

## WE HAVE A NEW PRESIDENT ON THE HORIZON

Will the tax rates be decreased?

Will the estate tax be eliminated?

Will a wall be built around Mexico?

No one knows!

SO, LET'S PLAN BASED ON WHAT WE DO KNOW!

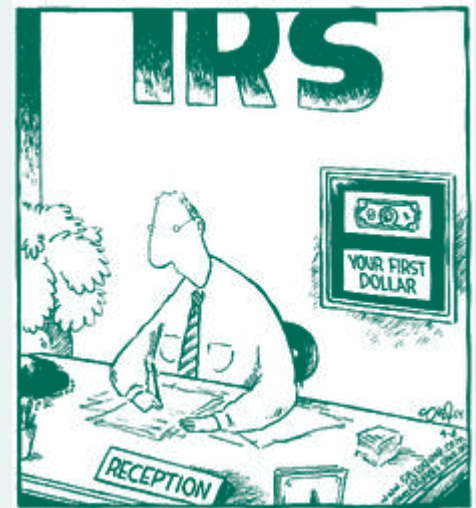
1. Currently the highest Federal tax rate is 39.6%
2. We can defer income if possible in the likelihood tax rates will be reduced
3. We can accelerate charitable contributions to ensure getting the deduction at the highest tax rate
4. Prepay State and Local taxes
5. Prepay Real Estate taxes
  - You will benefit from 4 and 5 if you are not in AMT •

*PLEASE CALL YOUR ADVISOR TO DISCUSS  
BEFORE DECEMBER 31ST.*

If you are planning to rollover your Traditional IRA to a Roth IRA, wait until 2017; the rates may be lower and the rollover would cost you less in federal taxes. If you think your 2016 income will be less than 2017, the conversion should be done by December 31, 2016.

# ONCE AGAIN... IT'S THAT TIME OF THE YEAR A SHORT CHECKLIST OF YEAR END ITEMS

1. Revisit Gift and Estate tax exemptions. In 2017, the federal estate tax exemption will be \$5.49 MN, an increase of \$40,000. For a married couple, the amount is double.
2. Extra Cash Available? You might want to pre-pay your real estate taxes. But, before you do, call your accountant to be sure you are not in AMT.
3. Do you have a rental property? If you are contemplating any repairs, regular maintenance or improvements, you might want to have the work done in 2016. Of course, everyone's tax situation is different. If you do have a rental property and have thoughts of doing any work on the property, call your accountant to determine if you will achieve a benefit by doing the work in 2016.
4. Let's get organized! Organize your paperwork in preparation of your visit with your accountant. Remember to include your real estate taxes. If you do not have a mortgage, or if you are not in escrow with your bank, you pay your real estate taxes directly to your town. Either add up the checks you paid during 2016 or call the receiver of taxes in your town. They will provide you with the taxes you paid during this calendar year.
5. Questions? If you have any questions or decisions to make for 2016, be certain to contact your accountant before December 31, 2016 to help you review your alternatives and plan of action.



## GOT GAMBLING WINNINGS?

If you had some fun gambling this year and ended up a winner, hurray for you! You will be receiving Form W-2g which reports your winnings. You are now entitled to deduct your losses, if you had

any. There was recently a court case where the taxpayer had losses, but no documentation to support the losses claimed. The court could not reasonably estimate their losses; guess what? They lost the case. Try keeping a daily log of your wins and losses!

## WHAT IS A 1031 EXCHANGE?

We have received many calls this year inquiring about a 1031 Exchange, also known as a Like-Kind Exchange. Please be aware this can only be done with a business or investment property. Not your primary residence! Like-Kind refers to the nature of the investment rather than the form. Any type of investment property can be exchanged for another type of investment property. A single-family residence can be exchanged for a duplex, raw land for a shopping center, or an office for apartments. Any combination will work.

You cannot trade partnership shares, notes, stocks, or bonds.

Once this exchange is accomplished, the basis in the new property is reduced by the gain in the former property. By doing a 1031 Exchange, you are deferring your gain and therefore, deferring paying tax on your gain.



## IRS IS LOOKING FOR TAX CHEATS

This is novel! Undercover agents were posing as prospective buyers of a taxpayer's business in order to get the seller to reveal a "second set" of books that shows higher income than reported on the seller's tax return. That is how

IRS agents caught a father and his sons who operated two strip clubs. The three, who were ultimately convicted of tax evasion, were recently sentenced to prison... and made to pay restitution for their misdeeds.

## LET'S GIVE A GIFT

It's the Holiday season...and a perfect time of the year to give a gift.

Making annual exclusion gifts is one of the easiest ways to maximize tax-efficient wealth transfer to future generations and others. In 2016, the law allows individuals to gift up to \$14,000 per person and married couples to gift up to \$28,000 to as many individuals as they wish without triggering any gift or generation-skipping transfer (GST) tax. Most types of assets including cash can be used for these annual exclusion gifts. A wonderful way to use this gift is to contribute to a 529 Plan. Small children may not recognize the value of this gift today, but when they graduate from College debt-free they will rejoice!

## REVIEW YOUR INSURANCE

Has your life situation changed? Did you marry or divorce, have your first child, or another child? Any of these circumstances would be an appropriate reason to review your insurance policies. In addition, people are living longer and premiums for term insurance have become less expensive and the life of the policy has been extended. If your assets have increased and your responsibilities decreased, you may no longer need life insurance. Any questions? Call you accountant to discuss your options.



## HELLO NEW JERSEY

On October 14, 2016 your Governor Chris Christie signed into law a bill that I'll bet was designed to encourage residents, particularly older people to remain in the Garden State. The new law:

- Eliminates N.J. Estate tax, effective January 1, 2018.
- Gradually increases the amount of retirement income most couples may exclude from N.J. taxable income, from the current amount of \$20,000 up to \$100,000 by 2020
- Increases in State gasoline tax by 23 cents up from 14.5 cents. Hence, the new gasoline tax is 32½ cents.
- Reduces State sales tax from 7% to 6.875% on January 1, 2017 and to 6.625% on January 1, 2018.
- New Jersey will still have an inheritance tax.

However, this tax will not apply to bequests to a spouse, descendant, parents, grandparents, step children or charity. The inheritance tax will apply to bequests to friends, nieces, nephews, siblings, aunts and uncles.

This legislation appears to attempt to keep residents from leaving as well as attracting residents of neighboring states to establish residence in this state and to continue filling their tanks.



## SOCIAL SECURITY COST RISES

For calendar year 2017, the social security wage base will be increased to \$127,200. That is an \$8,700 hike over this year's cap. The rate for both employer and employee stays the same, 6.2%. Ditto for the medicare tax. It will remain at 1.45%.

Social security recipients will see a tiny increase in their benefits this coming year, 0.3%.

People who turn 66 years old in 2017 will not lose any benefits if they earn \$44,800 or less before they reach that age. Individuals who are 62 through 65 by the end of 2017 can make up to \$16,920 before they lose any benefits. There is no earnings cap once one reaches age 66.



## NEW DUE DATES

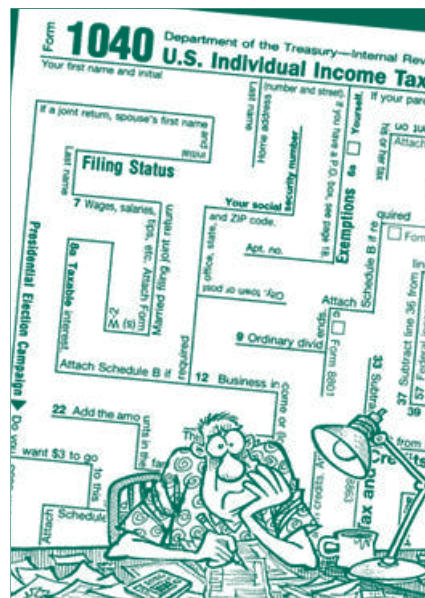
1. If you send 1099's to vendors or freelance employees, the forms are due January 31, 2017, not

February 28th as in prior years. W-2's are also due January 31, 2017.

- Please send us your information for the 1099's as soon as possible. Be sure to include the person's social security number, name, address, and the amounts paid to each person. We have an extremely small window to prepare and mail the 1099's for 2016.

2. Partnership returns are due March 15th, 2017 not April 15th, as in prior years.

- For partnership returns, we have 2½ months to prepare these returns to file timely. Please forward your completed Quickbooks report and monthly bank statements as early on in January as possible.



## IRS HAS CHALLENGES

Protecting taxpayer data from cybersecurity threats is an IRS challenge. The agency is tasked

with the safeguarding of enormous amounts of taxpayer information and is susceptible to cybersecurity attacks. As IRS plans for the future envision an increased amount of online services, such as giving taxpayers the ability to access tax accounts electronically, the security risks will continue to grow.

In addition, the IRS management has been facing the challenges of tax related identity theft. These are fraudsters impersonating IRS personnel in electronic mail and phone communications. During 2016, we had a couple of dozen clients contact us relative to this type of fraud. The phone calls can be intimidating.

Please remember, IRS DOES NOT CALL OR EMAIL TAXPAYERS!

If you are contacted by phone, please do not engage in conversation...hang up on the caller. If you receive an email, delete immediately.

# Happy Holiday

To All  
Of Our Valued  
Clients  
And Friends

TLA has always protected your right to privacy with professional standards more stringent than those required by law. We retain records required and as we see fit, with your professional and personal needs in mind. We have electronic and procedural safeguards in place to protect these records. Non-public personal information is never collected without your authorization. We do not disclose this information except as required by law or authorized by you. Your privacy is important to us. Please call us if you have any questions about this statement.