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Inside This Issue:

Congress Passes Targeted Tax Bills

As lawmakers prepared to recess for November elections, they also passed several tax-related bills. The bills addressed IRS operations, deductions, and other issues.

IRS operations

Banks and other financial institutions must report any financial transaction that involves more than $10,000 in cash. Taxpayers may attempt to circumvent this requirement by conducting a series of smaller transactions instead of a single transaction. This is known as "structuring." The IRS's activities to counter structuring have generated controversy in recent years. The House passed the RESPECT Act, which prohibits the IRS from seizing money from taxpayers who circumvent the reporting requirements unless the IRS proves that the money was connected to a crime.

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Year End Tax Planning Is Right Around The Corner

It's not too early to get ready for year-end tax planning. In fact, many strategies take time to set up in order to gain maximum benefit. Here are some preliminary considerations that may help you to prepare.

Gather your data. One major reason for planning towards the year's end is that you usually now have a clearer picture of what your total income and deductions will look like for the entire year. From those estimates, you may want to do some planning to accelerate or defer income and/or deductions in a way that can lower your overall tax bill for this year and next.

However, to do that effectively, you need to take inventory of your year-to-date income and deductions, as well as take a look ahead at likely events through December 31, 2016, that may impact on that tally. Since you'll need to eventually gather this data for next year's tax return, you can double-down on the benefits of doing so now.

Personal changes. Changes in your personal and financial circumstances such as marriage, divorce, a newborn, a change in employment, investment successes and downturns should all be noted for possible consideration as part of overall year-end tax planning.

A newborn, for example, may not only entitle the proud parents to a dependency exemption, but also a child tax credit and possible child care credit as well.

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The IRS will still be able to seize funds connected to illegal activities, such as money laundering and narcotics trafficking.

Deductions
Under current law, taxpayers generally are allowed an immediate deduction for the cost of replanting diseased trees. The House approved legislation targeted to citrus farmers. The Emergency Citrus Disease Response Act allows a full deduction in the current tax year of the cost of replanting lost or damaged citrus plants. The taxpayer must own an equity interest of at least 50 percent in the replanted plants and may deduct costs paid or incurred through 2025.

Pending legislation
The House was poised to approve several other tax-related bills, including:
- Stop Taxing Death and Disability Act, which would provide an exclusion from income for student loan forgiveness for students who have died or become disabled.
- Nuclear Production Tax Credit Act, which would modify the tax credit for production from advanced nuclear power facilities
- Helping Ensure Accountability, Leadership, and Transparency in Tribal Healthcare (HEALTTH) Act, which clarifies the exclusion from gross income for payments made under Indian Health Service Loan Repayment Program.

Stop-gap spending bill
Congress was poised to approve a resolution to fund the federal government through mid-December. The resolution would fund the IRS at current levels. Congress has been unable to agree on a fiscal year 2017 budget for the IRS. As January 2017 approaches, lawmakers will likely pass an omnibus spending bill to cover all federal agencies for the remainder of the 2017 fiscal year, rather than individual spending bills. A year-end omnibus spending bill could extend some tax extenders, especially energy tax breaks, which are scheduled to expire after 2016.†

Contact Marcia if you have any questions.†

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Also, as with any ‘life-cycle” change, your tax return for this year may look entirely different from what it looked like for 2015. Accounting for that difference now, before year-end 2016 closes, should be an integral part of your year-end planning.

New developments. Recent tax law changes, whether made by legislation, the Treasury Department and IRS, or the courts, should be integrated into a specific 2016 year-end plan. A strategy-focused review of 2016 events includes, among other developments:

- The definition of marriage as applied by new IRS guidance;
- Changing responsibilities of individuals and employers under revised rules within the Affordable Care Act; and
- The impact of recent Treasury Department regulations, such as those affecting certified professional employer organizations, late rollover relief, changes to deferred compensation plans, and partial annuity payment options from qualified plans.

Timing. Once December 31, 2016 has come and gone, there is very little that you can do to lower your tax bill for 2016. There are some retirement plan contributions made early in 2017 that may count to offset 2016 liabilities and some accounting-oriented elections may be made when filing a 2016 return. However, those opportunities are limited, with much greater potential savings on most fronts available if action is taken by December 31st.

For business taxpayers, one of many planning points to keep in mind: a deduction for equipment is not allowed until it is “placed into service” within the business operations; purchasing it is not enough. †

Please contact Marcia for more information.†