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Dear Clients and Friends,

Let us be one of the first to wish you a fantastic and meaningful holiday season. We would also like to highlight several tax planning suggestions and strategies to consider before year-end.

- ✓ **Remember to Take Required Minimum Distributions** – If you are age 70 ½ or older, you are generally required to take minimum distributions from your IRA or 401(k) plans. A failure or delay to take these required minimum distributions can result in penalties. Also note that the year you turn 70 ½ brings special planning opportunities to either recognize or defer the minimum distributions.

    - For charitably minded folks 70 ½ and older, charitable donations can be made directly from your IRA. The contributions count against your minimum required distributions and are excluded from your income.

- ✓ **Consider Gift Tax Planning** – If you are planning to make gifts to family members or friends, you can exclude gifts of up to $14,000 made to each individual. These transfers may help to save family income taxes when income-earning property is given to family members in lower income tax brackets.

    - Families planning to reduce their estate tax burden by gifting interests in LLCs, partnerships, and closely held corporations should be aware that planning before year-end is critical as pending legislation may reduce to some extent your ability to discount the value of the gifted ownership interests after year-end. Note: Until IRS legislation is finalized, we are unable to fully quantify the detrimental effect with regard to reduced discounts. However, it is generally believed that discounting will be reduced to some degree. Please call soon for further information.

- ✓ **Make Use of Retirement Plans** – This tax deferral opportunity also helps to secure your retirement. Employees should work to maximize their retirement plan contributions (and employer match) by year-end. Employees can contribute $18,000 per year for a traditional 401(k) plan and a $6,000 catch-up contribution if age 50 or older. Self-employed persons should look to maximize their contributions or set up a new retirement plan before year-end.

- ✓ **Help Others through Charitable Contributions** – Consider making year-end gifts to your favorite charities. The donations help those in need and may reduce your tax bill as well. Just remember that you need a written acknowledgement from the charity for gifts of $250 or more – or gifts of $75 or more if you receive goods or services in return.

    HOT TIP: You can transfer appreciated publicly-traded stock you have held more than one year to charity before December 31 and take a charitable deduction for the full market value of the stock on the date of transfer – without having to report any capital gain income!

- ✓ **Get Ready for New Tax Due Dates in 2017** – Employers must submit Forms W-2 and some Forms 1099 to the government by January 31, 2017 (up to two months sooner than under previous rules). Also, the tax return due date for calendar-year partnership tax returns is one month sooner (March 15, 2017) and C corporation tax returns are due one month later (April 17, 2017). There are no changes to the initial tax return due dates for individuals (April 17, 2017); trusts and estates (April 17, 2017); or S corporations (March 15, 2017), although changes to the extended tax return due dates may apply. Individuals needing to disclose their interest in foreign financial accounts with an aggregate maximum balance over $10,000 will now report these interests by April 15, 2017.

  IMPORTANT NOTE: All of these due dates can be extended. We do not expect brokers and investment managers to release Forms 1099 any sooner in 2017. Thus, we continue to emphasize that for many of you, the due dates shown above are the DATES TO PAY and the extended due dates are the DATES TO FILE!

- ✓ **Make Sure Withholding and Estimated Payments are On Track** – Taxes are due to the IRS throughout the year via estimated tax payments or withholding. In certain instances, taxpayers can make up a shortfall in estimated payments through increased year-end withholding. In any case, the end of the year provides a great time to let us help you estimate your taxes due by April 17, 2017, to ensure adequate cash is on hand.

- ✓ **Accelerate Deductions and Defer Income** – A tried-and-true approach to year-end tax planning includes bunching or accelerating deductions and deferring income (such as bonuses, consulting income, or self-employment income if using the cash-basis accounting method).

- ✓ **Review your Investments** – Review year-end trades to realize capital losses where beneficial. When selling investments which have appreciated in value, consider securing long-term capital gains rates. As detailed above, gifts of appreciated stock held over one year can be a tax-efficient tool for making charitable gifts.

  - o You may also want to consider disposing of passive investments with large loss carryforwards, as the losses may then be available to offset other income.

- ✓ **Increase Basis in S Corporations and Partnerships to Secure Loss Deductions** – Nuances exist between the stock basis and debt basis concepts for S corporations and partnerships. Where losses are anticipated from these entities, the losses may be limited if adequate basis does not exist. Even if adequate stock or debt basis does exist, at-risk and passive activity loss limitations need to be considered. Where losses are anticipated, we can consult with you regarding the ability to increase basis in S corporations and partnerships in order to secure the loss deductions.

- ✓ **Invest in Business Assets** – Year end purchases of business equipment should be considered, as these purchases can often be fully or partially expensed under Section 179 (business property expensing option), bonus depreciation rules, or through a de minimis safe harbor election.

- ✓ **Download New Apps** – Tech-savvy taxpayers may want to take a look at **IRS2Go** to sign up for helpful tax tips; **Bloomberg BNA Quick Tax Reference** to quickly access current tax rates, contribution limits, and other tax information; and **MileIQ** to track and record tax-deductible business travel.

- ✓ **Keep Your Identity Safe** – With technology comes the availability of personal data. Be proactive in monitoring your credit reports (AnnualCreditReport.com offers a free copy of your credit report every 12 months from each credit reporting company) and bank accounts. Also, beware of phony e-mails and calls purporting to be from the IRS.

Thank you for your business. We are eager to assist you with your questions and year-end planning needs.

Hellam Varon & Co. Inc. PS