

Welcome

ACM/BDO Year-End Update

Tax & Legislative Updates

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Topics Covered

- Legislative & Administrative Updates
- Year End Tax Planning
- Prospective Tax Legislation

Legislative Updates

Legislative / Administrative Updates

- Changing compliance deadlines
- Partnership Audit Procedures
- Debt vs. Equity Regulations
- Disguised Sale Regulations
- Foreign Financial Asset reporting requirement
- ASC 740 - FASB Updates
- Proposed §2704 Regulations
- Overtime Pay

Compliance Deadlines

Calendar Year Filers:




- The new filing deadlines are effective for tax years beginning after December 31, 2015:

Filer Type	Prior Due date	2017 Due Date	Extended Due Date
C-Corporations	March 15th	April 15th	September 15th
Partnerships	April 15th	March 15th	September 15th
S-Corporations	March 15th	March 15th	September 15th
Trusts (Form 1041)	April 15th	April 15th	September 30th
Individuals	April 15th	April 15th	October 15th
Foreign Bank Account Report	June 30th	April 15th	October 15th

- Form 990 for exempt organizations deadline remains May 15th. Only one extension form will be required to extend the deadline to November 15th.

Compliance Deadlines Calendar Year Filers:

APRIL 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
9	10	11	12	13	14	15
16 	17  Observed	18 	19	20	21	22

Compliance Deadlines

Fiscal Year Filers:

- The new filing deadlines are effective for tax years beginning after December 31, 2015:

Filer Type	Prior Due date	2017 Due Date	Extended Due Date
C-Corporations - FYE 6/30	September 15th	September 15th	April 15th
C-Corporations - All other FYE's	2 ½ Months after YE	3 ½ Months after YE	6 Month Extension
Partnerships	3 ½ Months after YE	2 ½ Months after YE	6 Month Extension
S-Corporations	2 ½ Months after YE	2 ½ Months after YE	6 Month Extension
Trusts (Form 1041)	3 ½ Months after YE	3 ½ Months after YE	5 Month Extension

Compliance Deadlines

Other Issues:

State deadline changes:

- AICPA resource for deadlines by state as of September 2016:
<http://www.aicpa.org/InterestAreas/Tax/Resources/Compliance/Pages/tax-return-due-dates.aspx>
- Not all states have addressed the federal deadline changes

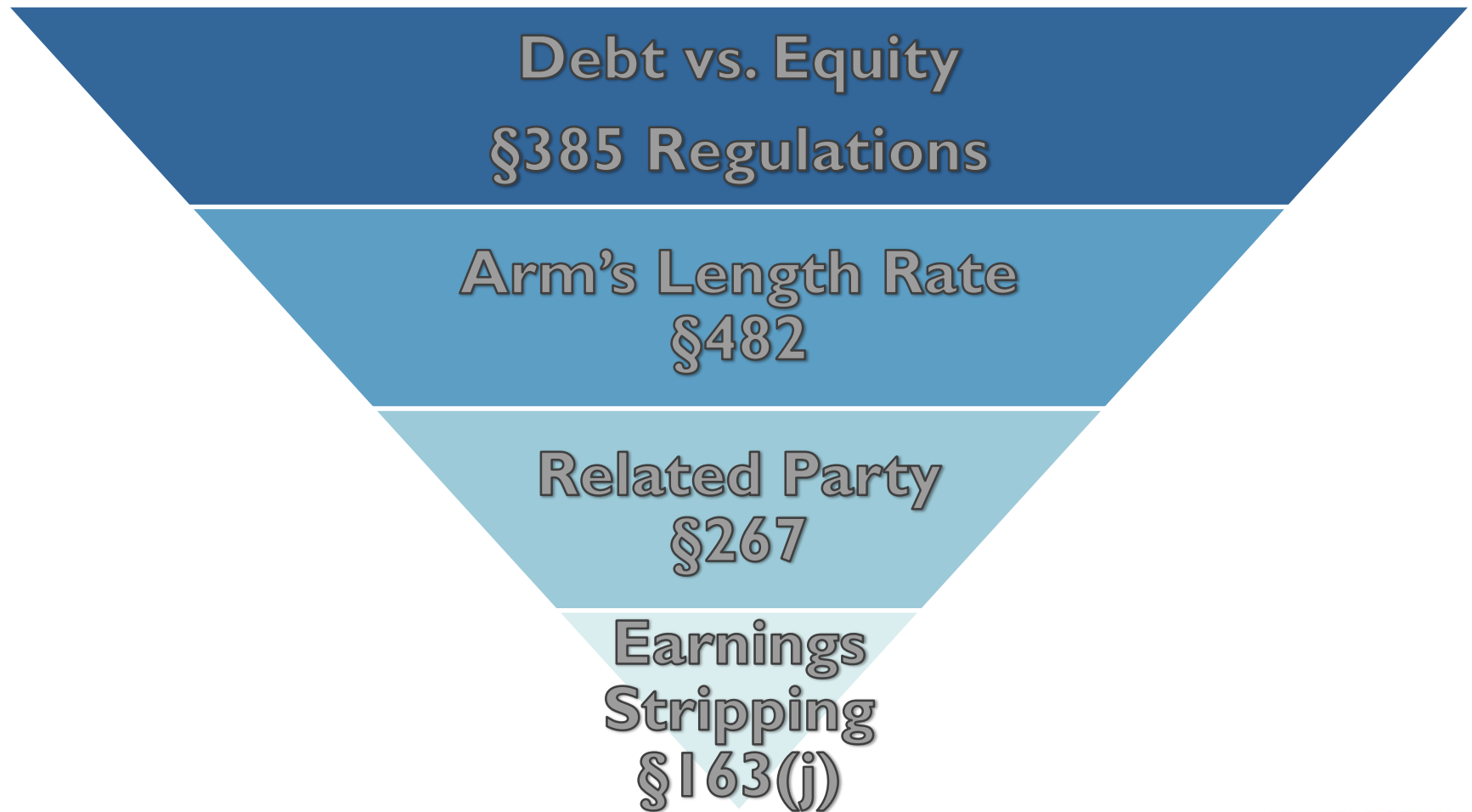
Other information return changes:

- Form W-2 and Form 1099-MISC have to be filed with the IRS/SSA by January 31st
- Notice 2016-70 Extended the 2016 Form 1095-B, 1095-C, Employer-Provided Health Insurance Offer and Coverage from January 31, 2017 to March 2, 2017

Partnership Audit Procedures

- Repeals TEFRA rules
- Effective for tax years after December 31, 2017, can early adopt
- Audit assessments at partnership level
- Partnership pays assessment
- Small partnership opt-out
 - 100 or fewer eligible partners
 - Requires annual election
- “Partnership Representative”
- State conformity?
- FIN48 impact

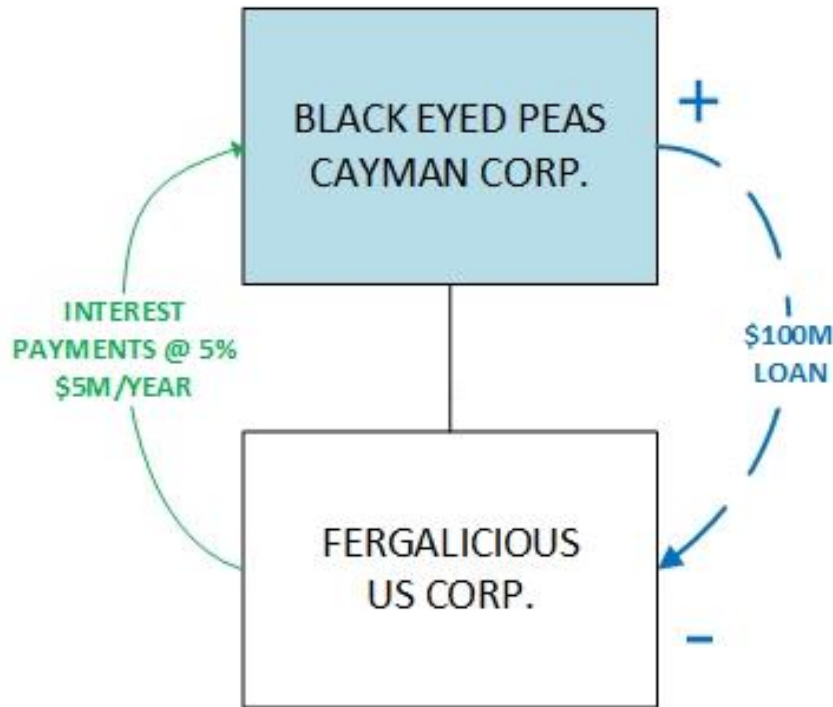
Interest Deduction Hurdles



§385 Debt vs. Equity Regulations

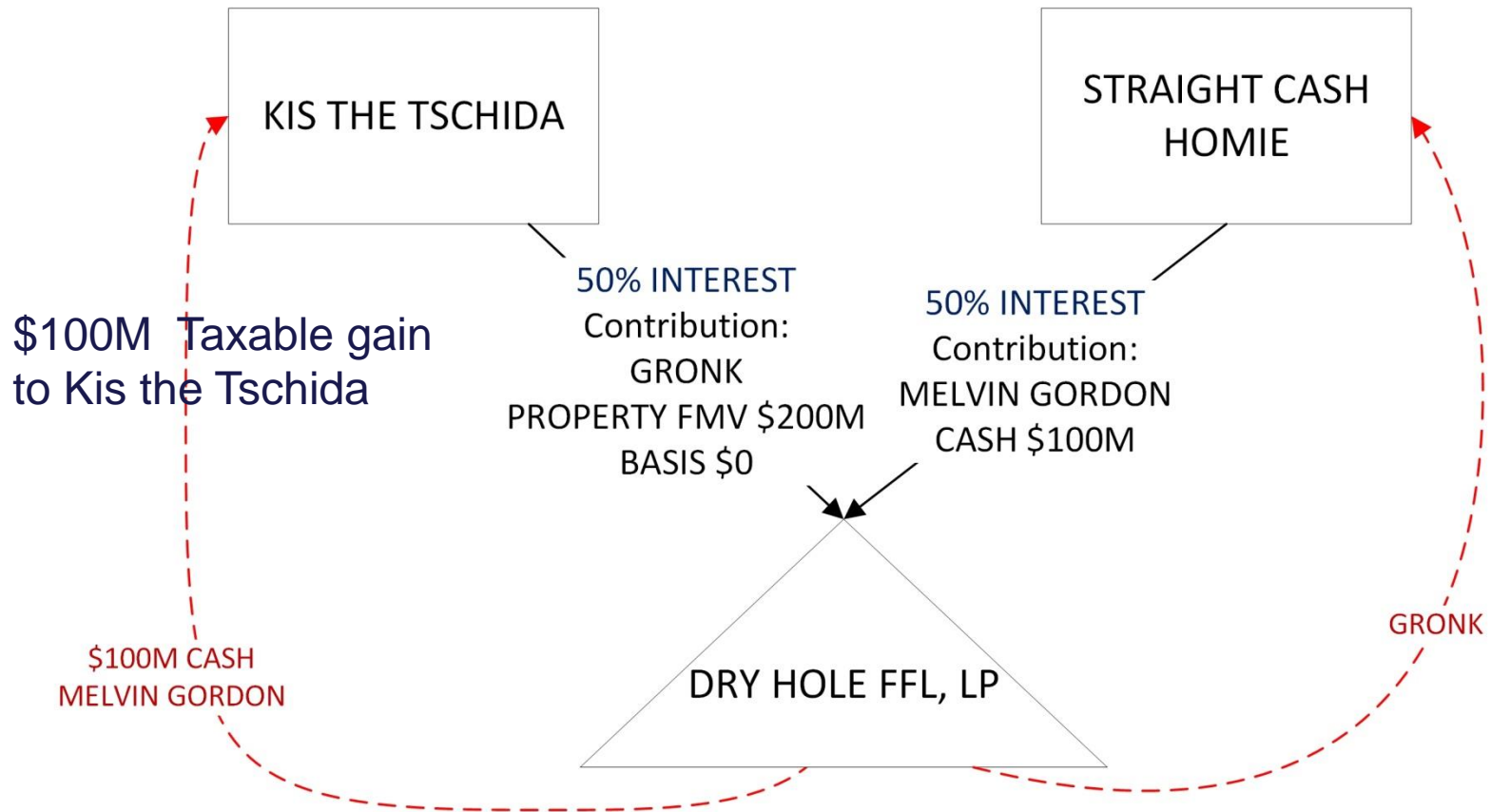
- Targeted at “earnings stripping”
- Apply to debt issued by US corporations to a related entity outside of the US consolidated group
- Apply to group-wide loans > \$50M
- Can reclassify debt to equity resulting in:
 - Disallowed interest deduction
 - Dividend treatment on payment & withholding taxes

§385 Example



- The tax benefits of the loan:
 - Allow transfers of cash without dividend treatment.
 - Reduce/avoid withholding taxes
 - US Interest deductions
- Proper documentation requirements

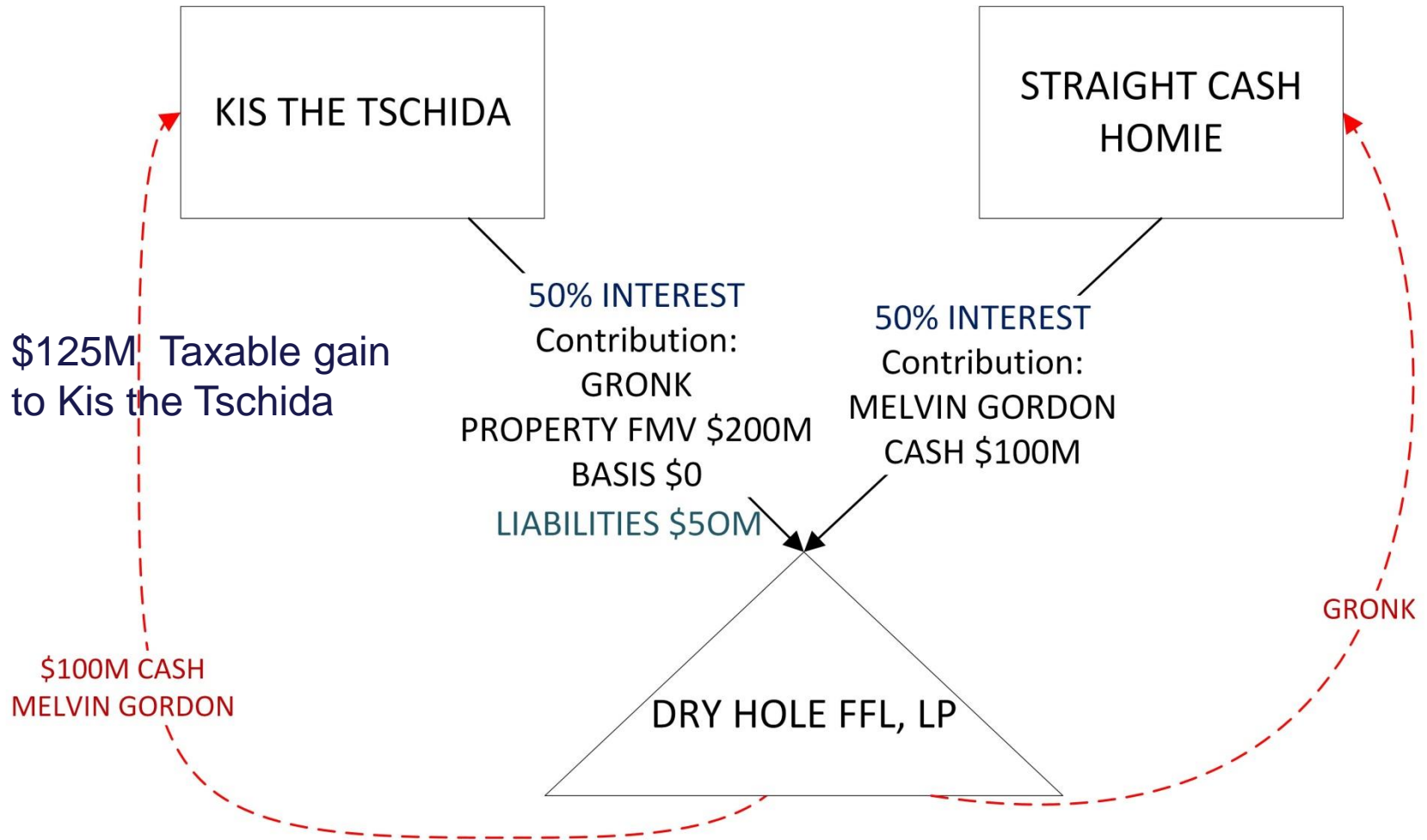
Disguised Sale Example



Disguised Sale Regulations

- New temporary regulations - No special allocation of recourse liabilities for purposes of the disguised sale rules
- Final regulations:
 - Require nonrecourse liabilities (for purposes of the disguised sale rules) be allocated based on the partner's share of profits,
 - Expand the qualified liability exception,
 - Clarify the capital expenditure reimbursement exception,
 - Clarify the exceptions with tiered partnerships.

Disguised Sale Example



ASC 740– Stock Compensation

- FASB issued ASU 2016-09 on March 30, 2016, effective beginning January 1, 2017
- Income tax effects of share-based payments
 - No APIC pool – windfalls and shortfalls recorded as they occur (considered discrete in interim reporting)
 - EPS calculation
- Minimum statutory withholding requirements

ASC 740– Stock Compensation Example

Facts:

- NQSO issued 1/1/XX with a 2 year cliff vesting period.
- Fair value on date of issuance is \$2M.
- Exercise price is \$2.5M.
- Effective Tax Rate (“ETR”) is 30%.
- Vest & Exercise Date value is \$5M.
- There is no valuation allowance and there is current taxable income.

	Current Standard	New ASU
Book Expense	\$1M in YR1 and \$1M in YR2	SAME
Annual deferred tax asset recognized (“DTA”)	Book Expense x ETR \$300K in YR1 and \$300K in YR2	SAME
Vest/Exercise -	Tax Deduction \$5M FMV <u>\$2.5M Strike price</u> \$2.5M Tax Deduction x ETR 30% \$750K Current Tax Benefit	SAME
APIC Pool -	\$2.5M Tax Deduction <u>(\$2M Book Expense)</u> \$500K x 30% = \$150K Credit to APIC for excess benefit. Pool of windfall benefits increased by \$150K.	\$2.5M Tax Deduction <u>(\$2M Book Expense)</u> \$500K x 30% = \$150K Credit to income tax expense for excess benefit No windfall pool.

Form 8938—Foreign Financial Assets

- Who is required to file: Individuals & Entities
 - Entities – effective for years ending on or after 12/31/2015.
- Reporting period – specified person’s taxable year.
Reg. § 1.6038D-2T(a)(9)
- Due date: return due date including extensions
- Penalties: Reg. § 1.6038D-8T
 - \$10,000 – there is a reasonable cause exception.
 - Increase in penalties for continued failures to file after receiving a notice: \$10,000/month up to \$50,000.
 - If you do not report income related to these assets the §6662 penalties apply and there are criminal provisions under this section.

Form 8938 – Entity Regulations

Specified Domestic Entities, including certain non-grantor trusts are required to file - 2 qualifiers:

1. The entity must be **closely held**, which requires that at least **80 percent** of the entity (capital or profits) is owned directly, indirectly, or constructively by a specified U.S. person; **and**
2. **<50%** of the entity's **gross income** from trade/business, **and** **<50%** of its **assets** are active trade/business.

Form 8938 Filing Thresholds

Filing Status	Domicile	Value at year end	Value at any time
Single	US	\$ 50,000	\$ 75,000
Married Filing Joint	US	\$ 100,000	\$ 150,000
Married Filing Separate	US	\$ 50,000	\$ 75,000
Single	Abroad	\$ 200,000	\$ 300,000
Married Filing Joint	Abroad	\$ 400,000	\$ 600,000
Married Filing Separate	Abroad	\$ 200,000	\$ 300,000
Specified Domestic Entity	US	\$ 50,000	\$ 75,000

Proposed §2704 Regulations

- Transfer within 3 years rule – remove “death bed” transfers that create minority interests
- Applicable Restrictions – state law
- Disregarded Restrictions – looks to liquidation value of the FLP interest

Overtime Pay Rule Change

- US Department of Labor issued new overtime regulations—effective December 1st any salaried worker making less than \$47,476 is eligible for mandatory overtime pay. The ceiling prior to the rule is \$23,600
- Federal judge issued injunction on November 22, 2016 – ruled that the federal law governing overtime does not allow the Labor Department to decide which workers are eligible based on salary levels alone

Nevada v. U.S. Department of Labor, U.S. District Court for the Eastern District of Texas, No. 16-cv-731.

Year-End Tax Planning

Year End Tax Planning

- Bonus Depreciation / IRC §179
- Retirement Plans / Health Savings Accounts
- Gift tax and lifetime credit update
- Charitable Donations
- Other tax incentives

Bonus Depreciation / IRC §179

IRC §179 – PATH act made permanent:

- \$500,000 expensing limit
- \$2 million investment threshold

Bonus Depreciation extended through 2019:

- 50% for 2016/2017
- 40% for 2018
- 30% for 2019

Retirement Plans/HSA

2016 Contribution Maximums:

Retirement Plan	< Age 50	≥ Age 50
IRA	\$5,500	\$6,500
SIMPLE	\$12,500	\$15,500
401(k), 403(b), 457 and SARSEP elective	\$18,000	\$24,000
Profit-sharing Plan/SEP IRA	\$53,000	\$53,000

High Deductible Plan	< Age 55	≥ Age 55
Self-only Coverage	\$3,350	\$4,350
Family Coverage	\$6,750	\$7,750

Gift & Estate Tax Exclusions

	2017	2016	2015
Estate and gift tax applicable exclusion amount	\$5,490,000	\$5,450,000	\$5,430,000
GST tax exemption	\$5,490,000	\$5,450,000	\$5,430,000
Gift tax annual exclusion	\$14,000	\$14,000	\$14,000
Large gift received from a foreign person amount—notice required	\$15,797	\$15,671	\$15,601
Source:	Rev. Proc. 2016-55	Rev. Proc. 2015-53	Rev. Proc. 2014-61

Charitable Donations

- Make donations directly from retirement plan
- Donations of appreciated property
- Colorado Child Care Contribution Credit:

Donation	\$1,000
Federal Tax Benefit @ 28%	(280)
Colorado Tax Benefit @ 4.63%	(46)
Colorado Tax Credit	(500)
Net after tax cost	\$174

Other Tax Incentives

- Small Business Stock Exclusion
- Interest Charged Domestic International Sales Corporation (IC-DISC)
- Specified AMT credits
- Colorado Enterprise Zone
- Colorado 529 Plan Subtraction



Prospective Legislation

Trump Tax Plans

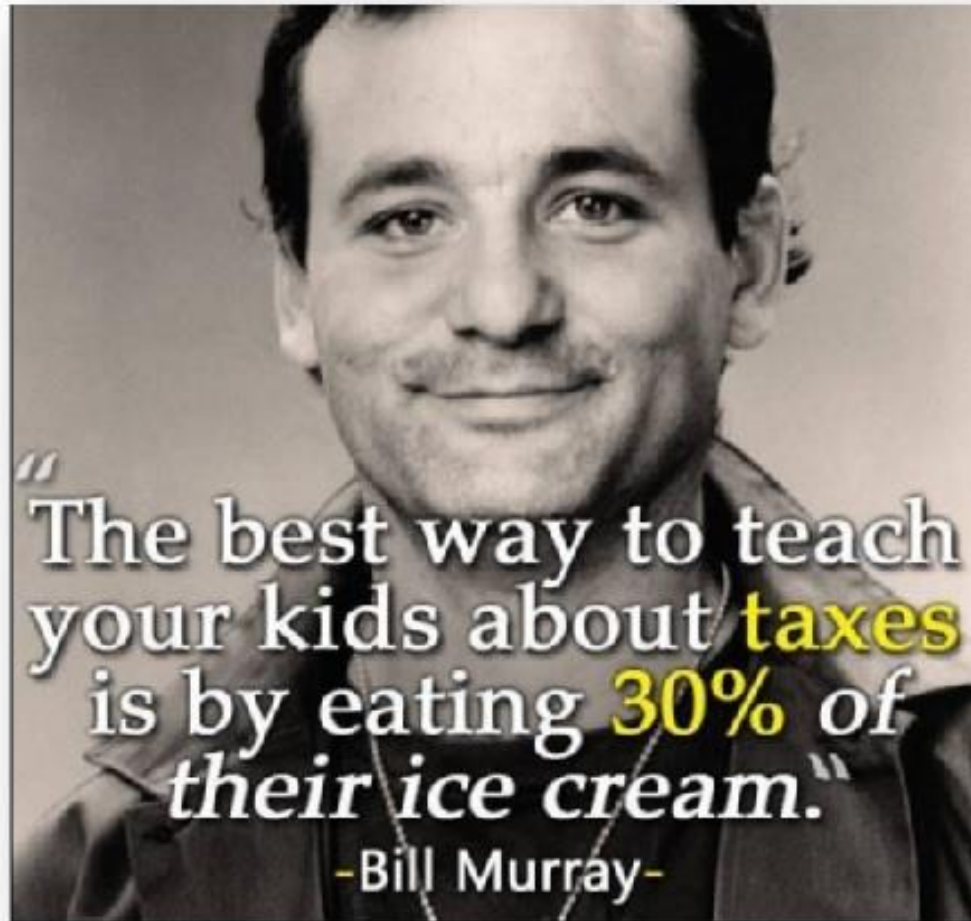
Individuals

- Three brackets (12%, 25%, and 33%)
- Repeal ACA and the 3.8% tax
- Repeal AMT
- Itemized deduction cap - \$100K Single/ \$200K MFJ
- Standard deduction \$15K Single/ \$30K MFJ
- Eliminate the Estate Tax, disallow step-up for estates > \$10M

Trump Tax Plans

Businesses

- 15% corporate tax rate
- One-time deemed repatriation at 10% rate for all controlled foreign corporations
- Eliminate all credits except R&D
- Remove Corporate AMT
- Cap the deductibility of interest expenses



QUESTIONS
<http://townhall.acmlp.com>

ANSWERS



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