

## 10 important tax-related developments for 2017

Several significant tax developments happened last year that may affect federal income tax returns that individual and business taxpayers file in 2017. Here's a quick look at 10 key changes that you should be aware of during this tax season.

### 1. Stand-Alone HRAs

On December 13, 2016 — just over a month before leaving office — President Obama signed the 21st Century Cures Act into law. In addition to funding cutting-edge medical research, this new legislation allows an employer with fewer than 50 employees and no other group health insurance plan to establish Health Reimbursement Arrangements (HRAs) for its employees.

These standalone HRAs aren't subject to certain penalties and restrictions imposed by the IRS under the Affordable Care Act (ACA). Plan ahead: The 21st Century Cures Act applies to plan years beginning after 2016.

### 2. ACA Reporting

Although the ACA might be repealed or modified in 2017, it's still in effect for 2016. Under the ACA, employers must file information returns with the IRS and provide information to employees and other responsible individuals.

Recently, the IRS offered some consolation: It extended to March 2, 2017, the due date for furnishing to individuals 2016 Form 1095-B, "Health Coverage," and 2016 Form 1095-C, "Employer-Provided Health Insurance Offer and Coverage." This gives employers an extra 30 days to get their paperwork in order.

### 3. Premium Tax Credits

Taxpayers required to acquire health insurance under the ACA may qualify for premium tax credits to offset part of the cost. Although existing regulations include several favourable safe-harbour rules for determining eligibility, those rules don't apply where an individual, with reckless disregard of the facts, provides incorrect information to a health insurance exchange.

New final regulations clarify that this provision for "reckless disregard of the facts" applies only to the conduct of the *individual* — not to information provided by any third parties.

#### **4. Standard Mileage Rates**

Each year, the IRS adjusts the standard mileage rates that taxpayers may use in lieu of tracking actual driving expenses. Due to lower gas prices, the rates have been reduced for 2017. The IRS recently announced that the flat rate for business driving is 53.5 cents per mile in 2017 (down from 54 cents per mile in 2016). Also, the rates for driving attributable to medical and moving purposes dropped to 17 cents per mile in 2017 (down from 19 cents per mile in 2016). Finally, the rate for charitable driving, which is set statutorily, remains at 14 cents per mile in 2017. In all cases, related tolls and parking fees can be added to the flat rate.

#### **5. Valuations for Vehicles**

Employees are taxed on the fair market value (FMV) of their personal use of company-provided vehicles. For convenience, the IRS permits FMV accounting methods based on the cents-per-mile rule (see "Standard Mileage Rates" above), as well as a fleet average value for employers with 20 or more vehicles, with the maximums updated annually.

Under a recent IRS Notice, the cents-per-mile thresholds in 2017 are \$15,900 for automobiles (the same as in 2016) and \$17,800 for trucks and vans (up from \$17,700 for 2016). The thresholds for the fleet average rule in 2017 are \$21,100 for a passenger auto (down from \$21,200 for 2016) and \$23,300 for a truck or van (up from \$23,100 for 2016).

#### **6. CPEOs**

The IRS has now provided detailed requirements for certified professional employer organizations (CPEOs) — often called leasing companies — to remain certified. The IRS also has established procedures for suspending and revoking certification. Small businesses often contract with CPEOs to ensure compliance with workplace laws and regulations.

Under the Tax Increase Prevention Act of 2014, a CPEO may be treated as the sole employer of employees for purposes of paying and withholding employment taxes. Professional employer organizations can be certified as CPEOs effective as of January 1, 2017.

#### **7. Delayed Refunds**

A new tax law change requires the IRS to hold refunds for tax returns claiming the Earned Income tax credit or the additional child credit until at least February 15, 2017. As a result, many early filers still won't have access to their refunds until the week of February 27 or even later.

Under the new rules, the IRS must delay the entire refund, even the portion that isn't associated with the Earned Income tax credit or additional child credit. The IRS is advising taxpayers that the fastest way to get a refund is to file electronically and choose the direct deposit method.

## **8. ABLE Accounts**

The Achieving a Better Life Experience (ABLE) Act of 2014 authorized special tax-favored savings accounts for individuals who are disabled before age 26. After the IRS issued regulations on this issue, individual states began rolling out ABLE accounts in 2016.

With an ABLE account, contributions aren't tax deductible. But the amounts set aside in ABLE accounts are distributed tax-free to recipients if they're used to pay for qualified disability expenses. Contributions to ABLE accounts may be sheltered by the annual gift tax exclusion of \$14,000 for 2017 (the same as in 2016). Note, however, that if the account balance exceeds \$100,000 it will impact SSI (Supplemental Security Income) eligibility.

## **9. Self-Certified Rollover Waivers**

In general, an individual has 60 days to complete a tax-free rollover of a distribution from an Individual Retirement Account (IRA) or workplace retirement plan to another eligible retirement program. If you inadvertently miss this deadline, the distribution is usually taxable unless you obtain a waiver from the IRS. Thanks to a new ruling from the IRS in 2016, a taxpayer can self-certify that mitigating circumstances caused the failure.

For this purpose, a waiver may be allowed due to:

- A distribution check being misplaced and never cashed
- Severe damage to the taxpayer's home
- Death of a family member
- A serious illness of the taxpayer or a relative
- The taxpayer's incarceration
- Restrictions imposed by a foreign country

The new rules went into effect on August 24, 2016.

**Important note:** Don't forget that qualifying taxpayers may still make contributions, whether *deductible* or *nondeductible*, to a traditional IRA until the day taxes are due, without extension. They also have until Tax Day to make a *nondeductible* contribution to a Roth IRA for 2016. Put simply, the deadline for individuals to contribute to traditional or Roth IRAs for 2016 is April 18, 2017.

## 10. FBAR Reporting

Generally, a taxpayer who has over \$10,000 in foreign bank accounts at any time during the year must file a Report of Financial Bank and Financial Accounts (FBAR). In the past, the filing deadline was June 30 of the following year. Now the FBAR due date has been moved to coincide with federal income tax filings.

Accordingly, 2016 FBARs must be filed electronically with the Financial Crimes Enforcement Network (FinCEN) by April 18, 2017. Also, FinCEN will grant filers missing the April 18, 2017, deadline an automatic extension until October 16, 2017.

### Just a Sampling

This brief article covered just a few noteworthy tax developments in 2016. The IRS made many other changes that could affect your tax obligations, depending on your personal situation. Contact your tax advisor if you have any questions.

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