BENDER, CICCOTTO & CO.
Certified Public Accountants, LLP

206 New Highway, Amityville, NY 11701
Tel: (516) 826-6800 • (631) 956-9600 • Fax: (516) 826-1080
www.bcc.us.com

Client Update

WINTER 2017

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tax deadlines

January 16
- Due date for the fourth installment of 2017 individual estimated tax.

January 31
- Due date for employers to provide W-2 statements to employees, and also file Forms W-2 with the Social Security Administration.
- Due date for payers to provide most Forms 1099-MISC with non-employee compensation in box 7 to the IRS and to recipients.
- Due date for providers to send Forms 1095 to recipients and the IRS.
- Employers must file 2017 federal unemployment tax returns and pay any tax due.

February 28
- Payers must file most other Forms 1099 (except certain Forms 1099-MISC due Jan. 31) with the IRS.**

March 1
- Farmers and fishermen who did not make 2017 estimated tax payments must file 2017 tax returns and pay taxes in full to avoid a penalty.

**April 2 if filing electronically

When nature strikes, the tax code offers relief

Hurricanes, earthquakes, tornadoes, wildfires, floods and storms – these natural disasters are responsible for many lives lost, as well as billions of dollars in destruction.

Truth be told, few parts of the country escape the risk of natural disaster. If you're an unlucky victim, you may receive help from insurance and federal disaster aid. But the tax code also offers some relief. You may be able to take an itemized deduction for part of your loss. In tax terms, it's considered a "casualty loss," and it can also apply to events such as a car crash, a house fire or theft. Here are the basics:

Sudden, unexpected events

Casualty loss can result from the damage, destruction or loss of your property from unexpected and unusual events. This means that losses due to slow deterioration over the years (e.g., rot, rust or insect damage) don't qualify.

Reimbursements and tax deductions

Your tax deduction won't equal your total loss. You'll need to subtract any insurance or other reimbursement when determining the value of your loss. That includes reimbursement payments that may not be made until the next tax year. Some of the most common types of reimbursement are employer emergency disaster funds, cash gifts and insurance payments for living expenses.

After you subtract reimbursements and/or insurance payments, you'll also need to deduct $100 for each total loss event (not each piece of property that was lost in one event) and 10 percent of your adjusted gross income.

Basis adjustment

Your loss may also be limited by your adjusted basis in the property. That's generally what you paid for it, plus or minus any additions and improvements, or previous losses – including prior casualty losses and depreciation deductions.

Disaster classification

In a widespread disaster, the area may be classified as a "federally declared disaster area." If that happens, you have two choices. You can claim your casualty loss against the current year's taxes. Or you can amend the previous year's return and claim your loss against that year's taxes. If you do this, the loss will be treated as if it happened in the previous year. It may result in a lower tax for that year that could produce a refund, but it may also change the amount of your deduction.

If you suffered a casualty loss, please contact us. We'll help you claim the maximum possible tax benefit. ♦

Ready for the 2017 filing season? This will help

Tax season is almost here. Are you prepared? Take a few minutes to review these tips and reminders that will help you get the most out of your tax return.

Expired tax breaks

If you're planning on taking advantage of deductions this season, make sure they are still available. Here are three big tax breaks that are permanently expired:

- **Home mortgage insurance premium deduction**
  Banks usually require you to pay for home mortgage insurance if you buy your home with less than a 20 percent down payment. The ability to deduct the cost of that insurance as an itemized deduction expired in 2016.
- **Tuition and fees deduction**
  A tax break to deduct up to $4,000 of tuition and fees from accredited educational institutions is now expired.
- **Reduced senior medical expense threshold**
  Seniors age 65 and older were able to deduct the cost of medical expenses greater than 7.5 percent of their adjusted gross income (this was a lower threshold than normal) in 2016. The threshold in 2017 and beyond will now be 10 percent for everyone.

There is a chance we may see these tax breaks return if Congress ends up reinstating them.

Last-minute tax bill tricks

Are you worried you may end up owing a frustrating amount come April? You still have time and a handful of options to reduce your tax bill.

- **Shift deductions**
  Reduce your taxable income by managing your itemized deductions. Here are a few ways to do so:
  - You could consider making your January mortgage payment in December. That way there is an additional interest payment available for this tax year.
  - Before the end of the year arrives, make a tax-deductible donation to a qualified charity.
  - If you're close to the income threshold for deducting medical expenses, consider taking care of any medical appointments or procedures before the end of the year.
- **Contribute to retirement plans**
  Contributions to your 401(k) and IRA can lower your taxable income. You can contribute up to $18,000 a year to a 401(k) and $5,500 to an IRA (and more if you are age 50 or older).
- **Defer taxable income**
  You may be able to ask your employer to shift additional compensation or a bonus to next year. You may also be able to give yourself that flexibility if you're self-employed. Cash-basis businesses should consider receiving payments after the end of the year.

Tax preparation made easy

One of the simplest ways to make sure you'll have a smooth filing experience is to stay organized. Here are three ways you can do this:

1. **Dedicate one place for everything**
   Stop spending hours searching the house for rogue tax forms, receipts and filing information. Instead, create one spot for all of your documents. You'll thank yourself.
2. **Categorize**
   Make categories for the different types of information you'll use on your tax return. Start with topics like income, income adjustments, itemized deductions and credit information.
3. **Make a checklist**
   Pull out last year's tax return and create a list of things you needed last year. You can use this as a checklist against this year's information. This will help identify missing items that qualified in prior years.

If you'd like more help preparing for the 2017 tax season, or if you're ready to set up your filing appointment for next year, call us today. ♦

The power of the buy-sell agreement

Every business should give serious consideration to how the company would deal with the death, disability or departure of one of the owners.

Like a will, a buy-sell agreement (also known as a business continuity contract) spells out how assets and other business interests will be distributed should an owner quit, or in the event an owner becomes disabled or passes away.

Why it matters

Without such an agreement, complications that come out of ownership succession may capsize an otherwise thriving company. For instance, the remaining owners might be forced to share management and profits with unskilled or contentious outsiders. They may be embroiled in legal disputes over business assets and liabilities. A firm's internal squabbles may spill over to customer service, resulting in lost sales. If the firm's ownership seems doubtful or its future uncertain, creditors might accelerate collection efforts and bring unwanted pressure on company resources.

The possible death of an owner isn't the only reason to prepare a buy-sell agreement. Sometimes an owner voluntarily decides to leave a company. He or she may want to pursue another business opportunity or a well-earned retirement. A carefully crafted buy-sell agreement will facilitate this kind of transition. It will help with assessing a firm's value and ensure all parties are treated equitably.

At a minimum, a buy-sell agreement should cover the following:

1. **Triggering events.** What happens if an owner dies, becomes disabled or leaves the company? What happens if he or she files for divorce or is caught skimming profits? The buy-sell agreement should spell out the company's response to such events, including how assets will be transferred, stock ownership controlled and voting rights secured by the remaining owners.
2. **Valuation.** The agreement should describe how the business will be valued should a triggering event occur. For example, it might include a specific price for an owner's interest or specify a formula for determining the company's value. It might even name a particular firm to conduct the valuation.
3. **Lump sum.** If the triggering event is the death of an owner, the buy-sell agreement might also guarantee a lump sum to be paid to the deceased owner's estate.
4. **Buyout method.** If one owner leaves the firm, becomes disabled or dies, the buy-sell agreement should include provisions specifying how remaining owners will buy out the interest of that partner. (In many cases, owners use life or disability insurance proceeds to fund a buyout.)

Reviewing and revising your buy-sell agreement periodically will help make sure it remains relevant and up to date. Call us if you'd like to learn about possible tax implications as you prepare or review a buy-sell agreement. ♦

IRS update

Relief for Harvey, Irma and Maria hurricane victims

The IRS has postponed various tax deadlines for individuals and businesses in Florida, Georgia, Puerto Rico and the U.S. Virgin Islands, as well as in parts of Texas. They will have until Jan. 31, 2018 to file and pay the affected returns and taxes.

The new deadline applies to business extensions that ran out Sept. 15 and quarterly estimated tax payments due Sept. 15 and Jan. 16, 2018. Quarterly payroll and excise tax returns due on Oct. 31, as well as 2016 calendar-year tax-exempt organization extensions due Nov. 15, are also included.

2017 filing reminders

A reminder to everyone: Forms W-2 and most 1099-MISCs must be in the mail by Jan. 31, 2018.

The IRS will need to hold on to your refund until Feb. 15, 2018 (or later) if you claim the Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC). This also includes the refund portion not associated with the credits.

Renew your ITIN now

If you have an Individual Taxpayer Identification Number (ITIN) rather than a Social Security number (SSN), you may need to take action or you'll be unable to file a tax return for 2017.

ITINs that have not been used when filing a tax return at least once in the past three years will automatically expire on Dec. 31, 2017.

The Protecting Americans from Tax Hikes (PATH) Act creates a rolling expiration date for all issued ITINs. The key number to look for is in this position: 9xx-**XX**-xxxx. If your ITIN has the middle digits of 70, 71, 72 or 80, you'll need to renew it before the new year.

To renew, fill out Form W-7 with the required support documents. To learn more, visit the ITIN information page on the IRS website. ♦

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How to talk finances with your aging parents

One day you may find yourself taking care of an elderly parent who is in declining physical or mental health. This can be stressful, both emotionally and financially. Fortunately, you can start taking steps to make sure finances are in order before this occurs.

Talk to your parents about their financial affairs. Parents may be reluctant to discuss their finances, but it's important that someone knows the name of their accountant and where critical financial papers are located. There's a good chance much of the information will be in your parents' heads or scattered around their house.

Take a look at the following topics you might want to cover with your parents:

› Basic information

Ask your parents where they keep:

- Social Security cards
- Driver's licenses
- Passports
- Marriage or divorce records
- Family birth certificates
- Military service records
- Pension records

› Income and expenses

Learn about your parents' current:

- Income
- Monthly expenses
- Financial planner (if they have one)

› Financial and insurance records

Help your parents make a list of and review their:

- Financial assets
- Bank accounts
- Retirement accounts
- Investments
- Designated beneficiaries
- Safe deposit box location and box number
- Accountant information
- Copies of tax returns
- Home, vehicle, health and life insurance records

› Physical assets

Ask your parents where they keep:

- Mortgage records
- Deed to their house or other property
- Vehicle titles
- Any other assets

› Estate planning

Find out if your parents have:

- A will or living trust
- An attorney
- A power of attorney
- Special wishes for bequests (encourage your parents to put them in writing)
- Directives for medical care (living wills)

Don't try to gather all this information in one exhausting session. Instead, use the list as a starting point for a series of conversations. Wherever possible, involve your parents in putting their own affairs in order. You may find it's a great opportunity to bond with your parents in their golden years. ♦