Morrow & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS

FEDERAL TAX UPDATE

DEPRECIATION

The Path Act of 2015 makes permanent the Code Sec. 179 expensing deduction and will be indexed for inflation in future years. The limit for 2016 is set at $500,000 with a $2,000,000 overall investment before phase out. For 2017 these amounts will move to $510,000 and $2,030,000, respectively. Further, heating and air conditioning units are now allowable property for Sec. 179 purposes, which were previously excluded under the code. This election allows certain capital purchases to be completely depreciated in the year of purchase.

Additionally, Bonus Depreciation is currently being phased out. Bonus Depreciation applies to property in which the taxpayer is the original user at the time it is placed in service. This allows for depreciation of 50% of the cost for property place in service through the end of 2017, 40% for property placed in service during 2018 and 30% for property placed in service during 2019. Without further legislation Bonus Depreciation will expire at the end of 2019. Together with Code Sec. 179, these provide for a great planning opportunity. If you wish to discuss future planning, please contact us.

STANDARD MILAGE RATES

The standard mileage rates for 2016 are 54 cents per mile (53.5 cents per mile for 2017) for business mileage, 14 cents per mile (14 cents per mile for 2017) for driving for charity and 19 cents per mile (17 cents per mile for 2017) for medical and moving expenses.

IRA CONTRIBUTIONS

Traditional IRAs continue to provide an opportunity for tax deduction and tax deferral on the IRA earnings. The maximum combined contributions for Traditional and Roth accounts remains at $5,500 ($6,500 for those age 50 and older) per participant for 2016 and 2017. The contributions are limited to earned income and alimony income. For those that are covered by a retirement plan, deductions may be claimed by individuals with modified gross income under phase-out ranges of $61,000-$71,000 ($62,000-$72,000 for 2017) for single filers, $98,000-$118,000 ($99,000-$119,000 for 2017) if marred filing jointly or qualified widow or widower. If one spouse is covered but one is not, the non-covered spouse may take a deduction with a phase-out range of $184,000-$194,000 ($186,000-$196,000 for 2017). IRA contributions may be claimed in 2016 for contributions made in 2016, or up to April 15, 2017.

DUE DATE FOR FURNISHING FORM 1095-B AND 1095-C

The Department of the Treasury and the IRS determined that a substantial number of employers, insurers, and other providers of minimum essential coverage need additional time to gather and analyze the information to prepare the 2016 Forms 1095-B and 1095-C. In order to assist, the due date for furnishing the 2016 Form 1095-B and 1095-C has been extended from January 31, 2017 to March 2, 2017. The due date for filing with the IRS the 2016 Forms 1094-B, 1095-B, 1094-C, or 1095-C, remains February 28, 2017 if paper filed or March 31, 2017 if filed electronically.

Morrow & Co. LLC
CERTIFIED PUBLIC ACCOUNTANTS

IDENTITY THEFT

There has been a rise in identity theft in recent years. The IRS has put in place several programs to protect taxpayers from identity theft. If you suspect you are a victim of identity theft, please contact us as soon as possible to avoid potential tax consequences.

CHILD TAX CREDIT AND EARNED INCOME TAX CREDIT

The IRS will not be issuing refunds to taxpayers claiming either the Child Tax Credit or the Earned Income Credit before February 15, 2017. If you are anticipating claiming either one of these credits, please take this delay into account when planning for your refund.

STANDARD DEDUCTION

Filing Status	2016 Standard Deduction	2017 Standard Deduction
Single	$6,300	$6,350
Married Filing Jointly	$12,600	$12,700
Married Filing Separately	$6,300	$6,350
Head of Household	$9,300	$9,350
Qualifying Widow	$12,600	$12,700

EXEMPTION

The personal exemption amount for 2016 and 2017 is $4,050. The exemption is subject to a phase-out that begins with adjusted gross incomes of $259,400 ($261,500 for 2017) for single filers, $311,300 ($313,800 for 2017) for couples filing jointly, and $155,650 ($156,900 for 2017) for couples filing separately.

FILING DEADLINE CHANGES

For tax years beginning in 2016, there have been deadline changes for many forms and extensions.

Form/Extension	Original Due Date	New Due Date
Form 1605	April 15	March 15
Form 1120	March 15	April 15
FinCen 114	June 30	April 15
990 Extension	Two 3-Month Extensions	1 6-Month Extension
1041 Extension	September 15	September 30
5500 Extension	October 15	November 15

SALE OF CORPORATION

When a business is sold, there are generally two ways to structure the transaction: either an asset sale or a stock sale. Recently, the Tax Court has upheld the decision that the sale of personal goodwill is a separate asset from corporate owned goodwill. In order for personal goodwill to be sold, the asset must meet the definition of goodwill from a tax perspective and be owned by an individual outside of the legal business entity. Planning for a transaction before the sale takes place is an important step in order to structure any transaction favorably. Contact us to avoid adverse or unexpected tax consequences.

HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITS

HSA Contribution Limit for 2016 is $3,350 for self-only and $6,750 for family. HSA catch-up contributions (age 55 or older) is $1,000. Limits are increased for 2017 to $3,400 and $6,750, respectively.

EDUCATOR EXPENSES

The above the line deduction for teacher's out of pocket classroom related expenses is maintained at $250 for 2016 and 2017, however, this expense has now been made permanent and will be indexed for inflation in future years.

HEALTH SAVINGS ACCOUNT CONTRIBUTION LIMITS

HSA Contribution Limit for 2016 is $3,350 for self-only and $6,750 for family. HSA catch-up contributions (age 55 or older) is $1,000. Limits are increased for 2017 to $3,400 and $6,750, respectively.

EDUCATOR EXPENSES

The above the line deduction for teacher's out of pocket classroom related expenses is maintained at $250 for 2016 and 2017, however, this expense has now been made permanent and will be indexed for inflation in future years.

KANSAS TAX CHANGES

LEARNING QUEST AND CONTRIBUTIONS TO ANOTHER STATE'S 529

Kansas will continue to allow for a subtraction modification for contributions to a 529 plan. Subtractions is limited to either $3,000 per student per year for Single, Married Filing Separate & Head of Household or $6,000 per student per year for Married Filing Joint. Also made permanent, the purchase of computer equipment and technology with the distribution from a 529 plan is a qualified expense.

INCOME TAX RATES

Married Filing Joint

Taxable Income	2016-2017	2018
$0-$30,000	2.7%	2.6%
$30,001 +	4.6%	4.6%

Single, Head of Household, Married Filing Separate

Taxable Income	2016-2017	2018
$0-15,000	2.7%	2.6%
$15,001 +	4.6%	4.6%

LOW INCOME TAX EXCLUSION

A low-income exclusion for 2016 will generally eliminate all income tax liability for single taxpayers with taxable income of $5,000 or less and married filing joint taxpayers with taxable income of $12,500 or less. In order to claim this exclusion, a Kansas Income Tax Return (K-40) must be timely filed.

OTHER CONSIDERATIONS

IRA DISTRIBUTIONS DIRECTLY TO CHARITY

A number of years ago congress passed legislation allowing for Qualified Charitable Distributions in which a distribution is made directly from your IRA to a qualified organization for those at least 70 ½ on the date of distribution up to $100,000 annually. This legislation has now been made permanent. This is a great planning tool for those that need to satisfy Required Minimum Distributions (RMD) from traditional IRA's, but also wish to give for charitable purposes. This allows for the IRA distribution to be excluded from income in the year of distribution, and can assist in limiting taxable income for the year. Please contact us for additional planning on this matter.

WHO PAYS TAX

There seems to be the debate that wealthy individuals are not paying their "fair share" of income taxes, and this debate appears more often in election years. Below is an analysis from the National Taxpayers Union Foundation on who pays tax for the 2014 tax year, the most current year available.

Percentages Ranked by AGI	AGI Threshold on Percentiles	Adjusted Gross Income Share (Percentage)	Percentage of Federal Personal Income Tax Paid
Top 1%	$425,626	20.58%	39.48%
Top 5%	$188,996	35.96%	59.97%
Top 10%	$133,445	47.21%	70.88%
Top 25%	$77,714	68.91%	86.78%
Top 50%	$38,173	88.73%	97.25%
Bottom 50%	<$38,173	11.27%	2.75%

THE UNKNOWN

Any time there is a change in administration, there is always the unknown of what is to come. President elect Trump has made many comments and suggestions along the road to the White House. With a republican majority in both the house and senate, there is a possibility that a republican agenda could be carried out in the near term, and many changes could be in store. Speaker Paul Ryan has been vocal in his agenda of tax law changes, with the last major re-write in 1986, for a number of years for both individuals and corporations, and it would appear that Ryan and Trump share many perspectives from this front. While none of us know what the future will hold for the next year, we remain committed to keeping up to date with ongoing changes and communicating with clients.