RRBB ACCOUNTANTS + ADVISORS

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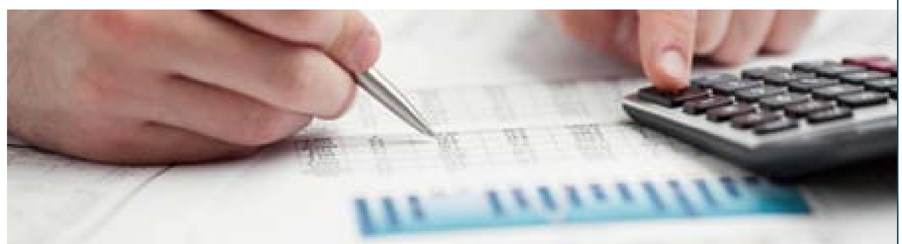

RRBB Announcements

RRBB Happenings

At the beginning of January, RRBB Accountants and Advisors announced that effective immediately Olsson & Company, also of Somerset, will join forces with RRBB. The two partners at Olsson & Company, Ken Olsson and Bill Gatarz, who have a long history in the accounting industry and a great reputation, are bringing their entire team to RRBB.

In a letter to their clients, Ken and Bill said, “RRBB has been in business for over 50 years and has a great reputation. We have known some of their partners for many years and feel quite confident that it is the right fit for our clients and our. Joining forces with RRBB will also allow us to provide you with additional services that can be of great benefit.”

Olsson & Company has been performing business accounting and tax work for closely held businesses, as well as tax and consulting work to individuals for many years.

“Olsson & Company is a great firm with great people and high level clients. It is firm who has always prided itself on superior service. We are very excited to have them with us,” said Dave Roth, managing partner of RRBB.

So please welcome Ken Olsson, Bill Gatarz, Paul Albanese, Peter Cipot and Margaret Freedman to the RRBB family.

Return to top

Unlock Deductions for a Home Office

Comparing two tax return methods

Do you operate a business out of your home? It could be your main line of work, and your only source of business income, or just a sideline activity. Depending on your circumstances, you may be entitled to a generous tax deduction for this “home office” on your 2016 tax return.

However, the rules in this area are not completely cut and dried. Furthermore, if you qualify, you face a critical tax return choice.

Background: To qualify for home office deductions, you must use the office regularly and exclusively as your principal place of business or a place where you meet or deal with customers, clients or patients in the normal course of business. In addition, if you are an employee of a company, you must use the home office for the convenience of your employer.

For instance, if you are self-employed and operate the business completely within the confines of your home, you will generally be able to claim a home office deduction. But if you merely bring work home from your main office on weekends, you are not likely to realize any tax benefits.

Normally, a home office deduction includes direct expenses attributable to the office, plus a proportionate share of indirect expenses such as mortgage interest, property taxes, utilities, repairs and insurance. Caveat: Mortgage interest and property taxes are generally tax deductible anyway. The deduction available for indirect expenses is based on the percentage of your home used for business purposes. Also, you may be allowed to claim a depreciation deduction for the part of the home used as an office.

However, this method requires that you keep detailed records of expenses. Alternatively, you can take advantage of a simplified method: All you have to do is figure out the square footage of your home used as an office. Then, you can deduct $5 per square foot, up to a maximum of $1,500.

When you compare these two methods, the traditional method often produces a bigger deduction. If you have the necessary records, you might bypass the simplified method.

Hypothetical example: John Q. Public, a self-employed taxpayer, uses a home office as the principal place of his business. The home is 3,000 square feet and the home office is 300 square feet, or 10% of the home. Let's say that John has $2,000 in direct home office expenses plus indirect expenses—including utilities, insurance and repairs—of $10,000 for the year (disregarding mortgage interest and property taxes that would otherwise be deductible). Under the IRS table, he is also entitled to a $400 depreciation allowance.

Based on these facts, John can deduct $2,000 in direct expenses, $1,000 in indirect expenses and $400 in depreciation, for a total of $3,400. In comparison, with the simplified method for home office deductions, his write-off is limited to $1,500—less than half the total of the traditional method.

Note that you may switch between the traditional and simplified methods from year to year. You are not locked into either method.

Do not make any costly assumptions or rash decisions. With help from your professional tax adviser, compare the available deductions to determine the optimal method for your situation.

Return to top

IRS Selects Private Tax Collectors

New collection practices take shape

The IRS, the nation's tax collection agency, has identified a select group of four private contractors that will begin collecting federal tax debts during the 2016 tax return filing season.

Background: Under the Fixing America's Surface Transportation (FAST) Act of 2015, a highway spending measure, the IRS can assign private companies to collect taxes on certain overdue federal tax debts. Accordingly, the four companies that will begin collection activities this spring are Conserve, Fairport, New York; Pioneer, Horseheads, New York; Performant, Livermore, California; and CBE Group, Cedar Falls, Iowa.

These private collection companies will work on accounts where taxpayers owe money but the IRS is no longer actively pursuing the debts. The companies must respect taxpayer rights including, among other things, abiding by the consumer protection provisions of the Fair Debt Collection Practices Act. Private collection agencies will be able to identify themselves as contractors of the IRS collecting taxes.

The IRS will provide taxpayers and their representatives written notice that their accounts are being transferred to private collection agencies. The agencies will send a second, separate letter to the taxpayer and representatives confirming this transfer.

Private collection companies cannot ask for payment on a prepaid debit card. Taxpayers will be informed about electronic payment options on www.irs.gov/payments. Payments by check should be payable to the U.S. Treasury and sent directly to the IRS, not the private collection agency.

If you do not wish to work with the assigned private collection agency to settle your overdue tax account, you must submit a request in writing to the appropriate private collection agency.

Finally, the IRS will not assign accounts to private collection agencies involving taxpayers who are:

- deceased;
- younger than age 18;
- in designated combat zones;
- victims of tax-related identity theft;
- currently under examination, litigation, criminal investigation or levy;
- subject to pending or active offers in compromise; or
- subject to an installment agreement.

Private collection agencies will return accounts to the IRS if taxpayers and their accounts fall into any of these situations after assignment.

If you owe the IRS money, the best approach is to contact your professional tax adviser. Certain options, such as installment plans and offers in compromise, may be available.

Return to top

Tax Twists on Social Security Benefits

Unexpected tax liability for retirees

Of course, taxes are a major concern when you work full time for a living. Unfortunately, you may also have to pay federal income tax on a portion of the Social Security benefits you receive during the year—even though you've paid Social Security tax all the years you have been working.

Background: There is a two-tier approach to taxing Social Security benefits. Unlike many other provisions in the tax code, the thresholds for the tiers are not indexed for inflation and remain on the relatively low side. The following is a brief summary of the main rules.

Tier No. 1: If a taxpayer has provisional income between a base amount of $32,000 and $44,000 ($25,000 and $34,000 for single filers), he or she must pay tax on the lesser of (a) one-half the benefits or (b) 50% of the amount by which provisional income exceeds $32,000 ($25,000 for single filers).

Tier No. 2: If a taxpayer has provisional income above $44,000 ($34,000 for single filers), he or she must include in taxable income 85% of the amount by which provisional income exceeds $44,000 ($34,000 for single filers) plus the lesser of (a) the amount determined under Tier No. 1 or (b) $6,000 ($4,500 for single filers). In no event, however, can the amount exceed 85% of the benefits received. Note: There are special rules for married taxpayers filing separate returns.

For this purpose, "provisional income" is defined as the taxpayer's adjusted gross income plus tax-exempt income plus one-half of Social Security benefits. In other words, if you receive tax-exempt interest from investments such as municipal bonds, it can increase the tax on Social Security benefits.
Perhaps the best way to understand the full impact of the rules is to look at an example.

Hypothetical situation: For simplicity, say that Mr. and Mrs. Golden, a retired couple, have the same income each year. They receive a taxable pension of $22,000, taxable interest of $10,000, tax-exempt interest of $10,000 and Social Security benefits of $12,000. Based on those amounts, their provisional income is $48,000.

Because the Goldens have provisional income above $44,000 this year, they will be taxed on $9,400 of their Social Security benefits—$6,000 from Tier No. 1 plus $3,400 from Tier No. 2. The calculation is as follows:

Taxable pension	$22,000
Taxable interest	$10,000
Tax-exempt interest	$10,000
Subtotal	$42,000
Provisional income ($42,000 + 50% of $12,000)	$48,000
Total tax ($6,000 + 85% of $4,000)	$9,400

Caution: Understandably, there is a great deal of confusion in this area. A professional tax adviser can help apply the rules to your situation.

Return to top

Six Ways to Improve Business Meetings

Take steps toward greater productivity

Business meetings are essential, but they can be counterproductive if they are boring and tedious. Assuming you are in charge, here are six ways you might improve matters.

1. Set an agenda and stick to it. Provide the agenda in writing so everyone is informed at the outset about what you intend to cover during the meeting. If you get sidetracked, you can refer to the written agenda to remain on course. It usually makes sense to reserve the main focus of the meeting for the middle, after the introductory material is out of the way and before people lose interest.

2. Establish the ground rules. When the meeting begins, be clear about how it will be handled and when others will be allowed to speak. This will help people avoid "stepping on each other's toes" and hopefully deter any confrontations. Also, set a rough time limit for the meeting's duration. (But be careful: If the meeting then runs long, attendees will start looking at their watches and cell phones.)

3. Go into the meeting with a backup. If you handle each and every aspect of the meeting, it becomes a one-man or one-woman show. Share some of the load by designating an employee to help out. The jobs could range from bringing in refreshments to ensuring that the technology needed for presentations is working. Your assistant can also remind you if things start to veer off course.

4. Stay on topic. Employees will drift off—or you will see them checking their smartphones or tablets—if the meeting does not remain relevant to them. Along the same lines, do not allow the meeting to develop into submeetings of interest to a few particular groups. When appropriate, you can make plans for breaking up into smaller groups after the main meeting.

5. Ask for feedback. Even if a meeting seems to have run smoothly from your perspective, others may disagree. Obtain a sense of whether attendees think the meeting remained relevant and the goals you set out to accomplish were achieved. Give more than "lip service" to communication's being a two-way street by soliciting suggestions for improvement.

6. Shake things up. If meetings are becoming stale, change some of the variables, such as the timing or location. For instance, if you typically hold a morning meeting inside the office, try lunchtime or maybe even meet at an outside venue. If this does not work, do not give up—try something different again next time.

Of course, there are no guarantees, but when you make an effort to improve your business meetings, you may see positive results. Do not be afraid to try new things.

Return to top

Facts and Figures

Timely points of particular interest

New I-9 Form—The U.S. Citizenship and Immigration Services (USCIS) has issued a new version of Form I-9 (Employment Eligibility Verification). The USCIS says that employers must start using the revised form as of January 22, 2017. Among other changes, the new form asks for “other last names used” instead of “other names used” and streamlines certification for certain people.

Overtime Rule—Under a new final rule issued by the Department of Labor (DOL), new thresholds for determining eligibility for overtime pay were set to take effect on December 1, 2016. However, a federal judge in Texas has blocked the DOL rule, leaving the prior rules in place pending any further action. We will keep you posted on any additional developments as soon as possible.

Return to top

Adjustments in Retirement Plan Limits

The IRS has announced its annual cost-of-living adjustments for certain retirement plan thresholds. Due to relatively low inflation rates, the adjustments for 2017 are minimal or nonexistent, as shown below.

	Limit for 2016	Limit for 2017
Maximum annual dollar benefit for a defined benefit plan	$210,000	$215,000
Maximum dollar limit on additions to a defined contribution plan	$53,000	$54,000
Maximum amount of compensation taken into account for qualified retirement plans	$265,000	$270,000
Dollar limit for elective deferrals to a 401(k) plan	$18,000 ($24,000 if age 50 or older)	$18,000 ($24,000 if age 50 or older)
Dollar limit for contributions to a SIMPLE plan	$12,500	$12,500

Note: The annual limit for contributions to traditional and Roth IRAs remains at $5,500 ($6,500 if age 50 or older) for 2017. Phaseout levels for IRA and Roth contributions are adjusted slightly.

Return to top

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