JENNINGS & CLOUSE, PLC
CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2016

Dear Business Client:

As we finish 2016, it's a good idea to take stock at the end of the year to make sure you're on the right course to reach your company's goals. It's also is good time to take advantage of last-minute planning options that could reduce taxes for your business.

With all that in mind, please contact us at your earliest convenience to discuss your tax outlook so that we can develop a customized plan that will address your business's specific financial concerns. Here's a look at some of the issues we're recommending that clients consider as they begin their end-of-year review.

Tax Identity Theft Is a Significant Threat

Our firm takes security very seriously, so we want to begin our letter this year with a reminder that tax identity theft is a growing problem. Unfortunately, it can take many forms, so beware if you:

- Receive a notice or letter from the Internal Revenue Service regarding a tax return, tax bill or income that does not apply to you. It's possible that someone has filed a false return using your Employer Information or Social Security number to claim a refund or get a job.
- Get an unsolicited email or other contact asking for either your personal financial details or business information such as payroll or employee data. The IRS does not contact taxpayers using email, text or other social media channels, so it's likely that a scammer is trying to steal your confidential information.
- Receive a robocall insisting that you must call back and settle your tax bill. The IRS does not initiate contact by phone (it will be by mail), demand immediate payment over the phone, threaten to arrest you or demand your credit or debit card number or that you use a certain payment method — such as a gift card — to pay your taxes.

If you receive any suspicious communications from the IRS, you can report the contact by going to the IRS Impersonation Scam Reporting section of the IRS website or call the service at 800.366.4484. We also urge you to contact our office for advice whenever you receive communication from the IRS or believe you might have been the victim of identity theft.

New Rules May Affect Your Businesses

New laws and regulations could have an impact on how you manage your business or your tax planning. Below is a summary of important developments you should be aware of:

- In a change from past rules, businesses must file all Forms W-2 and W-3 and some Forms 1099-MISC with the IRS and the Social Security Administration no later than Jan. 31 in the year following the one to which the forms relate. As a result, forms for 2016 activities must be filed by Jan. 31, 2017. Employees and vendors or independent consultants must still receive their forms by Jan. 31.
- There are new due dates for returns for partnerships, C corporations and several other business returns. For calendar-year partnerships, the new filing date is March 15 and for C corporations, it's April 15. The date for fiscal year C corporations is the 15th of the fourth month following the end of the corporation's calendar year.
- Small businesses may benefit from legislation that reset the rules on what kinds of property qualifies for bonus depreciation, because it scopes in "qualified improvement property," a new class of nonresidential real property. At the same time, bonus depreciation has been extended through 2019 (and through 2020 older transportation property). The new rules allow 50% bonus depreciation through 2017, 40% in 2018 and 30% in 2019.
- If your business is a partnership, there's now a much greater chance you could face an IRS audit, due to new audit and adjustment rules. Although the change will generally apply to returns for tax year 2018 and later, clients should start planning now to prevent any unexpected consequences down the road. In particular, we recommend reviewing your partnership operating agreement with the new rules in mind. Please don't hesitate contact us for assistance with identifying what changes might be relevant to your agreement.

- Also, be aware that even if your business is <u>not</u> a partnership, you will want to evaluate the effect that these new rules and related agreement changes could have if you have invested in any partnership.

The AMT Remains a Concern, but Planning Can Help

The alternative minimum tax (AMT) scopes in many taxpayers, requiring them to add back in some of the deductions they've taken. There is some good news for businesses this year because some smaller companies can now claim the research and development tax credit, a benefit that's now permanent, against the AMT. We can also help you plan to minimize your exposure to the AMT using techniques such as managing timing of capital gains or dividends.

What Will a New Administration Mean to You?

Are you wondering if the new president — and a wave of newly elected senators and representatives — could have an impact on tax, business and financial regulation and specifically your business? The political environment has shown itself to be extremely unpredictable, so our plan is to closely monitor the legislative and regulatory outlook to be sure we can alert clients to any new developments that may have an impact on them. Please visit the Resources page on our website at www.jenningsclouse.com for updated information.

Keep an Eye on Affordable Care Act Rules

Are your employees enrolled in a health care plan? Here's a development to consider in your planning: Late in 2015, Congress delayed implementation of a significant tax on high-cost employer-sponsored insurance plans — the "Cadillac tax" — from 2018 to 2020. Under the rule, when the value of a health plan is more than $10,200 for individual coverage and $27,500 for family coverage, the plans face a 40% tax on the excess amount, but businesses now won't have to face that concern for a couple more years. Despite this delay, it's worthwhile keeping this potential tax on your radar screen.

Also, if your company was not subject to the Affordable Care Act for 2015, be aware that the thresholds changed dramatically for 2016. An organization becomes an Applicable Large Employer (ALE) when it employs an average of 50 or more full-time and full-time-equivalent employees on business days during the calendar year. ALEs must provide certain employees with health insurance that meets specific standards, or face significant penalties.

Be Sure Your Retirement Planning Is Up to Date

When's the last time you revisited your retirement or succession plan? We recommend that you review your situation at least annually and make revisions and adjustments as needed. That includes making the most of the many tax-advantaged retirement saving options for small business owners, some of which allow annual contributions that can be significantly higher than those for other kinds of IRAs. In some cases, you can establish these plans for yourself and also offer them to employees.

Participants can contribute up to $53,000 to SEP IRAs and solo 401(k)s in 2016 (or 25% of income, whichever is smaller). For a SIMPLE IRA, the 2016 contribution limit is $12,500. In all cases, participants who are age 50 or older can make catch-up contributions.

Whether it's selecting the right retirement plan, minimizing your tax exposure, or getting answers to questions about business or individual tax concerns, please email (info@jenningsclouse.com) or call (615-206-0360) our office today to set up your year-end tax-season review. Planning ahead can help you minimize your tax bill and position your company for greater success.

Sincerely,

JENNINGS & CLOUSE, PLC