

# Lassus Wherley

*Certified Public Accountants*

## LW News

***"Best Places To Work in New Jersey"***  
**Awarded for 6th consecutive year**

**Women's Choice Award  
for Financial Advisors  
Received for the Second Time**

**Borough of New Providence recognized  
Lassus Wherley for  
Outstanding Business Sponsorship**

**Diahann appointed to the  
CNBC Financial Advisor Council  
for a third term**

**2016 Five Star Wealth Manager  
Award recipients  
Diahann Lassus, Lisa McKnight,  
Charles Pawlik, Betty Thomas and  
Clare Wherley**

**2016 Five Star Financial Services  
Professionals Award recipients  
Pat Daquila and Cynthia Fusillo**

**Peter Cintula promoted to Director,  
Information Systems**

**Jodi Cirignano joined Lassus Wherley  
as Senior Financial Planner**

**Betty Thomas promoted to  
Financial Planner**

**Lisa McKnight promoted to  
Senior Financial Planner**

**Charles Pawlik Promoted  
to Investment Officer**

**TWO new babies!  
Zuzana and Michal Harvis  
welcomed  
Viktoria  
&**

**Charles and Lisa Pawlik  
welcomed  
Charles Frederick**



**Ugly Sweater Day!** In a cold week in December the Ugly Sweater Day was declared! A great reason to wear them at least one day a year!

## Identity Theft Update

Tax-related identity theft occurs when someone uses your Social Security number to file a tax return claiming a fraudulent refund. New measures have been instituted at both the federal and state levels that may affect taxpayers for the 2016 filing season.

Many of the changes are behind the scenes, such as the increased security for software the IRS and states now require. Other changes may require action on your part such as including your driver's license before processing a state tax return and issuing any re-funds.

You may notice a new box on your W-2 form this year. About 2% of W-2s will contain a W-2 verification code as the IRS tests this latest authenticity check. This will not affect refunds or tax filings for this season. The IRS will still process a majority of federal re-funds within 21 days, but some may be held up for review.

The IRS is asking that taxpayers take steps on their own to protect their information. These steps include:

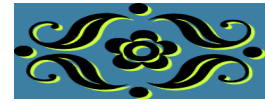
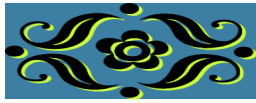
- ◆ Always use security software with firewall and anti-virus protections. Make sure the security software is always turned on and can automatically update. Encrypt sensitive files such as tax records you store on your computer. Use strong passwords.
- ◆ Learn to recognize and avoid phishing emails, threatening phone calls and texts from thieves posing as legitimate organizations such as your bank, credit card company, and government organizations, including the IRS. Do not click on links or download attachments from unknown or suspicious emails.
- ◆ Protect your personal data. Don't routinely carry your Social Security card, and make sure your tax records are secure. Treat your personal information like you do your cash; don't leave it lying around.

Also know that the IRS doesn't initiate contact with taxpayers by email or phone to request personal or financial information. This includes any type of electronic communication, such as text messages and social media. The IRS does not call taxpayers with threats of lawsuits or arrests.

If you do fall victim to identity theft, it is important to let the appropriate authorities know. Tax-related identity theft victims receive an Identity Protection Personal Identification Number or IP PIN. This 6 digit number must be entered to verify your identity and a new number will be issued annually. Additionally, the IRS is testing a pilot program in which you may choose to opt in to the IP PIN program, even if you have not fallen victim to theft of your identity. Currently this is being offered to select residents of Florida, Georgia or Washington, D.C.

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# *In Perspective*

## **NJ Estate Taxes**

On January 1, 2017, the New Jersey Estate tax exemption increased from \$675,000 to \$2,000,000. If a NJ resident dies during 2017 his/her estate will not be subject to NJ Estate taxes unless the value of the Estate is greater than \$2,000,000.

In addition, if a NJ resident dies on or after January 1, 2018, there will be no NJ Estate tax.

Even though the NJ Estate tax changed, the NJ Inheritance tax did not. NJ Inheritance tax is imposed if a decedent passes assets to certain beneficiaries.

Beneficiaries are grouped into four classes:

Class A includes parents, grandparents, spouse, children, grandchild, stepchild, civil or domestic partner or a mutually acknowledged child.

There is no Class B.

Class C includes a brother or sister of the decedent or a spouse or surviving spouse of a child of the decedent (daughter-in-law or son-in-law) or a civil union partner or surviving civil union partner of a child of the decedent.

Class D includes anyone who is not in class A, C or E.

Class E includes qualified charities, religious institutions, educational and medical institutions, non-profit benevolent or scientific institutions or the State of NJ or any of its political subdivisions.

There is no Inheritance tax on the transfer of assets to Class A or Class E beneficiaries.

All of the other beneficiaries would have a tax imposed on the transfer of the assets which ranges from 11% to 16%. However, there is an exemption for the first \$25,000 of assets passed to Class C beneficiaries.

The changes to the NJ Estate tax should prompt individuals to review their Estate documents including wills and trusts that were drafted prior to the change.

It's anybody's guess...

## **Trump and/or Republican Changes for 2017**

### **Rates**

- Lower rates for ordinary income, possibly 15% 25% and 35% or 12%, 25% and 33%
- No change for Capital Gains and Qualified Dividends
- Elimination of the Medicare Surtax on Capital Gains
- Elimination of the Alternative Minimum Tax

### **Deductions**

- Larger Standard Deductions (\$15,000 for Single, \$30,000 for Married)
- Keep Mortgage Interest and Charitable Deductions but eliminate the others
- Cap total deductions at \$100,000 for Single filers and \$200,000 for Married
- Eliminate the Married Filing Separate status
- Phase out exemptions or raise the standard deduction higher

### **Other Provisions**

- "above-the-line" deductions for child care and max \$5,000 elder care expenses, phased out for high incomers
- A new Dependent Care Health Savings Account for up to \$2,000 a year in tax deductible contributions and growth tax free

## Lassus Wherley

### Filing Deadlines are Changing

Normally **individual returns** are due on April 15. This year however, April 15 (and 16) fall on a weekend. Monday April 17 is Emancipation Day in the District of Columbia, so returns are due on Tuesday April 18. Don't forget that if you obtain a valid extension, you still must pay what you owe by the original due date of April 18. Nothing new there.

New due dates have been enacted for form 1065 (**Partnerships and LLCs**). These returns are now due two and a half months after the close of the taxable year for partnerships and LLCs with tax years beginning in 2016. This means that for a calendar year partnership or LLC, returns are due March 15, 2017 (old rule was three and a half months after close of the tax year). Again, extensions may be obtained via form 7004.

Contrary to partnership and LLC returns, **corporate** returns filing form 1120 get an extra month. The old rule was two and a half months past the close of the tax year – now it's three and a half months. You may apply for an extension here as well using form 7004. S-corps are still due two and a half months after close of the tax year.

Employers filing forms **W-2** as well as those paying independent contractors on form **1099-MISC** must file these forms with the IRS, Social Security Administration and send a copy to the recipient by January 31, 2017 for the 2016 tax year. This date is coming up rather quickly and penalties exist for late filers. If your business pays non-employee compensation of \$600 or more to any one individual in a tax year, the business must file form 1099-MISC to report the payments.

On Monday January 23, 2017 the IRS will begin accepting **electronic returns** for the 2016 tax year.

On the **refund** front, returns claiming the Earned Income Tax Credit or the Additional Child Tax Credit will not have refunds issued until after February 15.

Finally, **electronic filing** along with direct deposit of refunds remains the quickest and safest method to file and get your refund.



# Happenings

## Lassus Wherley

Halloween Scarecrow contest!  
We thought it was pretty scary!



Bowling our cares  
away at the end of a  
day!

Loading Christmas gifts for  
New Providence families in  
need providing support  
through the Community  
Services Association.



# Web Tax Humor

Tax Day is the day that ordinary Americans send their money to Washington, D.C., and wealthy Americans send their money to the Cayman Islands. (Jimmy Kimmel)

Children may be deductible, but they are still taxing. (unknown)

I'm not going to pay taxes. When they say I'm going to prison, I'll say 'No, prisons cost taxpayers a lot of money. You keep what it would have cost to incarcerate me, and we'll call it even.' (Jimmy Kimmel)

People who struggle with their income tax can be divided into two categories: Men and Women. (unknown)

Worried about an IRS audit? Avoid what's called a red flag. That's something the IRS always looks for. For example, say you have some money left in your bank account after paying taxes. That's a red flag. (Jay Leno)

The guy who said that the truth never hurts never had to fill out a form 1040. (unknown)

"Two things you need to know about taxes. They've extended the deadline to April 18, and when you write your check, just make it out to China. (David Letterman)

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