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Seven Midyear Strategies in Vogue

Popular ideas for individuals and businesses



While the climate for tax reform remains uncertain, individual taxpayers and small-business owners are advised to act based on the current laws of the land, unless there is a definite change. Keeping that in mind, here are seven ideas to consider as we head into summer.

1. Harvest capital gains or losses. The maximum tax rate for long-term capital gains is 15%, or 20% for certain high-income taxpayers. When appropriate, you may realize capital gains to benefit from this special tax treatment. Conversely, if it suits your purposes, you might harvest capital losses instead. Capital losses offset capital gains plus up to \$3,000 of ordinary income. Any remaining loss is carried over to the next year.
2. Sweep up charitable deductions. Generally, you can deduct the fair market value (FMV) of property you donate to a qualified charitable organization if you have owned the property for more than a year. For example, if you decide to clean out the basement, attic or garage during the warm weather, you might give gently used clothing and furniture in good condition to charity and then claim a deduction.
3. Secure fast business write-offs. Under Section 179 of the tax code, you may currently deduct the cost of qualified business property placed in service during the year, up to a maximum of \$510,000 in 2017. In addition, you can claim 50% "bonus depreciation" for qualified business property placed in service this year. Note: Other special limits apply to vehicles (see "Facts and Figures").
4. Support a new college graduate. If your child graduated from college in May, you still may be entitled to a \$4,050 dependency exemption for 2017 if you provide more than half of the child's annual support. Figure out how much more support you must give to push past the halfway point. This is likely the last time you will qualify for the exemption.
5. Go the distance. If you travel away from home on business, you may deduct your travel expenses—including airfare, lodging and 50% of the cost of meals—if the primary purpose of the trip is business related. But the number of days spent on business versus pleasure is crucial, so pay close attention to your allocation of time.
6. Enjoy deductible entertainment. A small-business owner who entertains clients during the summer may be in line for entertainment deductions. For instance, if you treat a client to a round of golf before or after a "substantial business discussion," you can deduct 50% of the fees, club rentals, and food and drinks afterward. If the client travels from a distant location, the discussion can take place either the day before or after the golf outing.
7. Send the children to camp. If your child is under age 13 and attends a summer day camp, the cost may qualify for the dependent care credit. Generally, the maximum credit is \$600 for one child and \$1,200 for two or more children. However, the cost of overnight camp does not qualify.

These are just seven midyear tax strategies. Schedule a meeting to discuss whether any of these ideas, or others, apply to your situation.

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Four Ways to Improve Your Workspace

Follow these steps for better ergonomics

Do you have a job where you sit for long stretches of time at a desk in front of a computer? This could lead to serious health issues over time. Here are four tips for setting up an ergonomically sound workstation.

1. Adjust your chair height. Because most desk heights are standard, adjusting your chair height ensures that your feet are flat on the floor. To find the optimal height, sit in the chair and raise or lower the elevation so that your knees and hips are roughly level. It should allow your arms to hang comfortably at your side with your forearms parallel to the ground and your wrists in a neutral position. If necessary, provide support for your feet.
2. Keep your wrists neutral. Avoid having to bend your wrists sharply upward or downward for keystrokes. Consider getting a keyboard that is the right size for your hands, and using a wrist rest when typing. Although many keyboards have tabs for raising the back, check your wrist position before using them. Alternatively, you may find that raising the front is preferable, even if you have to prop it up.
3. Make daily adjustments. Even if your workstation is comfortable, sitting in the same position hour after hour, day after day, is not healthy. If you have an adjustable chair, which is strongly recommended, alternate positions when possible. For example, you might sit upright and then shift to one or more reclining positions, being careful not to slide down in the chair. And at times you might even want to stand.
4. Position your computer properly. The placement of the computer is a critical component of setting up a desk. Here are a few ideas:
 - Generally, the monitor should be placed between 20 and 40 inches from your face to reduce eyestrain. If you still have not upgraded to a flat screen monitor, use an attachable computer tray to create a deeper working surface.
 - Adjust the monitor so that the center is at eye level. If you wear bifocals and often tilt your head back to see the monitor, lower the monitor or raise your chair.
 - Adjust the brightness and contrast of your monitor. You should not have to strain to view it. If you require larger text to see clearly, adjust the font and zoom in and out to change font size without affecting the resolution.
 - Correctly position your keyboard and mouse. Optimally, your forearms should bend no more than 20 degrees above your sitting position. Keyboard trays can lower the keyboard and mouse while keeping them within easy reach. A keyboard tray is especially beneficial if you are short.

Finally, if you spend plenty of time on the telephone, a hands-free headset is recommended. This prevents the awkward neck positions that result from cradling the phone.

Do not dismiss the importance of these four steps. They can be instrumental in staying healthy while prolonging your career.

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Gearing Up for an Auto-enrollment Plan

Benefits for both employees and employers

A 401(k) plan can be a win-win situation for employees and employers. Just take a quick look at the payoff.

- For employees: You can defer up to \$18,000 of salary to your account in 2017 (\$24,000 if you are age 50 or older),

- before any employer-matched contributions. Contributions may grow without any tax erosion until they are withdrawn.
- For employers: A 401(k) plan may not be as costly to fund as most traditional pension or profit-sharing plans. It can also be an effective way to attract and retain valuable employees.

However, 401(k) plans are subject to strict nondiscrimination testing under the tax law. If your company's plan does not measure up, certain highly compensated employees (HCEs) might be penalized. This may occur if you do not have a sufficient number of non-HCEs participating in the plan.

Fortunately, a relatively simple solution is available. Your company can use an automatic-enrollment plan designed to encourage a higher level of participation among non-HCEs.

How it works: Usually, an employee must proactively elect to participate in a 401(k) plan. An automatic-enrollment plan takes a different approach. If employees do not make any election, they are considered to be participants. In other words, you have to choose to opt out of the plan—not the other way around.

With an auto-enrollment plan, it is likely that a higher percentage of non-HCEs will participate than would be the case with a traditional plan. Under a safe harbor rule, your company can provide minimum contributions on behalf of these employees equal to 3% of compensation.

This change may be sufficient to satisfy the nondiscrimination tests on behalf of HCEs. Also, non-HCEs who are currently reluctant or passive about enrolling in a 401(k) plan may benefit in the future. This “forced savings” can help these employees build a retirement nest egg.

A plan provider, third-party administrator or consultant can help with the changes needed to install this feature. For example, participation may become automatic after one year of service. Typically, the plan will provide low-risk default investments divided among diversified mutual funds. Of course, employees are free to make other investment choices.

The automatic-enrollment feature is not without potential drawbacks. For instance, the company may set a relatively low default rate to encourage contributions. If you do nothing, you might ride along at that rate for years, while you could—and possibly should—be saving more for retirement. Similarly, if you simply accept the investment choices established as the default, you may not be optimizing your earnings.

With professional guidance, you can make informed decisions taking your personal circumstances into account, even if your 401(k) plan uses an automatic-enrollment feature. Do not hesitate to ask for assistance.

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How to Build Your Corporate Culture

Six steps for making improvements

Frequently, business owners and employees will cite their corporate culture as the reason for the company's success. Here are six practical suggestions to build your brand.

1. Create your identity. Who are you and what do you represent? This is your company and you are the driving force behind it, so the culture should be a reflection of your personality. For instance, if you project a “work hard, play hard” mentality, this will probably set the tone for the workforce. On the other hand, if you exhibit a low-key personality, your business may adopt a relaxed atmosphere.
2. Learn from both the good and the bad. It is likely that you have previously worked at other places, some of which were positive influences while others may have given off negative vibes. Draw lessons from these experiences to incorporate the positives into your own structure, while eliminating the negatives. Think about what cultivated or deterred success.
3. Find complementary workers. This does not mean you should hire only people who are exactly like you. In fact, hiring employees whose personalities differ from your own can give your company more balance. Identify your weaknesses and go from there. For example, if you are not good at working with numbers, your backup should be.

4. Keep the lines of communication open. As you begin to develop the corporate culture, engage in back-and-forth communication with your employees. Give people a platform to express their opinions. They may provide valuable insights that you can utilize or fine-tune according to your needs.

5. Have fun while you are working. If work is completely tedious, it will likely have a dampening effect on productivity. Of course, some businesses have more leeway than others, but there are various workplace activities that are not strictly work. For example, a company picnic with athletic contests or a group outing to a restaurant can be conducive to building employee morale.

6. Emphasize teamwork. Your corporate culture should improve if you make it clear that you all work as a team rather than as just a group of individuals. Employees are more likely to embrace your vision for the company if they feel they are part of a team. What's more, if you hold events where spouses and significant others are included, loyalty will only grow.

Undoubtedly, the corporate culture will continue to evolve as workers come and go and while you adapt to changes. But building a solid foundation is essential to the process.

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Facts and Figures

Timely points of particular interest

Luxury Car Limits—The deductions for vehicles used for business driving are limited by the so-called luxury car rules. The IRS, which indexes these limits annually, recently announced the maximum deductions allowed for vehicles placed in service in 2017. For passenger vehicles, the maximum deduction is \$11,160, including 50% bonus depreciation. The limit for trucks and vans, including bonus depreciation, is \$11,560.

Living Wills—A living will is a legal document that specifies your intentions concerning medical treatment in the event that you become mentally or physically impaired or terminally ill. The primary purpose is to address health care concerns that might arise should you ever become incapable of making those decisions. This is helpful to those who make your end-of-life decisions.

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Tax Window for Vacation Homes

Perhaps you own a vacation home that you and your family use personally.

Key tax break: There is a unique tax window of opportunity for short-term rentals. If the rental for the year lasts 14 days or less, you do not have to report any income or expenses on your tax return.

For example, say you rent out your second home for two weeks this summer at \$2,500 per week. Result: You can pocket the entire \$5,000 free and clear.

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