631,732	11.3%	644,998	11.3%
1,052,886	12.3%	1,074,996	12.3%

SINGLE

2015		
Over	7,850	2%
	18,610	4%
	29,372	6%
	40,773	8%
	51,530	9.3%
	263,222	10.3%
	315,866	11.3%
	526,443	12.3%

2016		
Over	8,015	2%
	19,001	4%
	29,989	6%
	41,629	8%
	52,612	9.3%
	268,750	10.3%
	322,499	11.3%
	537,498	12.3%

STANDARD DEDUCTIONS

Single or married/RDP filing separately \$4,129

Married/RDP filing jointly, head of household, or qualifying widow(er) \$8,258

The minimum standard deduction for dependents \$1,050

EXEMPTION CREDITS

Married/Registered Domestic Partner
(RDP) filing jointly or qualifying
widow(er) \$222

Single, married/RDP filing separately, or
head of household \$111

Dependent \$344

Blind \$111

Age 65 or older \$111

WHAT'S NEW IN CA?

- [Proposition 55](#) Extends the operation of the temporary personal income tax rates on high-income individuals originally enacted by Proposition 30 by twelve (12) years. This was a “temporary” 1% increase. After 15 years will we remember it was “temporary”?
- Conformity with IRS on new due dates for Corporate, Partnership (ABI 775) & W-2/1099 reporting.
- A host of new funds that can be donated to via your 540;
 - [AB 1399](#) Establishes the California Domestic Violence Victims Fund and allows a taxpayer to make a voluntary contribution to the fund on their California personal income tax return.
 - [AB 2371](#) Establishes the Special Olympics Fund and allows a taxpayer to make a voluntary contribution to the fund on their California personal income tax return.

CONTINUED....

- [AB 2430](#) Establishes the Type I Diabetes Research Fund and allows a taxpayer to make a voluntary contribution to the fund on the California personal income tax return.
- [SB 1416](#) Establishes the Revive the Salton Sea Fund and allows a taxpayer to make a voluntary contribution to the fund on their California personal income tax return.
- [SB 1476](#) Adds general requirements for new or extended voluntary contribution funds.

CONTINUATIONS FROM 2015

- CA has EIC eligible taxpayer earns less than \$13,870 within CA
- If you claim Use tax on 540 payments will be applied to Use Tax 1st
- Financial Incentives received for Seismic Improvements or Turf Removal are excludable from CA tax
- Like Kind Exchange reporting continues
- COD no conformity only way out insolvency potential issue with loan modifications over time

EARNED INCOME TAX CREDIT

- The California earned income tax credit is available to California households with federal adjusted gross income (AGI) of:
- Less than \$6,718 if there are no qualifying children.
- Less than \$10,088 if there is one qualifying child.
- Less than \$14,162 if there are two or more qualifying children.
- The maximum amount of investment income to remain eligible for the credit is \$3,471.

WHAT IS COMING?

- A new administration with Republican control of both Congress & Senate
- A different type of leader in the white house being a non politician
- A lot of things promised can they be accomplished?
- CA now has a “Super Majority” of democrats in control how will that affect us all?

ESTATE ISSUES

- The elimination of the estate tax, federal gift tax & generation skipping tax
- In their place no step up of basis
- An exemption of \$5 mil per beneficiary

TAXES

- Possible increase in standard deduction \$15k single \$30K MFJ
- Cap on itemized deductions \$100k Single & \$200k MFJ
- No personal exemptions and no head of household status
- Capital gain structure would remain the same
- The elimination of ACA and that would eliminate NIIT
- The elimination of AMT
- Possible 100% write off of business assets purchased in the year placed in service

PROPOSED NEW TAX RATES

Current Rates	Trump/GOP	Joint	Single
10% /15%	0%/12%	Up to \$75,300	Up to \$37,650
25%/ 28%	25%	Up to \$231,450	Up to \$190,150
33%/35% & 39%	33%	Above \$231,450	Above \$190,150