The Quill

Winter 2017

Individual and Corporate Income Tax Rates for 2017

State of Maine Individual Rate Schedules

Tax Rate Schedule # 1
For Single Individuals and Married Persons Filing Separate Returns

If the taxable income is:	The tax is:
Less than $21,100	5.8% of Maine taxable income
$21,100 but less than $50,000	$1,224 plus 6.75% of excess over $21,100
$50,000 or more	$3,175 plus 7.15% of excess over $50,000

Tax Rate Schedule #2
For Unmarried or Legally Separated Individuals who Qualify as Heads of Household

If the taxable income is:	The tax is:
Less than $31,650	5.8% of Maine taxable income
$31,650 but less than $75,000	$1,836 plus 6.75% of excess over $31,650
$75,000 or more	$4,762 plus 7.15% of excess over $75,000

Tax Rate Schedule #3
For Married Individuals and Surviving Spouses Filing Joint Returns

If the taxable income is:	The tax is:
Less than $42,250	5.8% of Maine taxable income
$42,250 but less than $100,000	$2,451 plus 6.75% of excess over $42,250
$100,000 or more	$6,349 plus 7.15% of excess over $100,000

Personal Exemption: $4,050

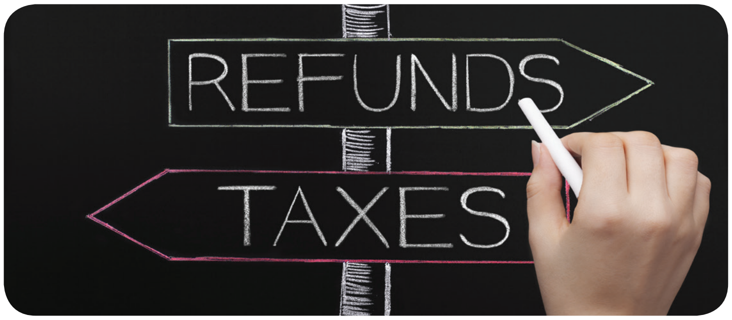
Standard Deduction:
Single - $11,600
Married Filing Jointly - $23,200
Head of Household - $17,400
Married Filing Separately - $11,600

Editor: Jeff Raab

Maine Corporate Income Tax Rates

Adjusted Federal Taxable Income

Greater than	But not over	The Gross Tax is:
$0	$25,000	3.5% of adjusted federal taxable income
$25,000	$75,000	$875 plus 7.93% of the excess over $25,000
$75,000	$250,000	$4,840 plus 8.33% of the excess over $75,000
$250,000	Or more	$19,418 plus 8.93% of the excess over $250,000



New Hampshire Corporate Income Tax Rates

Business Profits Tax: The BPT rate is 8.2% assessed on income from conducting business activity within the State of New Hampshire. Any business organization, organized for gain or profit carrying on business activity within the State is subject to this tax. However, organizations with $50,000 or less of gross business income from all their activities are not required to file a return.

Business Enterprise Tax: The BET rate is .72% assessed on the enterprise value base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business enterprise, after special adjustments and apportionment. The BET is paid by enterprises with more than $208,000 of gross receipts from all their activities, or an enterprise with a value base of more than $104,000, are required to file a return.

Our best wishes to you for a healthy and prosperous New Year. Thank you for your continued support.

2017 Year-End Tax Planning Moves

As we approach year-end there is still time to think about planning moves that might lower your tax bill for this year and possibly the next.

Year-End Tax Planning Moves for Individuals:

1. Realize losses on stock while substantially preserving your investment position. There are several ways this can be done. For example, you can sell the original holding, then buy the same securities at least 31 days later.
2. Postpone income until 2018 and accelerate deductions in 2017 to lower your 2017 tax bill. This strategy may be especially valuable if Congress succeeds in lowering tax rates next year in exchange for slimmed-down deductions.
3. If you believe a Roth IRA is better than a traditional IRA, consider converting traditional IRA money invested in beaten-down stocks (or mutual funds) into a Roth IRA if eligible to do so. Keep in mind, however, that such a conversion will increase your Adjusted Gross Income for 2017.
4. Consider using a credit card to pay deductible expenses before the end of the year. Doing so will increase your 2017 deductions even if you don't pay your credit card until after the end of the year.
5. You may be able to save taxes by applying a bunching strategy to pull "miscellaneous" itemized deductions, medical expenses and other itemized deductions into this year. This strategy would be especially beneficial if Congress eliminates such deductions beginning in 2018.
6. Take required minimum distributions (RMDs) from your IRA or 401(k) plan (or other employer-sponsored retirement plan). RMDs from IRAs must begin April 1 of the year following the year you reach 70 1/2. That start date also applies to company plans, but non-5% company owners who continue working may defer RMDs until April 1 following the year they retire. Although RMDs must begin no later than April 1 following the year in which the IRA owner attains age 70 1/2, the first distribution calendar year is the year in which the IRA owner attains 70 1/2. Thus, if you turn 70 1/2 in 2017, you can delay the first required distribution to 2018, but if you do, you will have to take a double distribution in 2018 - the amount required for 2017 plus the amount required for 2018. Think twice before delaying the 2017 distribution into 2018, as bunching income in 2018 might push you into a higher tax bracket.
7. Make gifts sheltered by the annual gift tax exclusion before the end of the year and thereby save gift and estate taxes. The exclusion applies to gifts up to $14,000 made in 2017 to each of an unlimited number of individuals. You can't carry over unused exclusions from one year to the next. Such transfers might 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.

Year-End Planning Moves for Businesses & Business Owners:

1. Businesses should consider making expenditures that qualify for the business property expensing option. For tax years beginning in 2017, the expensing limit is $510,000 and the investment ceiling limit is $2,030,000. Expensing is generally available for most depreciable property (other than buildings), off-the-shelf computer software, air conditioning and heating units, and qualified real property, qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property. The expensing deduction is not prorated for the time that the asset is in service during the year. The fact that the expensing deduction may be claimed in full (if you are otherwise eligible to take it) regardless of how long the property is held during the year can be a potent tool for year-end tax planning.
2. Businesses also should consider buying property that qualifies for the 50% bonus first year depreciation if bought and placed in service this year (the bonus percentage declines to 40% next (2) year). The bonus depreciation deduction is permitted without any proration based on the length of time that an asset is in service during the tax year.
3. A corporation should consider deferring income until 2018 if it will be in a higher bracket this year than next. If Congress succeeds in dramatically reducing the corporate tax rate beginning next year, deferral of income until 2018 may be even more beneficial.
4. To reduce 2018 taxable income, consider deferring a debt-cancellation event until 2018.

These are just some of the year-end steps that can be taken to save taxes. Please contact your RKO professional so we can tailor a particular plan that will work best for you.

Choosing the Right Corporate Structure

Like most individuals starting a business, the question often arises regarding what is the best way to protect one's personal assets. For some it might be forming a corporation, while for others maybe a creation of a Limited Liability Partnership. Insurance policies can protect you up to a certain point, but without a formal way to conduct business, you might still be open to risks.

Below are a few different routes you could take to protect yourself against personal liability:

	Limited Partnership (LP)/Limited Liability Partnership (LLP)	**Corporation and S-Corporation**	**Limited Liability Company (LLC) Company (LLC)**
Liability Protection	To limited partners only	YES	YES
Created at State Level	YES	YES with S-Corp requiring IRS approval	YES
Tax status, IRS	Partnership	Corporation taxes, except for S-Corp	Flexible. Could be taxed as corporation or sole proprietor or partnership
Advantages	Can complement an existing general partnership	Recognized way to conduct business Possibility of endless life to the business	Simple to set-up and maintain Flexible options on taxation No annual meetings or keeping of minutes
Disadvantages	Unlimited liability of general partners Death of partners dissolves the LLP	Complex to set-up and maintain Except for S-Corp, double taxation	Relatively new form of business that may not be fully understood by banks and investors Possibility of being dissolved upon death of member

Limited Partnership/Limited Liability Partnership (LP or LLP):
This type of entity is a more formal way of doing business than a general partnership. Limited partnerships include both general and limited partners. Limited partners are usually partners with limited say in the business. An LLP can be formed after a general partnership has been set up and is working well.

The LLP is not a separate entity as far as taxes are concerned. This means that the LLP does not pay separate income taxes, and profits/losses flow directly into partner's tax returns. Note that an LLP is required to file an annual information return using Form 1065 and issue K-1s to all partners.

One of the main advantages of an LLP is that it's easy to attract investors, who might become silent partners without dissolving the original general partnership. On the other hand, the chief disadvantages of this type of structure is that you still have general partners who have liability concerns with the business. Death of any partner dissolves the partnership.

Corporation
A corporation is a separate entity created at the state level. A corporation has rights and liabilities that are separate from the owners, shielding them from personal liability for business activities - a major advantage of a corporation. A corporation has stockholders as owners, and it distributes profits and losses through dividends. Income does not automatically flow through the owners.

Corporations file separate tax returns and pay taxes at their own rate. This often causes the problem of double taxation of owners, who are taxed on dividends while corporations are taxed on earnings. Certain corporations do qualify with the IRS to be S-Corporations and are able to avoid the corporate taxation.

A disadvantage of corporations is the work involved with dealing with specific legal and financial requirements at both state and federal levels, such as holding annual members meetings.

Limited Liability Company (LLC)
LLCs are a very popular structure for a business because it is simple and easy to set-up, providing business owners flexibility not available with other types of entities. It allows the benefits of liability protection similar to a corporation and it offers the option of a "pass-through" taxation, like a partnership.

An LLC with only one owner can be considered to be a "disregarded entity" with profits and losses flowing directly into the personal tax return of the owner. The LLC can also choose to be created as a corporation for income tax purposes - this level of flexibility can be very appealing to many business owners.

Certain circumstances, such as making the company insolvent because of excess partner's distributions, can make owners personally liable for the debts of the LLC.

As you consider the options available for your business, please contact your professional at RKO, who is familiar with the various options.

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Quill — Firm Announcements

The **WCSH 6 Who Care Awards** are a collaboration between **WCSH6,** the **United Way of Greater Portland**, and their sponsors, to honor individuals in the community who have seen a need and given of themselves through volunteerism. This year, four volunteers were awarded a 6 Who Care Award; one agency was presented with the **Agency of Distinction Award**; and one individual who epitomizes the spirit of volunteerism was presented with the **Mary Rines Thompson Award**. This year one of RKO's very own has been selected as the recipient of the **Mary Rines Thompson Award…Barbara Childs.**

As a guardian ad litem through **Maine CASA (Court Appointed Special Advocate)**, Barb advocates for abused, neglected, or abandoned kids when the State has had to intervene because their parents aren't able to care for them. Through her work with **Sexual Assault Response Services of Southern Maine**, Barb helps victims of sexual assault through advocacy, support, and education. Barb also finds time to help those in crisis through her work with the **Crisis Text Line**.

Barb has done all of this while still maintaining her position here at RKO as the municipal department's assistant and has done so in a quiet, unassuming manner. Please join us in congratulating Barb on her award and in thanking her for all she does for the community, and those in need. **Congratulations Barb!**

RKO's Tax Department Assistant, **Karen Decker**, had a baby boy on September 28. Congratulations to Karen and her family on the arrival of **Milo Stanley Decker**!

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