Dear Clients and Friends:

Implementing tax strategies at year-end is always important because it can provide opportunities to save on taxes and cash flow in the current year. However, it can be challenging due to unknowns in the income to be earned and expenses that might be incurred before the end of the year. The impact of recent tax legislation and significant IRS rule changes during 2016 raises the stakes. The Protecting Americans from Tax Hikes Act (PATH Act), passed in late 2015, changed the dynamics of planning for the expiration of various tax breaks and the permanence of others, both dramatically and through some nuanced revisions. The IRS has been busy creating safe-harbor benefits under the "repair regulations," clarifying the definition of marriage for tax purposes, fine-tuning Affordable Care Act requirements, and more, all of which immediately impact the 2016 tax year.

Traditional Year-End Tax Strategies:
Traditional year-end planning techniques nevertheless remain important both to maximize benefits in connection with what is new and to do so within the usual ebb and flow of the taxpayer's personal economy. Postponing income until 2017 and accelerating deductions into 2016 may enable you to claim larger deductions and tax credits.

The following techniques should be considered:
*Income Acceleration (to postpone income to 2017, delay the following actions):*

- Sell outstanding installment notes
- Receive bonuses before January 2017
- Sell appreciated investments or assets
- Redeem U.S. Savings Bonds
- Accelerate debt forgiveness income
- Accelerate billing and collections
- Declare special dividend
For Businesses

Businesses seeking to maximize tax benefits through 2016 year-end tax planning may want to consider several general strategies, such as use of traditional timing techniques for income and deductions, in addition to the role of the tax extenders (those made permanent and those expiring at the end of 2016) as well as strategies targeted to their particular business. General tax planning strategies include:

1. adopting a qualified retirement plan before the year-end. As long as plan documents are executed before the end of the year, a deduction can be claimed for 2016 and funding delayed until the tax return due date;

2. delaying the payment of a properly accrued bonus by an accrual-basis employer in the year of service (for example, 2016) until up to 2½ months into 2017, so the employer can get its deduction in 2016 while the employee (if "unrelated" for tax purposes) will be taxed in 2017; and

3. reacting to certain recent tax developments from the IRS and the courts because they may present either new tax saving opportunities or pitfalls.
**Section 179 Expensing and Bonus Depreciation**

The PATH Act permanently sets the Internal Revenue Code (IRC) Section 179 expensing limit at $500,000 with a $2 million overall investment limit before phase-out (both amounts indexed for inflation, for 2016 at $500,000 and $2.01 million, and for 2017 at $510,000 and $2.03 million, respectively). The PATH Act also permanently allows for the expensing of off-the-shelf computer software and removed the $250,000 cap related to the expensing of qualified real property. As shorter (15-years) recovery period for qualified leasehold improvements, restaurant and retail improvement property is also permanent now under The PATH Act.

The PATH Act extended the bonus depreciation (additional first-year depreciation) under a phase-down schedule. The original 50% bonus depreciation will phase down to 40% for property placed in service in 2018 and to 30% for property placed in service in 2019. In addition to extending bonus depreciation, a number of modifications have been made, such as increasing the amount of unused alternative minimum tax (AMT) credits that can be claimed in lieu of bonus depreciation. Bonus depreciation is now allowed for "qualified improvement property" - a new category of property. Certain trees, vines, and fruit-bearing plants are now eligible for bonus depreciation when planted or grafted, rather than when placed in service.

**Strategy:** Year-end purchases of qualifying Section 179 property entitle the taxpayer to a full deduction up to the $500,000 cap. There is no prorated reduction based upon the portion of the year that a qualifying asset is placed in service. When comparing the possible benefits of the Section 179 deduction versus bonus depreciation, the taxpayer should keep in mind that Section 179 is available for both new and used property. However, bonus depreciation is available only for new (first-time use) property. Also, because bonus depreciation can be elected on the 2016 return filed in 2017, it is not necessary for a business to make an immediate decision on its use, although qualifying property must, nevertheless, be purchased and placed in service in 2016. Businesses have the option to not use bonus depreciation. Electing out may be appropriate if the business wants to spread its depreciation deductions over future years more evenly.

**Revised Repair Regulations**

The IRS issued sweeping tangible property regulations ("repair regs") in 2013 to govern accounting for the cost to acquire, repair and improve tangible property. The "repair regs" impact virtually all asset-based businesses and continue to generate changes in 2016, with additional "clean-up" expected in 2017.

**De minimis safe harbor** - The tangible property regulations dealing with repairs include a de minimis expensing safe harbor that allows taxpayers to annually elect to deduct the cost of materials and supplies and units of property produced or acquired subject to a per-item dollar limit. Effective January 1, 2016, the de minimis safe harbor limit was increased from $500 to $2,500 for taxpayers without an applicable financial statement (AFS).

**Remodel-refresh** - The IRS supplemented the tangible property regs with a safe harbor that allows a taxpayer operating a retail establishment or a restaurant to change to a method of accounting that allows the taxpayer to treat 25% of qualified remodel-refresh costs as capital expenditures under IRC Section 263 and 75% of
such costs as currently deductible repair and maintenance expenses. The IRS also provided procedures on how taxpayers may obtain automatic consent to change to the safe harbor method of accounting. There are certain retailers who may not use the remodel-refresh safe harbor. These non-qualified retailers include: automobile dealers, other motor vehicle dealers, gas stations, manufactured home dealers and nonstore retailers.

**Strategy:** Despite waiving the AFS requirement, certain IRS officials have indicated that an unwritten policy employing a $2,500 per-item deduction limit must still be in effect as of the beginning of the 2106 tax year in order for the $2,500 limit to apply for the 2016 tax year. Therefore, use of the safe harbor for 2017 requires a policy be in place by January 1, 2017. Further, the per-item deduction limit may exceed $2,500, but only items costing $2,500 or less receive safe harbor protection.

**BUSINESS USE OF VEHICLES**
Several year-end strategies involving both business expense deductions for vehicles and the fringe-benefit use of vehicles by employees involve an awareness of certain rates and dollars caps that change annually.

**Standard Mileage Rate:**
The standard business mileage allowance rate for 2016 is 54¢ per-mile (down from 57.5¢ per-mile for 2015).

**Depreciation Limits:**
The maximum depreciation limits under IRC Section 280F for passenger automobiles first placed in service during the 2016 calendar year are:

- $3,160 for the first tax year ($11,160 if bonus depreciation is claimed);
- $5,100 for the second tax year;
- $3,050 for the third tax year; and
- $1,875 for each succeeding tax year.

The maximum depreciation limits for trucks and vans first placed in service during the 2016 calendar year are:

- $3,560 for the first tax year ($11,560 if bonus depreciation is claimed);
- $5,700 for the second tax year;
- $3,350 for the third tax year; and
- $2,075 for each succeeding tax year.

**Strategy:** Sport utility vehicles (SUVs) and pickup trucks with a gross vehicle weight rating (GVWR) in excess of 6,000 pounds continue to be exempt from the luxury vehicle depreciation caps based on a loophole in the operative definition. Congress in 2004 placed a $25,000 limit on IRC Section 179 expensing of heavy SUVs but has not extended it to Section 280F. Consistent depreciation conventions for purchases throughout the year, however, do apply in this case.
Research Tax Credit and Other Business Extenders

The PATH Act made the research credit permanent. The credit was also modified to be more useful to small businesses. Eligible businesses with $50 million or less in gross receipts can claim the credit against their AMT liability. Also, certain small businesses can now claim the credit against their payroll tax liability. The tax credit is still available in California if the businesses conduct research activities and paid qualified expenditures in the state.

The PATH Act also extended other beneficial tax provisions for businesses either permanently, five years or two years. These include:

- Five-year recognition period for S corporation's built-in gains tax - permanent;
- When an S corporation makes noncash donations, the shareholders can adjust their tax basis in the S corporation stock by using the corporation's basis in the donated property instead of its fair market value - permanent;
- Exclusion of 100% gain on certain small business stock - permanent;
- Employer wage credit for activated military reservists - permanent;
- Subpart F provisions - permanent;
- Enhanced deduction for contributions of food inventory, including income limitation increased from 10% to 15% of the taxpayer's adjusted gross income (15% of taxable income for C corporations) per year and 50% mark-up on the deduction - permanent;
- New Markets Tax Credit - through the end of 2019 (carryovers of the unused limitation were extended through 2021);
- Work Opportunity Tax Credit - through 2019. In addition, beginning in 2016, employers are allowed to claim credit on qualified long-term unemployed individuals (individuals who have been unemployed for more than 26 weeks);
- Enhanced deduction for contributions of food inventory including income limitation increased from 10% to 15% of the taxpayer's adjusted gross income (15% of taxable income for C corporations) per year;
- Look-through treatment of payments of dividends, interest, rents, and royalties received or accrued from related controlled foreign corporations under the foreign personal holding company rules - through 2019;
- 50% expense election on mine safety equipment - through 2016;
- Film and TV production expense provision - through 2016;
- Domestic production activity deduction for income attributable to production in Puerto Rico - through 2016;
- Empowerment zones tax incentives - through 2016;
- Additional depreciation for biofuel plant property - through 2016;
- IRC Section 179D deduction for energy-efficient commercial buildings - through 2016; and
- Various energy tax incentives, including tax credit for qualified fuel cell motor vehicles, alternative (non-hydrogen) fuel vehicle refueling property, plug-in electric motorcycles and two-wheeled vehicles, excise tax credits for alternative fuels, etc. - through 2016 (these credits can apply to individuals as well).
Changes in Deadlines

Accelerated filing deadlines take effect for Forms W-2, W-3 and 1099-MISC for 2016 tax year

Beginning with the 2016 tax year, the due dates for filing Forms W-2, Wages and Tax Statement, and W-3, Transmittal of Wage and Tax Statements, and certain Forms 1099-MISC, Miscellaneous Income, in 2017 have been moved up to January 31 from the last day of February. Form 1099-MISC is now due to the IRS by January 31 when a business is reporting nonemployee compensation payments in box 7. Otherwise, a business has until February 28, if filing by paper, and March 31, if filing electronically.

Increased penalties for late information return filings

Along with the accelerated filing dates for Forms W-2 and other information returns, sharp increases in information-reporting penalties took effect in 2016. Penalties for failing to file correct information returns and/or furnishing correct payee statements not only increased but, beginning in 2017, are also now subject to inflationary adjustments.

Changes to C corporation, partnership, and other tax return due dates

Effective beginning with 2016 tax returns, the due date for C corporation calendar-year and fiscal-year returns, other than C corporations with a fiscal year ending June 30, has been moved back one month to the 15th day of the fourth month following the corporation’s year-end. A six-month extension is available for fiscal-year-end corporations (other than June 30 fiscal-year-end corporations); and for calendar-year-end corporations, a five-month extension is available through 2025, and a six-month extension for years after 2025. For corporations with a June 30 fiscal year-end, the new due date rules for fiscal-year-end corporations go into effect after 2025. Therefore, for these corporations, the due date remains September 15, and the extended due date remains March 15 of the following year until that time.

On the other side, partnership tax returns are now due a month earlier, on the 15th day of the third month following the partnership’s year-end. Therefore, 2016 calendar-year partnership returns are due March 15, 2017. Partnerships are now eligible for a six-month extension, so the extended due date is still the same as under the prior rules.

Also effective for 2016 and later returns, the filing deadline for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), was moved up from June 30 to April 15. FBAR filers can request a six-month extension. The filing deadline for taxpayers abroad is automatically extended until June 15, with an additional four-month extension available until October 15.

Affordable Care Act (ACA)

Despite several delays and legislative tweaks, the basic structure of the ACA for businesses, both large and small, generally remains intact. If an employer is an applicable large employer (ALE), this triggers the employer-shared responsibility provisions and the employer information-reporting provisions. Small businesses, however, are not unaffected by the ACA and should take the ACA into account in year-end planning. Some incentives in the ACA could help maximize tax savings for small businesses.
FOR INDIVIDUALS

TAX RATES EXPOSURE
Balancing the impact of the existing tax rates on a variety of transactions during the year and at year-end can be challenging: the ordinary income tax rates, the capital gain rates, the net investment income (NII) tax rate, and the AMT, all may play a role.

For individuals, the income tax rates for 2016 are unchanged from 2015: 10, 15, 25, 28, 33, 35 and 39.6%, although the start of each bracket continues to be inflation-adjusted upward each year. The tax rates for qualified (net long-term) capital gains and dividends are also unchanged for 2016, ranging from 20% for those in the 39.6% income tax bracket, down to 15% for those within the 25 to 35% brackets, and to 0% for those otherwise in the 10 to 15% income tax brackets.

The NII threshold amount is equal to $250,000 in the case of joint returns or a surviving spouse; $125,000 in the case of a married taxpayer filing a separate return, and $200,000 in any other case. These threshold amounts are not indexed for inflation. The additional Medicare Tax is 0.9% of covered wages and other compensation above the threshold dollar amounts that mirror the threshold amounts of the NII tax regime.

Strategy: If possible, keep general income below the threshold amounts by spreading income out over a number of years or offsetting the income with above-the-line deductions. Grouping similar categories of net investment income activity may be another way to reduce overall NII. Also, spikes in income, whether capital gains or other income, may push gains into either the 39.6% bracket for short-term gain or the 20% capital gains bracket. Spreading the recognition of certain income between 2016 and 2017 may help minimize the total tax paid for the 2016 and 2017 tax years.

Capital losses - Cashing out stocks with a built-in loss may be a simple way of providing a loss to be taken against current capital gains and ordinary income. Individuals can deduct up to $3,000 of additional losses, whether net long-term or short-term; losses above $3,000 can be carried over and deducted in succeeding years. If the investment remains economically attractive, taxpayers can buy the same stock more than 30 days before or after they sell shares in the same company. This avoids the wash-sale rules, which would disallow the loss. The wash-sale rule, however, applies only to losses; gains are recognized in full. It will be beneficial if acceleration of some income into 2016 is a goal, whether to absorb excess losses or otherwise.

Another popular strategy for saving taxes on the sale of appreciated stock while helping college kids financially is to gift appreciated stock to them. If the child has earned income and is taxed in the bottom two income tax brackets, the capital gains generated on the stock sale is taxed at 0% (rather than the 15% or more that would be paid by the parent) assuming the gain on the sale does not push the child past the 15% federal tax bracket. This scenario also assumes that the kiddie tax does not apply.


**Alternative Minimum Tax (AMT)**
For 2016, the AMT exemption amounts are $53,900 for single individuals and heads of household; $83,800 for married couples filing a joint return and surviving spouses; and $41,900 for married couples filing separate returns. No single factor automatically triggers AMT liability, but some common factors are itemized deductions for state and local income taxes, miscellaneous expenditures, home equity loan interest (not including interest on a loan to build, buy or improve a residence) and changes in income from installment sales. Investments, especially in oil and gas, may also generate "tax preferences" that may add up to AMT liability.

**Pease Limitation (Limitation on Itemized Deductions) / Personal Exemption Phase-out**
For 2016, the Pease limitation threshold is $311,300 for married couples and surviving spouses; $285,350 for heads of households; $259,400 for unmarried taxpayers; and $155,650 for married taxpayers filing separately. The threshold adjusted gross income amounts for personal exemption phase-out (PEP) are the same as the threshold amounts for Pease limitation. Potential reduction of the value of certain itemized deductions and personal exemptions may be lessened by some individuals by managing adjusted gross income as well as affected itemized deductions. For purposes of the limitation on itemized deduction, a taxpayer's total itemized deductions do not include deductions for medical expenses, investment interest expenses, casualty or theft losses, and allowable wagering losses.

**Individual Tax Extenders**
The PATH Act permanently extended many tax incentives that were previously temporary, removing for the first time in many years the year-end concern over their temporary applicability.

- **American Opportunity Tax Credit (AOTC) - permanent**
  
  *Strategy:* An education tax credit is generally allowed only for payments of qualified tuition and related expenses for an academic period beginning in the same tax year as the year the payment is actually made. However, if qualified expenses are paid during one tax year for an academic period that begins during the first three months of the following tax year, the academic period is treated as beginning during the tax year in which the expenses were paid.

  The Tax Code now requires that the taxpayer possess a valid Form 1098-T to claim the AOTC. To prevent improper and fraudulent claims due to the refundable nature of a portion of the AOTC, additional criteria must be satisfied and a due diligence requirement has been added.

- **Teacher’s classroom expense deduction - permanent**
  
  *Strategy:* Additionally, starting in 2016, the PATH Act places within the scope of the deduction "professional development expenses," which include the cost of courses related to the curriculum in which the educator provides instruction.

- **State and local sales tax deduction - permanent**
  
  *Strategy:* Generally, IRS tables based upon federal income levels and a taxpayer's number of dependents are used for this optional deduction. Taxpayers who wish to claim more than the table amounts must provide adequate substantiation for the additional sales tax paid on the large item purchased during the tax year.
• Exclusion for direct charitable donation of IRA funds - permanent
  
  **Strategy:** The exclusion covers distributions of up to $100,000 received from traditional or Roth IRAs ($100,000 for each spouse on a joint return). The transfer to the charity from the IRA must be completed by December 31, 2016, to treat it as taking place in 2016; mere instructions to the IRA trustee are insufficient.

• Five-year solar energy property - permanent

• Tuition and fees deduction - through 2016
  
  **Strategy:** Payments by year-end 2016 may be particularly critical to taking this deduction. There is some, but not unlimited, flexibility regarding the deductibility of tuition paid before a semester begins. As with the AOTC, the deduction is allowed for expenses paid during the tax year in connection with an academic term beginning during the year or the first three months of the next year.

• Exclusion for discharge of indebtedness on principal residence - through 2016
  
  **Strategy:** To exclude discharge debt under this exclusion, the lender needs to issue the appropriate Form 1099-C, for the particular tax year desired (2016). The IRS says that it "encourages" the homeowner to work out the disagreement with the lender and have the lender issue a corrected Form 1099-C.

• Mortgage insurance premium deduction - through 2016

• Nonbusiness energy property credit - through 2016
  
  **Strategy:** Several overall limitations apply. A credit amount for qualified energy efficient improvements equals 10% of the amount paid or incurred during the tax year and 100% of the amount paid or incurred for qualified energy property during the tax year. The maximum credit amount for qualified energy property varies depending upon the type of property; further, all nonbusiness energy property carries a $500 maximum lifetime credit cap.

**Affordable Care Act (ACA) for Individuals**

Year-end planning for individuals with regards to the ACA may generally be more prospective than retrospective but there are some year-end moves that may be valuable, particularly with health-related expenditures.

**Individual Shared Responsibility Payments** - For 2016, the individual shared responsibility payment is the greater of 2.5% of household income that is above the tax return filing threshold for the individual's filing status or the individual's flat dollar amount, which is $695 per adult and $347.50 per child, limited to a family maximum of $2,085, but capped at the cost of the national average premium for a bronze level health plan available through the Marketplace in 2016.

**Strategy:** Open enrollment for coverage through the Health Insurance Marketplace for 2016 has closed. However, some qualifying life events may make an individual eligible for non-filing season special enrollment.
**Medical Expense Deduction** - Taxpayers who itemized deductions may claim a deduction for qualified unreimbursed medical expenses to the extent those expenses exceed 10% of adjusted gross income (AGI), unless the taxpayer falls within an age-based exception. Taxpayers (or their spouses) who are age 65 or older before the close of the tax year may apply the old 7.5% threshold for tax years, but only through 2016.

*Strategy:* Taxpayers who are age 65 or older may consider accelerating medical costs into 2016 if they want to itemize deductions, since the AGI floor for deductible expense rises from 7.5% to 10% in 2017. For deductions by cash-basis taxpayers in general, including for purposes of the medical expense deduction, a deduction is permitted only in the year in which payment for services rendered is actually made.

**FSA** - Contributions to health flexible spending arrangements (health FSAs) are capped under the ACA at $2,500 (indexed for inflation to $2,550 in 2016 and $2,600 in 2017).

*Strategy:* Use-it-or-lose-it rules for health FSAs allow cafeteria plans to provide for a 2½ month grace period after the current year to incur expenses and request reimbursement. However, plans are not required to offer this grace period, so participants should check before year-end as to whether a grace period applies to them. Additionally, IRS regulations allow, but do not require, employers to amend their plans to permit employees to carry over up to $500 in unused health FSA balances to the following plan year.

**Estate and Gift Planning**

The maximum federal unified estate and gift tax rate is 40% with an inflation-adjusted $5 million exclusion for gifts made and estates of decedents dying after December 31, 2012. The gift tax exclusion allows tax payers to give up to an inflation-adjusted $14,000 to any individual, gift-tax free and without counting the amount of the gift toward the lifetime $5 million exclusion, adjusted for inflation. The applicable exclusion amount, as adjusted for inflation, is $5,450,000 for gifts made and estates of decedents dying in 2016. There is no limit on the number of individual donees to whom gifts may be made under the $14,000 exclusion. Spouses may split their gifts to each donee, effectively raising the per donee annual maximum exclusion to $28,000. Spouses may give an unlimited amount of gifts to one another without any gift tax imposed. You cannot carry over unused annual exclusions from one year to the next.

Gifts made before the end of the year can be sheltered by the annual gift tax exclusion, thereby reducing gift and estate taxes. The transfers also may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax.

In light of the recent presidential and congressional election results, you may want to revisit your estate planning. Per President-Elect Trump’s website: “The Trump Plan will repeal the death tax, but capital gains held until death and valued over $10 million will be subject to tax to exempt small businesses and family farms. To prevent abuse, contributions of appreciated assets into a private charity established by the decedent or the decedent’s relatives will be disallowed.”

**Year-End Retirement Planning**

One of the first steps for retirement savings is to contribute to an employer-sponsored elective salary deferral plan. These salary deferral plans include 401(k) plans, 403(b) plans, and 457 plans depending on the type of employment. For 2016, the inflation-adjusted elective salary deferral limit for 401(k), 403(b)
and 457 plans is the lesser of $18,000 or 100% of compensation. If an employer makes contributions, the total contribution for the 2016 year from both the employee and the employer is capped at $53,000, not including an additional $6,000 for catch-up contributions. One of the first steps for retirement savings is to contribute to an employer-sponsored salary deferral plan. Such plans, if available, include 401(k), 403(b) and 457 Plans. The type of plan offered depends on whether the sponsoring employer is a taxable entity, nonprofit organization, or a government agency. In addition, there are a few new developments to consider.

**Relief for late rollovers** - The IRS unveiled a new self-certification procedure for taxpayers who miss the 60-day time limit for certain retirement plan distribution rollovers. Direct distributions to plan participants must be rolled over (i.e. deposited) into another qualified retirement account (usually an IRA) within 60 days. The procedure eliminates the costs associated with requesting a private letter ruling for the 60-day waiver, effective August 24, 2016. Furthermore, the IRS may grant a waiver during an examination of the taxpayer's income tax return for any year. The procedure, however, does not rubber-stamp any excuse; it must be reasonable (generally proving that the delay was due to an error by a financial institution) and is subject to IRS verification.

**Minimum distribution requirements** - Most retirement arrangements (other than Roth IRAs) require that participants begin to take annual payments of benefits in the year they reach age 70 ½. While distributions generally must be made at the end of the calendar year, distributions for the first year can be delayed until April 1 of the following year. Retirement plans may also delay the required beginning date for employees (those owning 5% or less of a business) to actual retirement, if beyond attainment of age 70 ½.

**Roth Conversions / Reconversions** - A traditional IRA may be converted to a Roth IRA. As with rollovers to traditional IRAs, the 10-percent additional tax on early distributions does not apply. However, unlike rollovers to traditional IRAs, the amount converted is taxable in the year of conversion. Once a Roth IRA has been re-characterized back to a (new) traditional IRA, the (new) traditional IRA can be (re)converted to a Roth IRA, provided the taxpayer meets the eligibility requirements in the reconversion year. This reconversion option is most often used to allow a "do-over" when assets that are transferred lose value before year-end.

**Strategy:** Any amount converted to a Roth IRA is included in gross income as a distribution for the tax year in which the amount is distributed or transferred from the traditional IRA. When a rollover spans two tax years, the taxable amounts from the traditional IRA are included in gross income in the year in which the amounts are withdrawn from the traditional IRA.

**IMPORTANT LIFE CYCLE CHANGES THAT AFFECT YEAR-END TAX PLANNING**

In addition to changes in the tax law, taxpayers should also consider personal circumstances that changed during 2016 as well as what may change in 2017. These changes include:

- Change in filing status due to marriage, divorce, death or head of household changes
- Losses from casualty or theft
- Change in medical expenses
- Moving/relocation due to change in job
- College and other higher education expenses
- Change in employer
- Start retirement
- Personal bankruptcy
- Inheritance
- Business successes or failures
**POST-ELECTION**

The following illustrates some of the major positions that President-elect Donald Trump has taken during his campaign:

**Individual tax rates**
- 12%, 25%, 33%

**Capital gains**
- No change from 0%, 15% and 20% rates
- Repeal 3.8% NII tax

**Deductions**
- $100K cap for single filers
- $200K for joint returns

**Business Income**
- Lower top rate from 35% to 15% for corporations and pass-through income reinvested into business

**Deductions**
- Enhanced expensing for manufacturers
- Limit deductions in return for lower rates

**CALIFORNIA BALLOT INITIATIVES**

California voters approved a statewide ballot initiative that extends the 10.3%, 11.3%, and 12.3% personal income tax rates for single taxpayers with taxable income over $250,000, joint filers with taxable income over $500,000, and head-of-household filers with taxable income over $340,000 (as adjusted for inflation). These rates were set to expire after the 2018 tax year, but they will now expire after the 2030 tax year.

Every tax situation is different and requires a careful and comprehensive plan. We can assist you in aligning traditional year-end techniques with strategies to be more tax efficient. If you have any further questions or need assistance from us regarding your year-end tax planning, please do not hesitate to contact us at taxalerts@windes.com or toll free at 844.4WINDES (844.494.6337).

Sincerely,
WINDES, INC.

James A. Cordova
Chairman of Tax and Accounting Services
Windes is a recognized leader in the field of accounting, assurance, tax, and business consulting services. Our goal is to exceed your expectations by providing timely, high-quality, and personalized service that is directed at improving your bottom-line results. Quality and value-added solutions from your accounting firm are essential steps toward success in today’s marketplace. You can depend on Windes to deliver exceptional client service on each engagement. For 90 years, we have gone beyond traditional services to provide proactive solutions and the highest level of expertise and experience.

The Windes team approach allows you to benefit from a wealth of technical expertise and extensive resources. We service a broad range of clients, from high-net-worth individuals and nonprofit organizations to privately held businesses. We act as business advisors, working with you to set strategies, maximize efficiencies, minimize taxes, and elevate your business to the next level.