

# TAX 2017

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# THE WOLFE LAW GROUP

The Wolfe Law Group is an international array of legal and tax experts providing collaborative services for Global High Net Worth Investors on a per client basis.

Gary S. Wolfe, A Professional Law Corporation has over 35 years of experience providing clients with expertise for IRS Civil and Criminal Tax Audits, International Tax Planning, and International Asset Protection.

## **Awards**

Since 2015 Gary have been the recipient of 29 separate international tax awards from 10 different global expert societies in London/UK including:

International Tax Planning Law Firm of the Year Award (2017) – International Advisory Experts.

International Tax Advisor of the Year (2017) - Global Business Magazine/Prof. Sector Network.

[Click here for complete list.](#)

## **Books**

To date Gary has written 18 e-books [\(available on Amazon\)](#) regarding the IRS, International Tax Planning and Asset Protection. [Click here for complete list.](#)

## **Articles**

To date Gary has published or been interviewed in 100+ separate articles published by 15 different US and International magazines. [Click here for complete list.](#)

## **Video**

In December 2016 Gary was interviewed by California CEO Magazine and RCBNNNews.org on the subject of Criminal Tax Evasion and IRS Tax Audits: Civil and Criminal Issues. This 4 part series, which has been published by [Lorman Education](#), can be viewed below:

[Criminal Tax Evasion - Part 1](#)

[Criminal Tax Evasion – Part 2](#)

[Criminal Tax Evasion – Part 3](#)

[Criminal Tax Evasion – Part 4](#)

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# Tax 2017

In 2017, US Income, Estate and Gift Tax Rates have changed as well as filing dates. As of Tax Year 2017, the following tax filing dates apply:

1. Partnership Tax Returns (Form 1065) due 2 ½ months after yearend (March 15) with a six-month extension thru Sept 15;
2. Corporation Tax Returns (Form 1120) due 3 ½ months after yearend (April 15) with a 5-month extension thru Sept 15;
3. FBAR Filing (FinCEN Form 114) due April 15 (prior years June 30); with 6-month extension thru October 15 (previously no extension)

## Estate & Gift Tax

1. Estate & Gift Tax Exemption increases to \$5.49m; tax rate 40% (excess over \$5.49m);
2. Gift Tax Exclusion: \$14,000 per done
3. Estate Tax Deferral (Installment Payments): If one or more closely-held businesses make up greater than 35% of an estate, as much as \$596,000 estate tax can be deferred for up to 15 years (at a current 2% interest rate). The calculation is 40% on \$1.49m in taxable value of a farm or closely held business (ie. \$596k) indexed annually for inflation (IRC Sec. 6601 (j));

## Pensions/Retirement Plans (2017)

Defined Contribution Plan: Pay-in limitation for defined contribution plans increase to \$54,000 (based on up to \$270,000 in salary);

Defined Benefit Pension Plan: Benefit Limit is \$215,000;

401(K) limit \$18,000

### **Social Security**

Social Security wage base increases in 2017 to \$127,200 (so with the combined Employer/Employee share of 15.3% the maximum tax is \$19,462)

The FICA (SS) tax remains at 6.2%. The Medicare tax remains at 1.45%. An additional 0.9% Medicare surtax is added for single taxpayers with wages over \$200,000 (couples over \$250,000) so total 2.35%.

### **Income Tax**

US Taxpayers working abroad have a larger exclusion \$102,100 (2017)

2017 Top Tax Rates

39.6 % (For Taxable Income: Singles/\$418,400; Couples/\$470,700)

### **Standard Deductions**

Married \$12,700 (one spouse over 65 \$13,950; both spouses over 65 \$15,200)

Singles \$6,350 (over 65 \$7,900)

### **Itemized Deductions**

High Income Earners have a phase out of itemized deductions 3% of the excess of the AGI over: \$261,500 (Singles); \$313,800 (Married). Total deduction can't exceed 80% of itemizations with exemption for medicals, investment interest, and casualty loss.

### **Dividends//Capital Gains**

20% top tax rate on dividends and long term capital gains on taxable income in excess of \$418,400 (singles) and \$470,700 (married). The 3.8% Medicare surtax boosts the rate to 23.8%.

### **Alternative Minimum Tax (AMT)**

All taxpayers subject to regular income tax are generally subject to the AMT including individuals, estates, trusts and corporations (IRC 55(a) and 59 (c). Partnerships and S-Corporations are not subject to AMT. Partners and Shareholders compute their AMT liability separately by taking into account their share of partnership or S corporation items.

The AMT is a separate method of determining tax liability to ensure that taxpayers do not completely avoid income tax through the use of deductions, exemptions, losses and credits. A Taxpayer's AMT for a tax year is the excess of the taxpayer's tentative minimum tax over regular tax liability. AMT must be paid in addition to the regular tax liability and other federal taxes owed.

For an individual, estate, or trust, tentative minimum tax is equal to 26% of taxpayer's Alternative Minimum Taxable Income (AMTI) up to an annually adjusted threshold amount, plus 28% of any AMTI in excess of the threshold amount (IRC Sec. 55(b); (d)(4); Rev. Proc 2014-61; 2015-53)

A certain amount of alternative minimum taxable income of a taxpayer is exempt from alternative minimum tax, which exemption is adjusted annually for inflation. For all taxpayers the AMT exemption is phased out or reduced 25% for each \$1 of the excess of the taxpayer's AMTI over certain threshold amounts (IRC sec. 55(d)(3) and (d)(4); Rev. Proc. 2014-61; Rev. Proc 2015-53)

AMT exemptions increase for 2017 Singles (\$54,300); Married (\$84,500)

AMT phase-outs start at income levels: Singles (\$120,700) Couples (\$160,900)

28% AMT tax bracket begins above \$187,800.

### **US Income Tax/Medicare Tax**

Top Income Tax Rates: 39.6% (Individuals over \$418,400) Marrieds (over \$470,700)

### **Medicare Surtax**

Net Investment Income ("Modified Adjusted Gross Income"):

Individuals over \$200,000; Married Taxpayers over \$250,000 (Married Filing Separately over \$125,000. Tax is 3.8%



The 3.8% "Medicare Surtax" on "net investment income" is levied on the lesser of:

1. Taxpayer's net investment income; or
2. The excess of modified adjusted gross income over the applicable dollar threshold (modified AGI is AGI plus any tax-free foreign earned income).

Investment income includes: interest, dividends, capital gains, annuities, royalties and passive rental income. Tax-free interest is exempted along with payouts from retirement plans such as 401 (k) plans, IRAs, deferred pay plans and pension plans.

The 0.9% Employee "Surtax" applies only to the employee's share of Medicare tax. Employers don't owe it. Employers will withhold the surtax once an employee's wages exceed \$200,000 (\$250,000 couples/\$125,000 married filing separately). Employees then calculate the actual tax due on their Form 1040 tax returns.

### **US/California Combined Tax Rate**

In 2017, the highest income tax rate is 51.7% "blended" US/CA income tax rate (Federal Tax Rates with Medicare Tax: 44.3%; California Tax Rate: 13.3%). This 51.7% tax rate applies to wage earners.

For investors, the top rate on net investment income is 50.92% (Federal Tax Rate: 43.4%, CA tax rate: 13.3%)



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