

## Important 2017 Tax Changes



fee. In 2017 the fee is the higher of 2.5% of your yearly household income up to the cost of the average qualifying insurance premium, or \$695 per person (\$347.50 per child under 18) with a family maximum of \$2,085. There are exceptions to this fee if you meet certain requirements including low income and lack of affordable insurance options.

**2:** **Premium Tax Credit.** If you purchase your health insurance through a Marketplace Exchange you could be eligible to receive a credit to help cover the cost of your insurance premium. The credit varies depending on your location, income, number of dependents, and your health plan classification. It is important to accurately reflect your current situation when you apply for this coverage through the exchange. It is also important to review your Form 1095 for accuracy at the end of each year. Making errors in this area could result in unpleasant tax surprises at the end of the year.

**Mileage Rates.** The amount available for qualified deduction of automobile use is:

Mileage Rates (per mile)		
Item	2017	2016
Business	53.5¢	54.0¢
Medical / Moving	17.0¢	19.0¢
Charitable	14.0¢	14.0¢

### Business Taxes

**Section 179 Limits.** The maximum Section 179 deduction for property placed in service in 2017 is \$510,000. This limit is reduced by total purchases of qualified property in excess of \$2.03 million. Section 179 allows small business owners to expense, rather than depreciate, qualified property up to the published limits.

Please remember that Section 179 provisions only impact the timing of when you expense your depreciation and not the total amount of depreciation you may expense over the life of the assets purchased.

**Home Office Safe Harbor Calculation.** There is a simplified way to take a home office expense for a portion of your home. The limit is up to \$1,500. It replaces the cumbersome method of allocating valid home expenses by a percentage of the home used for business.

**Common Business Credits Extended and made Permanent.** A number of other business tax provisions are now permanent, while others remain in temporary status. Some of the more common are:

- ✓ Increased Research Expenditures (*permanent*)
- ✓ 15-year straight line depreciation for qualified leasehold improvements, restaurant and retail improvements (*permanent*)
- ✓ Special deductions of food inventory to charity (*permanent*)
- ✓ New Markets Tax Credit (*through 2019*)
- ✓ Work Opportunity Tax Credit (*through 2019*)
- ✓ First-year bonus depreciation for assets placed in service during the tax year. (*50% for 2015 - 2017, 40% for 2018 and 30% for 2019*)

**Caution:** Many general business credits are no longer available beginning in 2017 unless Congress changes their status.

This is a brief summary of some of the broadest known tax changes in 2017. There are also many pre-programmed changes built into the tax code. Should you have any questions regarding your situation, please call.

This publication provides only summary information regarding the subject matter. Please call with any questions on how this information may impact your situation.

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# 2017 Tax Alert

2017 looks to be another year of tax uncertainty. Tax legislation may be on the horizon after the newly elected Congress and President take office. While no one is certain what will be passed, you can prepare based on the following tax laws currently on the books.

## Individual Taxes

**Tax Rates.** For now, tax rates remain unchanged in 2017, though the income brackets that apply to these rates have been increased approximately 1% to 2%.

Year	2017
Income Tax Rates	10%, 15%, 25%, 28%, 35%, 39.6%

Long-term Capital Gains Tax rate if in...	2017
10% and 15% income tax brackets	0%
25% thru 35% income tax brackets	15%
39.6% income tax bracket	23.8%*

\* includes 3.8% Net Investment Tax

The higher 39.6% tax rate applies to anyone who has income above \$418,400 single, \$444,550 head of household, and (with marriage penalty) \$470,700 married filing joint.

**Deduction and Exemption Phase-out.** For 2017, up to 80% of your itemized deductions and all of your personal exemptions could be phased out. This will impact you if your income is over \$261,500 single, \$287,650 head of household or \$313,800 married filing jointly. If you lost some of your exemptions or itemized deductions in 2016 you may want a review of your situation.

**Child Tax Credit.** The child tax credit stays at \$1,000 in 2017 and is partially refundable.

**Earned Income Credit (EIC).** Expansions of EIC credit amounts and income limitations on eligibility for EIC are now a permanent part of the tax code. EIC maximum credits range from \$510 with no qualifying children to \$6,318 with three or more.

**American Opportunity Tax Credit (AOTC).** The AOTC is now a permanent part of the tax code. This provision allows for up to \$2,500 in qualified secondary educational expense (tuition and related expenses) to be deducted for qualified students. The AOTC covers four years and has income limitations of \$80,000 for single; \$160,000 for married filing joint. Up to 40% of the credit is refundable if your federal tax bill is zero.

**Health Care Savings Accounts.** The Health Care Savings Account (HSA) annual contribution limits for those in qualified high deductible health insurance plans is \$3,350 for a single taxpayer and \$6,750 for a family. If you are age 55 or over the amount increases by \$1,000.

**Social Security Limits.** Income subject to Social Security tax jumped 7.3% to \$127,200 in 2017.

**New Filing Deadlines.** Three major changes in filing deadlines take place in early 2017:

- ✓ W-2s and most 1099-MISC are now required to be filed with federal authorities by the end of January each year. In prior years, electronic submissions received an extra 30 to 60 days.
- ✓ Annual foreign account reporting is now required on or before April 15th. The former date was June 30th.
- ✓ Expect K-1s from Partnerships earlier. The annual due date was moved from April 15th to March 15th.



## Expiring Tax Laws

Unless extended, the following tax provisions expired at the end of 2016:

- ✗ Deduction of qualified tuition and educational expenses.
- ✗ Itemized deductions of mortgage insurance premiums.
- ✗ Mortgage debt forgiveness deduction, allowing home owners to avoid being taxed on the amount of debt forgiven by a lender.

## Other Key 2017 Tax Laws

**Estate Taxes.** In 2017, the maximum estate tax is 40%. Up to \$5,490,000 in assets are sheltered from this tax. In addition, the ability to transfer unused portions of your estate tax exclusion to your spouse is a permanent part of the tax code.

**Gift Taxes.** Gift tax rates are unified with estate taxes. This means the gift tax exclusion amount for 2017 is \$5.49 million with a top gift tax rate of 40%. The annual gift exclusion amount for 2017 is \$14,000 (\$28,000 per couple).

**Health Care Provisions.** There are two Affordable Care Act tax provisions worth noting:

- ☐ Shared Responsibility Payment. If you do not have qualified health insurance for yourself and your dependents you will need to pay a