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O'TOOLE

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# renews

Ideas to help small businesses and individuals maximize income while minimizing taxes.

4th Quarter 2016

## 2016 TAX CHANGES AND DUE DATES

On July 31, 2015, President Obama signed into law P.L. 114-41, the "Surface Transportation and Veterans Health Care Choice Improvement Act of 2015."

### What does this have to do with you?

Well, even though this new law was primarily designed as a 3-month stopgap extension of the Highway Trust Fund and related Measures — **it also included a number of important tax provisions**, including revised due dates for partnership and C corporation returns and revised extended due dates for some returns.

The following provisions may impact you, your family, or your business.

### Revised Due Dates for Partnership and C Corporation Returns

Under the new law, in a major restructuring of entity return due dates, these are the new deadlines effective generally for returns for tax years beginning after Dec. 31, 2015:

- **Partnerships will have to file returns by the 15th day of the third month after the end of the tax year.** For instance, entities using a calendar year will have to file by Mar. 15 of the following year. In other words, the filing deadline for partnerships will be accelerated by one month.
- **C corporations will have to file by the 15th day of the fourth month after the end of the tax year.** This means C corporations using a calendar year will have to file by Apr. 15 of the following year. In other words, the filing deadline for C corporations will be deferred for one month.

### Revised Extended Due Dates for Various Returns

As in the past, when you can't file a tax form on time, you can always ask the IRS for an extension to file the form. Effective for tax year 2016 and beyond, the IRS is providing for a longer extension to file a number of forms, including the following:

## A Time to Be Thankful

*The staff here at Honeck O'Toole wishes to thank you for choosing us for your tax and financial planning needs. We sincerely appreciate your business and your kind referrals... and we look forward to serving you in 2017 and beyond.*

*We hope you and yours have a very happy Thanksgiving, a joyous Holiday Season and a very happy New Year filled with exciting plans and prosperity!*

**Your Honeck O'Toole Team**

Thanks  
to you!



## Call Now for a Year-End Projection and Last-Minute Advice

In just a few weeks, we'll all be closing the books on 2016. If you've gone through some changes in your business or personal life in 2016, you may not be sure where you stand regarding your income and taxes. We'd hate to see you discover surprises at tax time, so let's do a check in now.

Contact us as quickly as possible if you'd like our help in getting a clear picture of your projected total 2016 income and deductions, and to map out a smart plan to close out the year.

**207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com).**

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- **Form 1065 (U.S. Return of Partnership Income)** will have a maximum extension of six months (currently, a 5-month extension applies). The extension will end on Sept. 15 for calendar year taxpayers.
- **Form 1041 (U.S. Income Tax Return for Estates and Trusts)** will have a maximum extension of five and a half months (currently, a 5-month extension applies). The extension will end on Sept. 30 for calendar year taxpayers.

### FinCEN Report Due Date Revised

Taxpayers with a financial interest in or signature authority over certain foreign financial accounts must file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). The deadline for this form used to be June 30 of the year immediately following the calendar year being reported, and no extensions were allowed. But now it's April 15 with a maximum extension to Oct. 15.

**If you're confused about filing deadlines, don't hesitate to contact us!**

## SOCIAL SECURITY CHANGES BEGIN 01/2017

### Social Security Payments Increase by 0.3 Percent Beginning January 2017

Social Security benefits are adjusted each year to keep pace with inflation as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers. This 2017 cost-of-living adjustment is estimated to result in the typical Social Security beneficiary receiving an extra \$5 per month.

- The average monthly payment for retired workers is expected to be \$1,360 in 2017.
- Retired couples will receive an average of \$2,260 per month in 2017, up from \$2,254 in 2016.

### The maximum taxable earnings amount will increase from \$118,500 in 2016 to \$127,200 in 2017.

Earnings above this amount are not taxed by Social Security or used to calculate Social Security payouts in retirement. Some 12 million workers are expected to pay more into the Social Security system as a result of this change.

### Retirees who work and collect Social Security at the same time might have part of their benefit temporarily withheld if they earn too much.

- The Social Security earnings limit for people age 65 and younger will increase from \$15,720 in 2016 to \$16,920 in 2017. Social Security beneficiaries who earn more than this amount will have \$1 in benefits withheld for every \$2 in earned income over the limit.
- For those who will turn 66 in 2017, the earnings limit increases by \$3,000 to \$44,880, and the payment reduction declines to \$1 withheld for every \$3 earned in excess of the earnings limit. However, once you turn age 66, Social Security payments are no longer withheld if you work and receive benefits at the same time and your payments will be increased to give you credit for any part of your benefit that was withheld in the past.
- The maximum possible payout for someone retiring at his or her full retirement age of 66 will increase by \$48 to \$2,687 in 2017. However, a higher monthly payment might be possible for those who delay starting payments until after their full retirement age.

## ACCOUNTANTS

### Maureen Renner



Maureen's creative background aligns nicely with many of our clients. Earning her BA in Theatre from the University of Southern Maine, and MS in Accounting from Southern New Hampshire University, she's working on her CPA and Certificates in Taxation and Forensic Accounting. She's worked in theatre design & management, spent 14 years in private accounting and was an inventory controller with a local art supply company. She said, "I was drawn to the firm because of the client profiles on our website. I'm galvanized by working with creative entrepreneurs." Maureen is a potter, the Treasurer of the Board of Directors for Mad Horse Theatre Company, and enjoys hiking, geocaching and kayaking. She grew up in Philadelphia, and now lives in Portland.



### Zach Scrutchfield, CPA

Asked about his education, Zach said, "I guess I am a cross between a Bulldog and Black Bear (A dog-bear?). I graduated from Portland High and I earned my bachelor's degree in Business Administration with a concentration in Accounting from the University of Maine." Zach is a CPA: "I fought the battle with the test and after an arduous conquest came out victorious." He started at BerryDunn, developing a specialization in audits. At Honeck O'Toole, he'll help clients gain control over their financial reporting needs. He said, "I am glad to be part of a team that puts clients first and strives to add value to the work we do." Zach enjoys spending time with family, camping, and running. He has run in the Beach to Beacon for the last eight years.

## FILE 1099 FORMS BY THESE NEW DEADLINES

Form	Due to Recipient	Due to IRS
<b>1099-MISC</b> box 7 (reporting nonemployee compensation payments)	1.31.2017	1.31.2017
<b>1099-MISC</b> (otherwise, not box 7)	1.31.2017	2.28.2017
<b>1099-B 1099-S 1099-MISC</b> boxes 8 or 14	2.15.2017	2.28.2017
<b>Other 1099 Forms</b> W-2G 3921, 3922	1.31.2017	2.28.2017
<b>W-2</b>	1.31.2017	2.28.2017

Remember — the IRS has been cracking down on businesses that neglect to file IRS Form 1099 variations, and the penalties are severe for those who submit forms late or don't turn them in at all. Notice that the due dates change on some of these forms, depending on the box you fill out.

## READY FOR A LONG LIST OF MAINE STATE TAX CHANGES?

We don't have enough room here to list ALL the Maine Revenue Services tax changes for tax years beginning in 2016... but we wanted to point out a few important changes as this tax year comes to a close.

- Sales tax on casual rentals of living quarters, such as Airbnb: The sales tax rate was increased to 9% beginning January 1, 2016. (You can remit sales tax with your personal return if less than \$2,000 collected. Over that requires a separate filing of Maine Sales Tax Return. Even if below the \$2,000 threshold, you must still apply for a sales tax ID number.)
- Standard deduction amount:
  - The Maine standard deduction amount is equal to \$11,600 for individuals filing single and married persons filing separate returns; \$17,400 for unmarried or legally separated individuals filing as heads of household; and \$23,200 for married persons filing joint returns or surviving spouses.
  - The single standard deduction amount will be adjusted for inflation. The standard deduction amount for unmarried or legally separated individuals filing as heads of household will be 1.5 times the single standard deduction and 2 times the single standard deduction for married taxpayers filing joint returns or surviving spouses.
- Standard/itemized deduction phaseout:
  - The law changed to phase out the value of the standard deduction or itemized deduction, whichever applies, for taxpayers whose Maine adjusted gross incomes exceed \$70,000 for single individuals and married persons filing separate returns, \$105,000 for individuals filing as heads of households, and \$140,000 for individuals filing married joint returns or as a surviving spouse.
  - The deduction amount is fully phased out for taxpayers whose Maine adjusted gross incomes are more than \$145,000 for single individuals and married persons filing separate returns, \$217,500 for individuals filing as heads of households, and \$290,000 for individuals filing joint returns or as a surviving spouse.
- Tax rate schedules for tax years beginning in 2016:
  - The 0%, 6.5% and 7.95% tax rate brackets are replaced with 5.8%, 6.75% and 7.15% tax rate brackets.
- Military pension income deduction. Benefits received under a military retirement plan, including survivor benefits, are fully exempt from Maine income tax.
- Maine educational opportunity tax credit is expanded/extended as follows for many individuals (this is a partial list):
  - Qualified individuals who obtain an associate's degree or bachelor's degree after 2015 from a non-Maine community college, college or university;
  - Graduate degrees obtained from a Maine college or university after 2015;
  - Removes the requirement that a qualified individual maintain Maine residency while attending school;
  - Makes the credit refundable for all associate degrees;
  - Extends the credit available to employers contributing to graduate degrees earned by qualified employees and by removing the principal cap (tax credit limitation) relative to qualified employees.
- Repealed starting in tax year 2016 (a partial list):
  - Qualified tuition and related expenses addition modification;
  - Subtraction for long-term care premiums;
  - Jobs and investment tax credit (unused credit amounts may be utilized to the fullest extent allowed by the carry-forward provisions);
  - Subtraction of up to \$250 per beneficiary to 529 college tuition plans;
  - Credit for employer-assisted day care (unused credit amounts may be utilized to the fullest extent allowed by the carry-forward provisions);
  - Credit for employer-provided long-term care benefits (unused credit amounts may be utilized to the fullest extent allowed by the carry-forward provisions);
  - Credit for child and dependent care expenses: no longer refundable for nonresident taxpayers.

**Be sure to check with us if you have questions about Maine Tax Law changes:**

**207-774-0882 Email: [info@honeckotoole.com](mailto:info@honeckotoole.com)**

### DISCLAIMER

Any accounting, business, or tax advice contained in this communication is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

## CLIENT PROFILE

### Dr. Robert Sansonetti

Obstetrician-gynecologist (and beanie knitter)

Dr. Sansonetti isn't just a wonderful doctor based in Scarborough, Maine... he's developed a special reputation for giving each newborn in his medical practice a special gift: a hand-knitted beanie. He was inspired by a book that he bought for his children as a Christmas gift when they were teenagers. It is the story of a man in Norway who made it his mission to knit a unique hat for each of his friends. This simple book started a knitting frenzy for the Sansonetti family, and by chance resulted in the creation of the first baby-sized beanie. As a random act of kindness, he gave it to the next baby he delivered. Now, over 400 baby beanies later, the tradition continues! In 2011, he started a blog called **Dr. Bob's Baby Beanies**, where you can see the adorable babies he has delivered, wearing their cozy beanie hats: <http://drbobsbabybeanies.blogspot.com/>.

Dr. Sansonetti enjoys the close and lasting doctor-patient relationships that arise in solo practice, a style of practice that is increasingly rare in the current trend of large group medical practices. A testament to those lasting relationships is the fact that he has begun to deliver babies for babies (now adult men and women) that he delivered 24 years ago! He's been a Honeck O'Toole client since he started his solo practice in 1992... and is grateful to Peter Callnan and the team for ongoing guidance, attention to detail and friendship over the years.



## WATCH FOR YOUR PURPLE PRE-BILL AND TAX ORGANIZER

By now you've probably seen your 2016 Honeck O'Toole tax preparation pre-bill (the "purple pre-bill") so you can choose to pay part of next spring's tax return preparation fee before 12/31/16 and take the deduction in this tax year (if you qualify). Please note that this payment is OPTIONAL, it's not required.

In early January, you can expect to receive our annual Tax Organizer. This year, as an alternative to the paper version, you can call or e-mail us in advance to request an all-new, digital "fill-in-the-blanks" form (an "E-Organizer"). You can complete the E-Organizer on your computer and then email it back to us. You'll still need to provide us with copies of original tax forms (W-2's, 1099's, K-1s, etc.).

Please reach out to us by phone or e-mail as soon as you can to sign up for an E-Organizer!

**Phone:**  
207-774-0882

**Email:**  
[info@honeckotoole.com](mailto:info@honeckotoole.com)



## AVOID 2016 TAX CHANGE SURPRISES!

If your situation changed in any way in 2016, your taxes may change. We encourage you to contact us right away for assistance before year-end.



**Call for Assistance Anytime!**  
We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.



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