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# ClientAdvisor

Fall/Winter  
2016

## Dear Clients & Friends,

Included in this issue are some ideas to help improve your financial situation in 2017. There is also a summary of tax changes in the news and a reminder to keep on top of your credit. For your reference, a recap of key tax information for 2016 is presented to help you prepare for the upcoming tax season. And finally, tis the season for seasonal workers. Small employers need to

be aware of how the Affordable Care Act could impact your hiring practices. As always, should you have any questions or concerns, please feel free to call.

*Thanks for your support.*

## Getting Ready for 2017

One good way to achieve big financial goals is to start with small steps. Here are suggestions for fine-tuning your financial situation for 2017.

### Shift out of automatic

Have you established automatic bill pay at your bank or service provider, or automatic charges to your credit card?

**Small step:** Look for payments for goods or services you no longer use, such as monthly recurring subscriptions.

**Big goal:** Reduce total expenses and increase savings.

### Take the urgency out of emergency

Everyone knows having an account with enough funds specifically earmarked for emergencies is a good idea. But the amount you need to save seems overwhelming. The good news is you don't have to immediately fund six months of living expenses.

**Small step:** Set up a separate account with automatic deposits of \$5 or \$10 per paycheck, perhaps with funds you've redirected from those unused monthly recurring subscriptions.

**Big goal:** An emergency fund with enough cash to cover six months of expenses.

## Everyday Advice

*"Imagining what you want as if it already exists opens the door to letting it happen."*

— Shakti Gawain, Author

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# Getting Ready for 2017

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## Give yourself credit

Maybe you intend to pay off your credit card debt. But do you have a plan? Knowing where you stand is the first step in getting to where you want to be.

**Small step:** Make a list of your cards, the balances, the minimum payments, and the interest rates, then determine the best strategy to attack this debt.

**Big goal:** Eliminate finance charges by being able to pay off your balances each month.

## Retire your excuses

Does your employer offer a retirement plan? If so, you may be leaving money on the table.

**Small step:** Find out what amount is available as "matching" funds. That's money your employer will add to your account when you make contributions.

**Big goal:** Maximize your retirement contributions.

Small steps can lead to big improvements in your financial well-being.



## Key 2016 Tax Info

Personal Exemption			
Item	2016	2015	Change
Personal Exemption	\$4,050	\$4,000	+\$50
<b>Exemption phase-out</b>	<i>Reduce exemptions by 2% for each \$2,500 (or any part thereof) of \$1,250 MFS) over the phase-out threshold amounts listed below.</i>		
Single	259,400	258,250	+\$1,150
Head of household	285,350	284,050	+\$1,300
Married joint/widow	311,300	309,900	+\$1,400
Married filing separate	155,650	154,950	+\$700

Mileage Rates			
Item	2016	2015	Change
Business	54.0¢/mi	57.5¢/mi	-3.5¢
Medical/moving	19.0¢/mi	23.0¢/mi	-4.0¢
Charitable	14.0¢/mi	14.0¢/mi	—

Standard Deductions			
Item	2016	2015	Change
Single	\$6,300	\$6,300	—
Head of household	9,300	9,250	+\$50
Married joint/widow	12,600	12,600	—
Married filing separate	6,300	6,300	—
Elderly/blind: married	+\$1,250	+\$1,250	—
Elderly/blind: unmarried	+\$1,550	+\$1,550	—
<b>Deduction phase-out</b>	<i>Itemized deductions can be reduced by 3% of the amount AGI exceeds the applicable thresholds listed below. Maximum deduction is 80% of itemized deductions.</i>		
Single	259,400	258,250	+\$1,150
Head of household	285,350	284,050	+\$1,300
Married joint/widow	311,300	309,900	+\$1,400
Married filing separate	155,650	154,950	+\$700

## Income Brackets for 2016 Tax Rates

Tax Rate	Single	Married filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1 - 9,275	\$1 - 18,550	\$1 - 13,250	\$1 - 9,275
15%	9,276 - 37,650	18,551 - 75,300	13,251 - 50,400	9,276 - 37,650
25%	37,651 - 91,150	75,301 - 151,900	50,401 - 130,150	37,651 - 75,950
28%	91,151 - 190,150	151,901 - 231,450	130,151 - 210,800	75,951 - 115,725
33%	190,151 - 413,350	231,451 - 413,350	210,801 - 413,350	115,726 - 206,675
35%	413,351 - 415,050	413,351 - 466,950	413,351 - 441,000	206,676 - 233,475
39.6%	Over \$415,050	Over \$466,950	Over \$441,000	Over \$233,475

Long Term Capital Gains			
Tax Rate if in...	2016	2015	Change
10% - 15% income tax brackets	0%	0%	—
25% - 35% income tax brackets	15%	15%	—
39.6% income tax bracket	23.8%**	23.8%**	—

\*\* Includes 3.8% Net Investment Tax.



# Keeping an Eye on Your Credit

With the increase in frequency and financial impact of identity theft, wouldn't you like a simple tool that can help you protect yourself? Here's one: Proactively monitoring your credit. These tips can get you started.

**Obtain your credit report.** You can request a free copy of your credit report from all three credit bureaus once per year. Make sure to only request your report through the government-approved website and check all three because lenders may report to only one or two credit bureaus.

**Review your report.** The report will list all credit associated with your social security number, including open and closed accounts. Use the report as a tool to review your current financial position and plan for the future.

Are there accounts you no longer need? You may want to contact the lender to close the account. Is that a good idea? While closing an account could affect your credit score, you may choose to do so for other reasons. For example, the



card might have an annual fee you no longer want to pay, or you may worry the unused open account could be compromised through identity theft, especially if you are not in the habit of routinely monitoring that particular card.

Another question to ask is if your credit report contains discrepancies. Perhaps the listing shows accounts you don't believe are yours, or late payments that you feel are inaccur-

rate. You can dispute these findings with the credit bureau to get your account cleaned up.

**Know the score.** Your credit score is based on your credit report, though the two are not the same. The score is essentially an analysis of how likely you are to pay your bills and repay loans, summarized as a three-digit number. Scores typically range from 300 to 850. The higher your score, the better your prospects of being offered favorable interest rates, terms, and fees.

Monitoring your credit on a consistent basis is a simple process that can keep your account free of damaging information. Consider incorporating a review as part of your year-end financial routine.

For more tips about good financial management, contact our office.

## Taxes in the News

### Olympic medals no longer taxable

As of January 1, 2016, Olympic athlete medal winners who earn less than \$1 million per year will no longer have to pay federal income tax on Olympic medals or prize money. The United States Appreciation for Olympians and Para-Olympians Act of 2016 was signed into law on October 7, 2016, and is effective retroactively to the first of the year.

### More time to claim disaster losses

Under new IRS rules, taxpayers who have suffered a disaster loss have more time to decide whether or not to claim the loss on their prior-year federal income tax return. Before the new rules, the due date for making

the election to claim the loss was generally April 15. Now taxpayers have until six months after the due date for filing the taxpayer's federal income tax return for the disaster year.

### Higher social security wage base

The wage base for withholding social security tax from wages has increased to \$127,200, up from \$118,500 in 2016. The federal payroll tax rate remains 7.65%, with social security tax withheld at 6.2%, and Medicare tax withheld at 1.45%. Employers withhold that Medicare tax on all wages.

### No change to nanny tax threshold

The social security coverage threshold for domestic employees,

including nannies, will remain at \$2,000 for 2017, the same as the 2016 threshold. Employers whose household workers earn less than \$2,000 do not have to pay social security or Medicare taxes on wages paid to those employees. Employers who pay more than the threshold are required to pay social security tax of 6.2% and Medicare tax of 1.45%. The \$2,000 threshold applies separately to each employee.

### Refund Delay

Tax returns claiming an Earned Income Tax Credit or the Additional Child Tax Credit will have refunds delayed until after February 15th, 2017. This delay is now a legal requirement to help the IRS identify errors and possible identity theft.

# ClientAdvisor

Practical Tax & Financial Advice

## Hiring Seasonal Workers Requires Tax Diligence

Do you intend to hire workers during the busy holiday season? Then you need to plan for those extra payroll responsibilities, plus the cost of training your new employees. In addition, you'll want to be aware of Affordable Care Act (ACA) rules.

### Changes affecting your 2016 return

Previously, the ACA required employers with 100 or more full-time equivalent employees to provide minimal essential health insurance coverage to at least 70% of full-time workers and their dependent children. This increased to 95% of full-time workers for 2016.

The "shared responsibility" penalty was also extended in 2016 to businesses with 50 or more full-time equivalent employees. Businesses with 49 or fewer full-time equivalent

employees remain exempt from the requirements.

### Seasonal workers

The IRS says a "seasonal worker" is one who performs labor or services on a seasonal basis. For instance, if you operate a retail business, workers you hire solely during the holidays qualify as seasonal workers. Getting the definition right can determine whether you're subject to the shared responsibility penalty. Note that simply calling a worker "seasonal" isn't enough.

As a general rule, if your workforce exceeds 50 full-time employees for 120 days or fewer during a calendar year and the extra employees are seasonal workers, you may qualify for the "seasonal worker" exception to the penalty. Document your hiring practices and make sure your

business is complying with the ACA throughout the year.

### The penalties

Generally, for 2016 returns, the penalty for each month your business fails to offer required coverage is based on a per-employee dollar amount. The first 30 workers are excluded from the calculation. You'll pay the penalty on your federal tax return.

Do you have questions? We're here to help.

