



Online Advisor

- FEBRUARY 2017 -

MAJOR UPCOMING TAX DEADLINES FOR FEBRUARY

- **February 15** - Deadline for brokers to provide 2016 Forms 1099-B and 1099-S to recipients
- **February 28** - Payers must file 2016 information returns (except certain Forms 1099-MISC with non-employee payments in box 7, which are due January 31) with the IRS. (Electronic filers have until March 31 to file).

WHAT'S NEW IN TAXES: IRS MAKES INFLATION ADJUSTMENTS TO 2017 TAX NUMBERS

Each year the IRS adjusts certain tax numbers for inflation and tax law changes. Here are some

Greetings!

Tax time is here! At this point, you probably have received most of your tax documents. It's a great feeling to get your taxes done early, so drop off or send in your information today! If you would like to meet to discuss financial services, please call our office to schedule an appointment.

Now is the time of year when friends and family may be asking who you use to prepare your taxes. Refer friends and family that could benefit from our services and receive a special discount on your 2016 tax preparation fee.

Forward this email to friends and family; it entitles them to a complimentary consultation.



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GET MORE FROM YOUR TAX REFUND

Before making the decision to spend your tax refund on a purchase, you might consider investing your refund or using it to increase your financial security. While everyone's needs are different, here are some optional uses of your refund that may work for you.



- Contribute your refund to your employer's 401(k) plan. If your employer offers a matching contribution, that's an immediate return on your money in addition to deferring taxes on your contribution. And, funds in the plan grow free of tax until withdrawal.
- Use your refund to pay down credit card balances - you could earn a double-digit return.
- Consider investing your refund in your child's education. Both Section 529

of the adjusted numbers you'll need for your 2017 tax planning.

- Standard mileage rate for business driving decreases to 53.5¢ a mile. Rate for medical and moving mileage decreases to 17¢ a mile. Rate for charitable driving remains at 14¢ a mile.
- Social security taxable wage limit increases to \$127,200. Retirees under full retirement age can earn up to \$16,920 without losing benefits.
- Kiddie tax threshold remains at \$2,100 and applies up to age 19 (up to age 24 for full-time students).
- Nanny tax threshold increases to \$2,000.
- Health savings account (HSA) contribution limit increases to \$3,400 for individuals and to \$6,750 for families. An additional \$1,000 may be contributed by those 55 or older.
- 401(k) maximum salary deferral remains at \$18,000 (\$24,000 for 50 and older).
- SIMPLE maximum salary deferral remains at \$12,500 (\$15,500 for 50 and

529 college savings plans and education savings accounts offer tax-advantaged ways to save for college costs.

- Take full advantage of your IRA options for retirement savings. Both Traditional and Roth IRAs are great ways to save for retirement.
- If you've maximized your retirement and education savings, and your credit cards are under control, put your refund in diversified investments that make sense for your age and financial situation.
- Ask yourself if getting a big refund every year is a smart idea. Would you rather invest your money during the year instead of making an interest-free loan to the government? If so, consider filing an updated Form W-4 with your employer.

NEW BUSINESS: 2017 SECTION 179-IS NOW THE TIME FOR AN EQUIPMENT PURCHASE?

In 2017, business owners can take advantage of permanent tax breaks like the generous Section 179 deduction of up to \$510,000 for qualified new or used business equipment. Note, however, that the deduction is limited for every dollar spent on equipment in excess of \$2,030,000. Additionally, new equipment purchased in 2017 may qualify for 50% bonus depreciation. In 2018, this bonus rate drops to 40% so plan your acquisitions accordingly.



WHAT'S NEW IN FINANCES: THE NEW COST OF GRANDPARENTING

Raising a child is costly and time consuming not just for parents. A growing number of grandparents are helping raise their grandchildren. Grandparents are giving their time and money, helping with the cost of toys, clothing, education and extracurricular activities. This can add up to thousands of dollars. Many millennials indicate they could not afford their lifestyle if it were not for the help their parents provide.



While helping to support grandchildren may improve the quality of life for the grandparents, it's critical they build their own financial security first. One way for grandparents to benefit their grandchildren while protecting their own finances is contributing to a college plan. This provides a

- (\$13,500 for 55 and older).
- *IRA contribution limit remains at \$5,500 (\$6,500 for 50 and older).*
- *Estate tax top rate remains at 40%, and the exemption amount increases to \$5,490,000.*
- *The annual gift tax exclusion remains at \$14,000.*
- *Tax credit for adopting a child is \$13,570 for 2017.*
- *Alternative minimum tax exemption amounts increase to \$54,300 for single taxpayers and \$84,500 for married couples filing a joint return.*
- *Limit on monthly transportation fringe benefit is \$255 for vehicle/transit passes and \$255 for qualified parking.*

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their own finances is contributing to a college plan. This provides a potential tax break while preparing their grandchildren for an education their parents might not be able to afford on their own.

If you would like more information on tax breaks associated with education plans, give us a call.

GET IN THE HABIT OF TRACKING EDUCATION EXPENSES

A deduction is allowed only if you keep proper records "substantiating" the deduction. In other words, maintain good paperwork. Recordkeeping for education expenses can be especially important, because federal tax benefits are available that can significantly reduce your tax liability. If you're claiming benefits such as the American Opportunity Credit or the Lifetime Learning Credit, you must keep underlying documents proving your payments. Estimates or approximations do not qualify as proof.

Here are common items that can substantiate the amount you claim on your tax return.

- **Tuition statements.** Retain these statements with proof of your check or credit card payment and match them to the Form 1098-T, Tuition Statement, received from the educational institution. Note: Beginning with your 2016 tax return, you'll need to make sure that you receive Form 1098-T from the educational institution. Recently passed legislation requires that students have a valid Form 1098-T in order to claim tax benefits.
- **Transcripts.** Transcripts provide proof of attendance.
- **Books and required supplies.** Keep invoices and proof of payment for required course-related books and supplies.
- **Scholarships, fellowships, and grants.** Document these receipts, as all or part of what you receive may be tax-free. In addition, these items can affect how much you can claim for expenses that qualify for tax benefits.
- **Student loans.** Qualified expenses paid for with the proceeds are deductible in the year you make the payment.
- Give us a call for more information on how to substantiate your qualified tuition expenses.

We hope you found this information helpful. Call today to schedule your appointment to start getting into financial shape!

973.325.3370

Sincerely,

The Partners and Staff
Couto DeFranco, P.A.



Nelson Couto CPA, CFP™
Anthony DeFranco CPA, CFP™



CERTIFIED FINANCIAL PLANNERS™

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COUTO & DeFRANCO have been
chosen as
FIVE STAR Wealth Managers
for the fourth consecutive year!





Starting a business? Tax Questions? Need Financial Planning? Nelson Couto and Anthony DeFranco, honored with a recognition by **NJ Monthly Magazine** in its selection of "**Top Wealth Managers In NJ 2017**"

Print out this certificate for a complimentary one-hour consultation.

Nelson Couto, CPA, CFP[®] and Anthony DeFranco, CPA, CFP[®], MS (Taxation) of Couto DeFranco, P.A. have been named as 2017 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2017. Out of the 3868 wealth managers in New Jersey who were seriously considered for the award, 664 were named, which represents less than 18% of the wealth managers considered. This is their fourth time winning this prestigious award!

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"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey 300 Executive Drive, Suite 200, West Orange, NJ 07052, USA. our clients has been recognized,"

says Anthony DeFranco.
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They believe the best way to help clients reach their financial goals is simple: to listen. "It is important to listen to where they are today and where they want to be tomorrow," says Nelson Couto. The partners feel that clients are paying them for their knowledge-both as NJ Certified Public Accountants and as Certified Financial Planner[™] professionals-so it is their responsibility to develop a financial plan that is sound, objective and honest. This model has been their secret to success.