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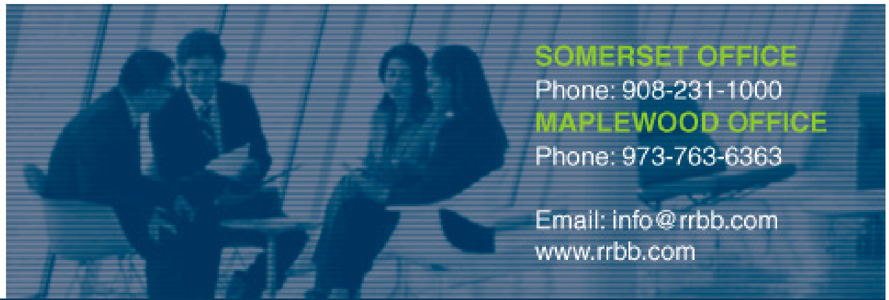

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Seven Time-tested Year-end Tax Tactics

Practical approaches for individuals

At this point, it is still uncertain whether any significant tax reform will be enacted this year. Keeping that in mind, individual taxpayers may stick with "tried-and-true" methods to reduce taxes owed at year-end. Here are seven prime examples:

1. Harvest capital gains or losses. Typically, you might realize capital gains or losses from sales of securities that can offset each other at year-end. The maximum tax rate on net long-term capital gains is 15% (20% for those in the top 39.6% bracket). Conversely, capital losses can offset gains plus up to $3,000 of ordinary income in 2017. Note that other tax provisions, including the 3.8% surtax on net investment income (NII), may come into play.

2. Donate to charitable causes. Generally, you can deduct the full amount of cash (or cash-equivalent) gifts made to qualified charitable organizations, as long as you keep the necessary records. Also, you may deduct the fair market value of gifts of appreciated property if certain requirements are met. However, special limits often apply, including a 3% reduction in deductions for certain high-income taxpayers.

3. Account for the AMT. The alternative minimum tax (AMT) continues to trap millions of taxpayers each year. This "stealth tax" may apply if you have an overabundance of "tax preference items," especially if you reside in a high-tax state. Have a review of your AMT liability conducted to determine if you should shift income items or deductions at year-end.

4. Prepay state and local income taxes. Absent other circumstances, the conventional wisdom is to reduce your current income tax bill whenever possible. Therefore, you might arrange to prepay any state and local income taxes due by January 1, 2018, before the end of 2017. As a result, you can increase your deduction for state and local taxes in 2017.

5. Secure dependency exemptions for children. Generally, you can claim a dependency exemption for children under age 19 or full-time students under age 24. However, you must provide more than half the child's support to qualify. When necessary, increase support at year-end to ensure that you clear the half-support mark this year.

6. Bunch up medical expenses. For all taxpayers, the current threshold for deducting medical expenses is 10% of adjusted gross income (AGI) for the year. (Prior to 2017, it was 7.5% of AGI for taxpayers age 65 or older.) Thus, it may be advantageous to move nonemergency medical expenses, such as dental cleanings and physical examinations, into this year. Try to move medical expenses into the tax year when they will do you the most tax good.

7. Avoid RMD penalties. If you are older than age 70½, you must take annual required minimum distributions (RMDs) from your qualified plans and IRAs. The penalty for failing to take RMDs is equal to 50% of the required payment. Comply with the rules before it is too late.

Of course, this is only a general overview of year-end tax planning. Your personal situation may require a different approach. Schedule a meeting with your professional advisers to discuss the alternatives.

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Minding Your Business Manners

Steps to improve workplace etiquette

All too often these days, workers exhibit rude, inappropriate or self-absorbed behavior. Sadly, in many places of business across the country—including boardrooms, offices and plant floors—appropriate business etiquette is not being observed. What's more, bad behavior might lead to confrontation and even violence that can threaten someone's well-being and the business as a whole.

This does not mean you have to adhere to the strict regimen espoused by Emily Post almost a century ago, but employees will take their cues from top managers. By making a conscious effort to improve your own manners, you can set the tone for the workplace. Consider the following suggestions:

- During meetings, put your cell phone on vibrate. Better yet, shut it off completely, especially if you tend to forget about it.
- Pay attention to the people in attendance at meetings, not your cell phone or other electronic devices. Avoid scrolling through e-mails. Do your best to fully concentrate on the task at hand.
- Dress appropriately, and avoid wearing strong-smelling cologne or perfume.
- Stay home if you are sick. Do not risk spreading germs or otherwise disrupting the workplace.
- Be on time for meetings. Reschedule them if you simply do not have enough time to attend. It is rude to constantly keep people waiting.
- Stick to the schedule. If workers are just standing around and waiting for you, productivity suffers.
- Don't disturb others who are working. If you need to have a loud conversation or conference call, find a private place to do so.
- Eat lunch or snacks in the break room, if there is one. Food odors can permeate the workplace.
- When talking in areas where others are congregating, try to keep your voice at a reasonable level. This also applies to your conversations in cubicles or hallways.
- Respect the property rights of others. That includes items hanging in a closet or stored in a refrigerator.
- Don't be so quick to fly off the handle. Yelling and screaming is not only counterproductive but also can be quite embarrassing.

If you are in a position of authority, how can you best deal with offenders? For starters, do not react to bad behavior with rants of your own. Second, take the person aside in private, and explain the problem without getting emotional or angry. Sometimes, a little sympathy can go a long way. Make it a point to follow up with the worker and commend him or her for any improvement.

Naturally, there are no guarantees that bad or rude behavior will stop. If it continues or worsens, follow the procedures required by company policy. When necessary, update your company manual.

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New Cases Concerning Family Medical Leave

Three recent rulings focus on key issues

The Family and Medical Leave Act (FMLA) concerns when an employee can take extended time off from work. Three new cases point out the need for both employers and employees to understand the rules.

Background: Under the FMLA, an eligible employee is entitled to take up to 12 weeks of unpaid leave to care for a newborn or a child with a serious health condition. This law generally applies to all public employers, and private employers with 50 or more employees.

To be eligible for FMLA leave, an employee must work for a covered employer and must

- have worked for that employer for at least 12 months;
- have worked at least 1,250 hours during the 12 months prior to the start of the FMLA leave; and
- be working at, or within 75 miles of, a location where at least 50 people are employed.

For instance, a covered employer must grant an eligible employee up to 12 workweeks of unpaid leave in a 12-month period for the following events: birth of a child and to care for the newborn; adoption or fostering of a child and to care for the newly placed adopted or foster child; the need to care for an immediate family member (i.e., a spouse, child or parent) with a serious health condition; or the employee's inability to work because of a serious health condition.

These guidelines are relatively clear, but FMLA matters often are still contested in the courts.

New case #1: A security guard took leave from his job when his wife fell ill. Upon his return, however, the employer questioned whether he was actually married. The security guard provided proof but was fired anyway. He sued two years later. **Result:** The employer argued that the legal action was filed too late, but the court ruled that the complaint had been properly lodged within the three-year period for a willful FMLA violation.

New case #2: A nursing manager told a supervisor that her mother was sick with cancer. Eventually, the manager accepted a demotion and went on FMLA leave to care for her mother. But she then sued the employer, alleging that she had been demoted because she said she might need to take FMLA leave. **Result:** The Fifth U.S. Circuit Court of Appeals sided with the employer. A mere mention of her mother's illness was not sufficient to trigger an FMLA notice or support a retaliation claim.

New case #3: An x-ray technician suffering from colitis was approved for intermittent leave. When he missed work for other reasons, he was terminated based on performance. The employee sued, claiming his intermittent leave had not been treated properly because he'd had to obtain frequent recertification. **Result:** The court ruled that the employer had followed the rules by allowing the employee plenty of time to obtain recertification and providing adequate notice. Therefore, the case was dismissed.

Moral of the story: Don't leave these matters to chance. If you have any questions about FMLA eligibility, seek professional guidance.

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Five Year-end Moves for Small Businesses

Top ideas for your business operation

As with individuals, year-end tax planning for businesses remains somewhat uncertain. However, the Protecting Americans from Tax Hikes (PATH) Act of 2015 preserved certain tax benefits that can be incorporated into a logical year-end plan. Here are five ideas for small-business owners to consider:

1. Speed up equipment deductions. Under the PATH Act, the maximum Section 179 deduction for qualified business property is set at $500,000, subject to a phaseout threshold of $2 million, and these figures are indexed for inflation ($510,000 and $2,030,000 for 2017, respectively). This entitles your business to a current deduction up to the limits. Furthermore, your business may claim 50% bonus depreciation on qualified property. This tax break will be reduced to 40% in 2018 and 30% in 2019, before expiring in 2020. Plan equipment purchases to maximize the tax benefits.

2. Investigate research credits. A business may be entitled to a tax credit for incurring qualified research and development costs. Generally, the research credit is equal to 20% of the expenses over a base amount, or the business can elect a simplified 14% credit. Be aware that the credit, which has expired and been extended numerous times in the past, was finally made permanent by the PATH Act.

3. Hire target group workers. The PATH Act also extends through 2019 the Work Opportunity Tax Credit (WOTC) for hiring workers from certain "target" groups. Generally, the WOTC is equal to 40% of first-year wages up to $6,000, for a maximum credit of $2,400 per worker. (Other special rules may apply.) There is no limit on the number of credits your business can claim for qualified workers.

4. Rescue bad debt deductions. If you have not been paid amounts owed to your business, you may be able to salvage a deduction for debts that are "worthless." But you must show that you've made good faith efforts to collect the debts. To secure a deduction for 2017, step up your collection activities before the end of the year. Keep detailed records—including correspondence, e-mails and telephone calls with debtors—of your collection efforts.

5. Kick off a new business venture. A special provision in the tax code currently allows you to deduct up to $5,000 of qualified startup expenses for a new business. Any excess must be amortized over 180 months. However, to qualify for the current tax write-off, the operation must be an ongoing activity, so make sure the doors are officially "open for business" before the end of the year.

This is just a brief overview of several potential tax moves for small-business owners. Obtain specific guidance related to the best approach for your business.

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Facts and Figures

Timely points of particular interest

Party Planning—Are you hosting a holiday get-together for the staff in December? Be mindful that serving alcohol on the business premises or sponsoring a bash at an outside venue could result in legal problems if an intoxicated employee injures someone while driving after the party. Use a healthy dose of common sense and caution for revelers.

***my*RA No More**—The Treasury Department has announced that it is shutting down the *my*RA program, claiming that this retirement-saving device, which was slow to catch on with the public, is too costly to administer. Participants are being notified about how to move *my*RA funds into a Roth IRA.

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Hurdle the IRA Rollover Limit

If you want to move funds from one IRA to another—say, for investment purposes—you can use a rollover, but only once a year. Under the Tax Court's interpretation of a recent case, this applies to all your IRAs, not just one specific, separate IRA.

However, the once-a-year limit does not apply to trustee-to-trustee transfers between IRAs or rollovers from a traditional IRA to a Roth IRA. Consult your tax adviser for guidance.

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RRBB Accountants and Advisors

SOMERSET OFFICE
265 Davidson Avenue, Suite 210
Somerset, NJ 08873-4120
908-231-1000

MAPLEWOOD OFFICE
111 Dunnell Road
Maplewood, NJ 07040
973-763-6363

info@rrbb.com
www.rrbb.com