

# R<sub>X</sub> TaxScriptions

"A Prescription For Tax Relief"

**R** **ROSEN & ASSOCIATES, LLP**  
CPAs | Specializing in the Business of Dentistry

A MEMBER OF THE  
**ADCPA**<sup>®</sup>  
ACADEMY OF DENTAL CPAS

Volume VIII Issue I

## Featured Articles

[Deadline Changes](#)

[2016 Year End Tax Planning](#)

[Client Secure Website](#)

[Identity Theft](#)

[3.8% and .9% Surtaxes](#)

[2016 & 2017 Tax Numbers](#)

[Reminders](#)



## Yankee Dental Congress Meeting

January 26 - 28, 2017

Boston Convention & Exhibition Center

Please come by and see us at **Booth 815** to say hello and pick up the latest "**See How You Compare**" booklet (and candy bar).

## Looking to Cut Expenses?

**Have you had your credit card merchant fees analyzed and is the processor aware of the new HIPPA rules relating to credit cards?**

Rosen & Associates, LLP has been able to save our clients thousands of dollars in merchant fees by having them analyzed. Are your rates as low as possible?

For more information email us at [info@rosencpagroup.com](mailto:info@rosencpagroup.com)

## Save Some Time

- Streamline your Front

Mark Rosen, CPA, CFP®, will be speaking:

### Thursday, January 26, 2017 2 pm - 4 pm

On Keys to Buying, Growing and Selling a Practice with Maria Melone of MORR Dental Solutions.

### Sunday, January 29, 2017 8:30 am - 11:30 am

On Are you Prepared for Practice Ownership? with Ed Ferrero, Ronald Perry, Kathy Ells and Tom Camp.

## Comments from the Corner Office

As the end of the year approaches, it is a good time to think of planning moves that will help lower your tax bill for this year and possibly the next. Factors that compound the planning challenge this year include political and economic uncertainty, and Congress's all too familiar failure to act on a number of important tax breaks that will expire at the end of 2016. Some of these expiring tax breaks will likely be extended, but perhaps not all, and as in the past, Congress may not decide the fate of these tax breaks until the very end of 2016 (or later).



Desk

- More time for your Office Manager to concentrate on collections
- Less Staff Complaints

With all the new payroll laws changes, a switch to a payroll company to take over the payroll reporting may make sense for your Practice.

For more information please contact your Account Manager.

Don't Miss the  
**DEADLINE!**

## December 31, 2016

### **Individuals:**

4th quarter state estimated tax payment due (if not subject to AMT)

## January 17, 2017

### **Individuals:**

4th quarter estimated tax payments due for federal and state (if subject to AMT)

## January 31, 2017

### **Businesses:**

4th quarter payroll returns due (Forms 940 and 941)  
W-2s need to be distributed to employees

1099 MISC furnished to recipients & IRS

## February 16, 2017

### **Businesses:**

Last day for filing W-4 by employees who wish to claim exemption from withholding's

## March 15, 2017

**Individual Tax Breaks Set to Expire:** The exclusion of income on the discharge of indebtedness on a principal residence, the treatment of mortgage insurance premiums as deductible qualified residence interest, the 7.5% of adjusted gross income floor beneath medical expense deductions for taxpayers age 65 or older, and the deduction for qualified tuition and related expenses.

Business News:

### **Health insurance reimbursement -**

Employers with fewer than 50 employees and that do not offer group health insurance will be allowed to establish a health reimbursement arrangement (HRA). Under prior IRS guidance, previously payments to reimburse employees for outside health insurance were subject to a \$100 per day penalty. New legislation was passed December 7th will allow employers to use an HRA to, without penalty, reimburse employee medical expenses, including employee premiums for insurance coverage. The small employer HRA allows qualified employers to reimburse employees up to \$4,950 for an employee or \$10,000 for an employee and family. An employee receiving such reimbursement will not be eligible for a premium assistance tax credit.

### **2017 Changes:**

Future tax changes are expected due to the recent election results however nothing has changed relating to 2016. At this time we are not recommending any significant entity changes until we have enacted legislation. Even if corporation tax rates are lowered, it is uncertain if those potential lower rates will apply to dental offices, which are personal service corporations and subject to the highest individual income tax rate instead of corporate tax rates. We will continue to monitor the potential tax changes throughout 2017 notify our clients of any necessary changes.

We have compiled some tax planning items that may help you save on 2016 taxes if you act before December 31<sup>st</sup>. Not all items will apply to your particular situation, but you (or a family member) will likely benefit from many of them.

Please feel free to call us if you have any questions or would like to discuss your tax planning strategies.

## **Larry**

Managing Partner of Rosen & Associates, LLP



## **Deadline Changes**

### **Partnerships:**

With a December Year-End are due March 15th.

### **W-2's & 1099's:**

Non-Electronically Filed W-2's & 1099's are due on January 31st to both the recipient and the government.

## **2016 Year End Tax Planning**

### **Individuals:**

- Maximize Retirement!
- Consider selling capital assets in 2016 that will yield

### Businesses:

File Partnership Income Tax Return (Form 1065) OR Partnership Extension Due (Form 7004)

File S Corporate Income Tax Return (Forms 1120s) OR Corporate Extension Due (Form 7004)

File your Massachusetts Annual Report

## April 18, 2017

### Individuals:

File Individual Income Tax Returns (Forms 1040, 1040A or 1040-EZ) OR Individual Extension Due (Form 4868)

First Installment of Individual Estimated Tax Due (Form 1040-ES)

### Businesses:

File C Corporate Income Tax Return (Forms 1120) OR Corporate Extension Due (Form 7004)

File your Annual Report

## **FBAR Returns Due**

### Estates and Trusts:

File Fiduciary Tax Return (Form 1041) OR Fiduciary Extension Due (Form 7004)

## May 1, 2017

### Businesses:

1st quarter payroll returns due (Form 941)

capital losses to offset 2016 capital gains. Depending on your AGI in 2016 gains may be subject to the extra **3.8% Surtax on Unearned Income**.

- To reduce or eliminate estimated tax penalties - increase your withholdings from wages or an eligible distribution from a qualified retirement plan
- Possibly convert your traditional IRA into a Roth IRA if doing so is expected to produce better long-term tax results for you and your beneficiaries but be aware that it could push your AGI above the threshold for the 3.8% tax on unearned income
- Take required minimum distributions (RMD) from your IRA or 401(k) plan (or other employer-sponsored retirement plan) if you have reached age 70 1/2. **Failure to take a required withdrawal can result in a penalty of 50% of the amount not withdrawn**
- Make annual exclusion gifts before year end to save gift tax. You can give \$14,000 in 2016 to an unlimited number of individuals free of gift tax
- Gift appreciated stock to charity
- If covered under a qualifying High Deductible Health Plan (HDDP) you should establish a Health Savings Account (HSA) and fund the maximum tax-deductible contribution to cover future medical expenses. Deduct up to \$3,350 for a single policy and \$6,750 for a family policy in 2016. (Anyone age 55 or older can make additional tax-deductible "catch-up" contributions of \$1,000 each.)



### Businesses:

- Businesses should buy machinery and equipment before year end and, under the generally applicable "half-year convention," thereby secure a half-year's worth of depreciation for the first ownership year.
- Businesses should consider making expenditures that qualify for the business property expensing option. For tax years beginning in 2016, the expensing limit is \$500,000 and the investment ceiling limit is \$2,010,000.
- Businesses also should consider making expenditures that qualify for 50% bonus first year depreciation if bought and placed in service this year. The bonus depreciation deduction is permitted without any proration based on the length of time that an asset is in service during the tax year. As a result, the full 50% first-year bonus writeoff is available even if qualifying assets are in service for only a few days in 2016.
- Set up a self-employed retirement plan if you are self-employed and haven't done so yet
- If you are in the market for a heavy SUV (GVW > 6,000 lbs) consider purchasing before 12/31/16, due to a combination of favorable depreciation and expensing rules you may be able to write off a significant amount of the cost of the SUV
- Consider putting your children on the payroll
- Consider using a credit card to prepay business expenses that can generate deductions for this year.
- If your business qualifies for the domestic production activities deduction (DPAD) for its 2016 tax year, consider whether the 50%-of-W-2 wages limitation on that deduction applies. Possibly claim a section 199 manufacturing deduction for the onsite production of crowns, inlays, onlays, and other restorations.
- If you own an interest in a partnership or S corporation, consider whether you need to increase your basis in the entity so you can

## 2016 Auto/Truck

### Depreciation Limits

#### Qualified Passenger Autos

<u>Tax Year</u>	<u>Amounts</u>
1st Tax Year **	\$11,160
1st Tax Year	\$3,160
2nd Tax Year	\$5,100
3rd Tax Year	\$3,050
Thereafter	\$1,875

#### Qualified Trucks and Vans

<u>Tax Year</u>	<u>Amounts</u>
1st Tax Year **	\$11,560
1st Tax Year	\$3,560
2nd Tax Year	\$5,700
3rd Tax Year	\$3,350
Thereafter	\$2,075

\*\* If special Depreciation is claimed

## Frequently Asked Questions?

### What is the standard business mileage rate for 2016?

54 cents per mile

### What is the medical care mileage rate for 2016?

19 cents per mile

### What is the long-term capital gain rate for 2016?

15% and 20%

## Quick Links

### Latest News & Events at Rosen & Associates, LLP

#### IRS

#### Massachusetts Department of Revenue

#### Connecticut Department of Revenue Services

deduct a loss from it for this year.

- Claim the maximum possible Small Business Health Insurance Tax Credit of up to 50% of premiums paid for staff health insurance coverage purchased through an exchange.

These are just some of the year-end steps that can be taken to save taxes. Contact us and we will tailor a plan that works best for you.

## Rosen & Associates, LLP Client Secure Website

In an effort to reduce identity fraud, Rosen & Associates, LLP has created a secure website for each client. The 2015 business and personal tax returns were placed here instead of being sent by email or U.S (snail) Mail. You are able to access your secure folder by logging in through our website of [www.rosencpagroup.com](http://www.rosencpagroup.com) anytime from any computer.



## Identity Theft

Identity theft remains a top priority for the Internal Revenue Service. Identity theft is one of the fastest growing crimes nationwide, and refund fraud caused by identity theft is one of the biggest challenges facing the IRS. The IRS continues to take new steps and strong actions to protect taxpayers and help victims of identity theft and refund fraud.

Even if there is nothing wrong with a return, the IRS may reject your return or simply not process it if they suspect potential identity theft. In many cases they have stopped sending notices and are waiting for taxpayers to call them and ask why there is a delay. If more than 8 weeks have passed since your return has been filed and you have not received an anticipated refund, please contact us. We may need to have you call the IRS to answer a series of identity related questions. You may even need to visit a local office in order to verify your identity. When this happens, nothing about the return is being questioned other than the IRS verifying your identity.

Tips for Taxpayers click on the following link: [IRS - Tips for Taxpayers, Victims about Identity Theft and Tax Return.](#)

We have found the MA Attorney Website to be very helpful with what to do when you believe or have found out you are a victim of Identity Theft. [MA Attorney General - Identity Theft](#)

Here are other states links that have identity theft information as well:

[CT Attorney General - Identity Theft](#)

[NY Attorney General - Identity Theft](#)

[RI - Identity Theft](#)

[ME Attorney General - Identity Theft](#)

[NH - Identity Theft](#)

## 3.8% Surtax on Unearned Income and .9% Surtax on Earned Income

Higher-income taxpayers have continuing concerns to address for this year end tax planning, they will face 3.8% surtax on their investment income and capital gains.

For 2016, (just like for 2014 & 2015) there is an additional .9% surtax for Medicare on earned income for taxpayers with wages of more than \$200,000 for single filers and \$250,000 for joint filers. For these individuals the Medicare tax paid by the employee will increase from 1.45% to 2.35%. There is no additional .9% surtax for employers.

For the full article please click on the following link: "[\*\*3.8 Surtax on Unearned Income and .9% Surtax on Earned Income\*\*](#)"

For more information on the Additional .9% Medicare Tax please click on the following link: "[\*\*IRS Q&A for Additional Medicare Tax\*\*](#)"

## Tips For A Faster Individual Tax Return

Complete the Tax Organizer **before March 1st** and send all of the followings documents:

- Bank & Brokerage 1099s
- Settlement statements for purchased or sold house
- Cost basis & date purchased for securities sold
- Mortgage 1098s
- Real Estate & Personal Property Taxes Paid
- Charitable Donations paid
- Form 1099-HC (MA Residents)

### 2016 & 2017 Tax Numbers

	<u>2016</u>	<u>2017</u>
Annual Def. Contribution Plan Part. Dollar Limit	53,000	54,000
Annual Compensation Limit	265,000	270,000
401(k) Employee Elective Deferral Limit	18,000	18,000
401(k) Catch-Up Contribution Age 50 & Over	6,000	6,000
SIMPLE Plan Employee Elective Deferral Limit	12,500	12,500
SIMPLE Plan Catch-Up Contrib. Age 50 & Over	3,000	3,000
IRA (Roth Traditional) Contribution Limit	5,500	5,500
IRA Catch-Up Contrib. Limit Age 50 & Over	1,000	1,000
Federal Lifetime Gift Tax Exclusion	5.45M	5.49M
Federal Lifetime Estate Tax Exclusion	5.45M	5.49M
Maximum Federal Estate Tax Rate	40%	40%
Maximum Federal Gift Tax Rate	40%	40%
Annual Gift Tax Exclusion Per-Person Gifts	14,000	14,000
Section 179 First-Year Depreciation Limits	500,000	510,000
Social Security Taxable Wage Base	118,500	127,200
Standard Deduction (Single)	6,300	6,350
Standard Deduction (Married Filing Jointly)	12,600	12,700
HSA Contributions (Single)	3,350	3,400
HSA Contributions (Married Filing Jointly)	6,750	6,750



1. **THE IRS DOES NOT COMMUNICATE VIA E-MAIL!!** If you received an email claiming to be the IRS requesting personal information:

- Do not reply
- Do not open any attachments. They may contain a virus that will infect your computer
- Do not click on any links
- Forward the e-mail as is, to the IRS at [phishing@irs.gov](mailto:phishing@irs.gov)
- After forwarding, delete original and forwarding email from your

## Affiliated Companies



Phone: (508) 475-3830

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Phone: (508) 475-3880

Fax: (508) 616-4431

[info@ccrwealth.com](mailto:info@ccrwealth.com)



Phone: (508) 926-2400

Fax: (508) 616-2914

[info@rpgllp.com](mailto:info@rpgllp.com)

email.

## 2. Phishing Scams:

The IRS will begin using collection agencies in the Spring of 2017 to contact taxpayers regarding outstanding tax liabilities, although the collection agencies themselves will not be taking payments. Even if you receive a phone call that sounds legitimate, never pay the balance over the phone and do not follow their payment instructions. Payments to legitimate IRS liabilities may be paid through [www.irs.gov](http://www.irs.gov). If you are unsure if you have an outstanding tax liability, contact us to learn how to obtain tax account transcript information.



We are pleased to announce that John Wlodarek will be joining MORR Dental Solutions as a Partner effective January 1, 2017. Some of you may be familiar with John as he previously worked on the lending side of dental practice transactions with Bank of America.

Maria Melone is the only Certified Valuation Analyst in New England with a focus on valuing dental practices. Their combined expertise within the industry will help quarterback smooth and streamlined transitions for each client.

MORR offers full service brokerage and many other transition related services advising dentist at the most critical time in their career.

Contact Maria or John of MORR Dental Solutions, LLC, an affiliate of Rosen & Associates, LLP, at (508) 475-3830, [mmelone@morrrds.com](mailto:mmelone@morrrds.com) or [jwlodarek@morrrds.com](mailto:jwlodarek@morrrds.com).

If you are looking for a practice to purchase, please make sure to visit our website [www.morrrds.com](http://www.morrrds.com).

We hope you will stop by and see us at the **Yankee Dental Congress, Booth 817**.