Since the 2016 election and throughout 2017, there continues to be uncertainty surrounding the future of the U.S. tax landscape. At the time of this publication, details are still thin regarding aspects of President Trump's plan for tax reform, differences with the House Republican plan remain, and there will likely be much debate and negotiation before any potential new tax legislation is finalized and implemented.

Therefore, many taxpayers may be considering a "wait-and-see" approach regarding tax management. When it comes to year-end tax planning, however, procrastination can be costly. Planning with flexibility and maintaining a goals-based approach that focuses on your long-term objectives is important, and implementing appropriate wealth management strategies before 2018 can still provide opportunities for reducing your potential tax exposure in 2017.

As we continue to monitor the future of U.S. tax policy, we recommend that you meet with your relationship manager, wealth planning advisors, and tax or legal advisors to discuss the considerations and strategies in this guide, understand how they may impact you and your family, and take action to set yourself up for success for year-end and into 2018.

TAX MANAGEMENT: THE CURRENT LANDSCAPE

Summary of 2017 tax rates and exclusions

Top income tax rate	39.6%
Top capital gains tax rate	20%
Top qualified dividends tax rate	20%
Surtax on unearned net investment income	3.8%
Top estate and gift tax rate	40%
Generation-skipping transfer (GST) tax rate	40%
Top alternative minimum tax (AMT) rate	28%
Combined estate and gift tax exclusion	$5,490,000
GST tax exemption	$5,490,000
Annual gift tax exclusion	$14,000

The top (or marginal) ordinary income tax rate is 39.6 percent for taxpayers with taxable income in excess of the following amounts:

Married couples filing jointly and surviving spouses	$470,700
Single individuals filing as head of household	$444,550
Single individuals	$418,400
Married couples filing separately	$235,350
Estates and trusts	$12,500

Similar to last year, April 15 will not be the due date for your Federal tax return. As April 15 falls on a Sunday and April 16 is Emancipation Day (a holiday celebrated in the District of Columbia), the deadline for filing and paying your 2017 income tax will be April 17, 2018.

2017 Dividends and Capital Gains Tax Rates

Type of Income	*Holding Period*	*Top rate for 10%, 15% tax brackets*	*Top rate for 25%, 28%, 33%, 35% tax brackets*	*Top rate for 39.6% tax bracket*
Ordinary dividends	(See below)	Ordinary income tax rate	Ordinary income tax rate	Ordinary income tax rate
Qualified dividends	(See below)	0%	15%	20%
Short-term capital gains	12 months or less	Ordinary income tax rate	Ordinary income tax rate	Ordinary income tax rate
Long-term capital gains	More than 12 months	0%	15%	20%

Qualified Dividends

A dividend is considered qualified if it is paid by a U.S. corporation or an entity that is a "qualified foreign corporation." The term "qualified foreign corporation" includes a foreign corporation incorporated in a U.S. possession; a foreign corporation whose dividend-paying security is "readily traded" on an established securities market in the U.S.; and a foreign corporation entitled to the benefits of a tax treaty with the U.S. that includes an exchanged of information requirement.

Passive foreign investment companies (PFICs) are not qualified foreign corporations. A foreign-based corporation is classified as a PFIC if either 75% or more of the corporation's income is considered passive, or at least 50% of the company's assets are investments that produce interest, dividends and/or capital gains.

To be eligible for the lower qualified dividend tax rate, a taxpayer must have held the dividend-paying stock for more than 60 days during the 121-day period that began 60 days prior to the ex-dividend date. For dividends received on certain preferred stock (generally dividends that represent an earnings period of more than one year), the taxpayer must have held the stock for more than 90 days during the 181-day period that began 90 days before the ex-dividend date.

Capital Losses

Capital losses are deductible--dollar for dollar--against capital gains. Up to $3,000 ($1,500 for married taxpayers filing separately) of net capital losses (either short-term or long-term) may be deducted each year against ordinary income. Net capital loss amounts in excess of $3,000 may be carried forward indefinitely.

Capital losses expire at death. These losses belong to the individual who incurred them and cannot be transferred to a spouse or the individual's estate or revocable trust at death.

Up to $3,000 of net capital losses may be deducted each year against ordinary income.

Other Preferential Capital Gains Rates

> Long-term capital gains attributable to real estate depreciation (known as un-recaptured Section 1250 gains) are taxed at a maximum rate of 25%.

> Capital gains on collectibles (e.g., gold and art) held for more than one year are taxed at a rate of 28%.

> Capital gains on qualified small business stock(QSBS) may be excluded from taxation if certain requirements are met. This provision was made permanent with passage of the Protecting Americans from Tax Hikes (PATH) Act of 2015.

Net Investment Income Tax

The 3.8% net investment income tax (NIIT) remains in effect. The tax is 3.8% of the lesser of (1) net investment income and (2) the excess of modified adjusted gross income (MAGI) over the threshold amount. The NIIT will be assessed on taxpayers with MAGI exceeding the following threshold amounts:

> $250,000 for taxpayers who are married filing jointly and surviving spouses;
> $125,000 for taxpayers who are married filing separately; and
> $200,000 for all other taxpayers.

Income derived from real estate activities may be excluded from net investment income for purposes of calculating NIIT if an individual qualified as a real estate professional. The rules are complex; consult your tax advisor if you think you qualify as a real estate professional.

Similarly, certain investment income earned by a trader in financial instruments is exempt from the NIIT. Again, the rules are complex and you should consult your tax advisor if you think you qualify as a trader in financial instruments.

Worthless Securities

If a security that is a capital asset becomes worthless at any time during the tax year, it is treated as if it were sold on the last day of the tax year in which it became worthless.

A tax loss may be claimed in the year the security becomes worthless. A security that became worthless in a prior year may not be claimed as a capital loss in the current year (but the loss may be claimed by amending the tax return for the year the loss occurred). Generally, the refund limitation for carrybacks is three years, but it may extend up to seven years in certain situations. The taxpayer must have evidence that the security is worthless.

A tax loss may be claimed in the year a security becomes worthless.

Wash Sales

A wash sale occurs when stock or securities are sold or disposed of at a loss and--within the 61-day period beginning 30 days prior to the sale or disposition date and ending 30 days after the sale or disposition date--substantially similar stock or securities (or a contract/option to buy substantially similar stock or securities) are acquired.

Losses from the sale or disposition of stock or securities that constitute a wash sale are not deductible. The disallowed losses are added to the cost basis of the newly purchased stock or securities, resulting in a postponement of the loss recognition until the sale of the new stock or securities.

Note: An IRA cannot be used to avoid the effect of the wash sale rule. When an individual sells stock or securities for a loss and purchases substantially similar stock or securities through his or her IRA or Roth IRA within the 61-day period beginning 30 days prior to the sale and ending 30 days after the sale, then the individual's loss on the sale is disallowed.

Custodial Accounts

UGMA/UTMA

Each state has adopted a Uniform Gifts to Minors Act (UGMA) and/or Uniform Transfers to Minors Act (UTMA) to facilitate ownership of assets by minors.

Contribution Limits

There are no limits on contributions to UGMA or UTMA accounts. However, contributions in excess of the gift tax annual exclusion amount may be subject to gift tax if the donor has used all of his or her lifetime gift tax exemption--see page 12 for further information.

Ownership

Transfers to custodial accounts are complete and irrevocable. The minor can take full control of the account when he or she reaches the age of majority, which is generally age 18 or 21 (depending on state law).

Taxes

Custodial accounts do not provide tax deferral. Taxes are due in the year income is recognized/earned by the account. All income (including capital gains) is taxed to the minor and is subject to "Kiddie Tax" rules (see below).

Kiddie Tax

The Kiddie Tax rules apply to a child's unearned income (e.g., interest, dividends, and capital gain distributions). The Kiddie Tax rules generally apply if:

> The child was under age 18 at the end of the tax year, *and*

> The child was age 18 at the end of the tax year and the child's earned income does not exceed one-half of the child's own support for the year, or

> The child was a full-time student under age 24 and the child's earned income does not exceed one-half of the child's own support for the year.

Kiddie Tax Rate Schedule (assumes no earned income)

Unearned Income	*Tax*
Less than $1,050	No tax
$1,050 - $2,100	Taxed at single taxpayer rate
Greater than $2,100	Taxed at higher of parent's top marginal tax rate and child's tax rate

Parental Election to Report Child's Income

Parents may elect to report their child's income on their own tax returns. If the election is made, the child is not required to file a tax return. Parents can make this election only if all of the following conditions are met:

> He or she is the parent whose return must be used when applying the special tax rules for children.
> The child was under age 19 (or under age 24 if a full-time student) at the end of the year.
> The child's only income was comprised entirely of interest and dividends (including capital gain distributions and Alaska Permanent Fund dividends).
> The child's gross income was less than $10,500.
> But for the election, the child would be required to file a return.
> The child does not file a joint return for the year.
> No estimated tax payment was made for the year and no overpayment from the previous year (or from any amended return) was applied to this year under the child's name and Social Security number.
> No federal income tax was withheld from the child's income under the backup withholding rules.

Note: If a child has a capital gain or loss on the sale of securities (not capital gain distributions) the child must file his or her own return.

Estimated Tax Payments

Estimated tax is used to pay tax on income that is not subject to withholding, such as income derived from self-employment. A penalty may be assessed if sufficient payment is not made through withholding and/or estimated tax payments. In general, estimated tax must be paid if the taxpayer expects to owe at least $1,000 in tax for 2017 (after subtracting the credit for taxes withheld) and he or she expects withholding and credits to be less than the lesser of:

> 90% of the tax to be shown on the taxpayer's 2017 tax return, or
> 100% of the tax shown on the taxpayer's 2016 tax return (110% if the taxpayer's 2016 AGI exceeded $150,000, or $75,000 for taxpayers who are married filing separately). The 2016 tax return must cover all 12 months.

Estimated tax payments are made on income that is not subject to withholding, such as income derived from self-employment.

Due Dates (for calendar year-end individuals)

INSTALLMENT	DUE DATE
First	April 18, 2017
Second	June 15, 2017
Third	September 15, 2017
Fourth*	January 16, 2018

* A fourth installment is not required if the taxpayer files his or her 2017 tax return and pays any tax owed before January 31, 2018.

Social Security, Medicare & Self-Employment Taxes

Social Security and Medicare Tax Detail

STATUS	SOCIAL SECURITY OASDI* TAX RATE	MEDICARE TAX RATE	TOTAL TAX RATE
Employee	6.2%	1.45%	7.65%
Self-Employed**	12.40%	2.90%	15.30%

An additional 0.9% Medicare tax will be assessed on earned income over $200,000 for single taxpayers ($250,000 for married taxpayers filing jointly, $125,000 for married taxpayers filing separately). This 0.9% surtax, combined with the ordinary 2.9% Medicare tax, equals a total 3.8% Medicare tax on earned income over the threshold amount. Self-employed individuals are responsible for paying the full 3.8% tax. Non-self-employed taxpayers must add the 0.9% to their portion of the Medicare tax (1.45%); they are therefore responsible for paying a 2.35% tax on income over the threshold.

The 2017 Cost of Living Adjustment to the Social Security base is 0.3%. The wage base for Social Security and self-employment tax is $127,200 (up from $118,500 in 2016). This means Social Security taxes are calculated on the first $127,200 of earned income only. There is no wage base for Medicare; the tax applies to all earned income.

The wage base for Social Security and self-employment tax is $127,200 (up from $118,500 in 2016).

Assume a worker earned $150,000 of income during 2017 (multiply wage base by the Social Security and Medicare rates listed above).

STATUS	SOCIAL SECURITY OASDI* TAX RATE	MEDICARE TAX RATE	TOTAL TAX RATE
Employee	$7,886.40	$2,175.00	$10,061.40
Employer	$7,886.40	$2,175.00	$10,061.40
Self-Employed**	$15,772.80	$4,350.00	$20,122.80

* Old age, survivor and disability insurance potion of Social Security tax.
** Self-employed individuals may deduct one-half of the self-employment tax on their income tax return.

Social Security Income Thresholds

Social Security benefits may be taxable (up to a maximum of 85% of the benefit amount) when provisional income exceeds a specified threshold amount (noted below). Provisional income is AGI, plus tax-exempt interest, plus one-half of Social Security benefits.

FILING STATUS	50% TAX THRESHOLD	85% TAX THRESHOLD
Married filing jointly	$32,000 - $44,000	Over $44,000
Single	$25,000 - $34,000	Over $34,000

2017 Maximum Monthly Social Security Benefit

The maximum monthly Social Security benefit is $2,687. An individual who reached full retirement age in 2017 and who earned *at least* the annual maximum wage base amount during his or her working years would be eligible for this level of benefit.

Social Security Administration Contact Information

ENTITY	PHONE NUMBER	WEBSITE
Social Security Administration	800-772-1213	*ssa.gov*
Medicare	800-633-4227	*medicare.gov*

Social Security Earnings Test

The Social Security earnings test indicates the level of earnings permissible for recipients of Social Security benefits, without incurring a reduction in benefits.

RETIREE AGE	EARNINGS LIMITATION FOR 2017	REDUCTION IN BENEFITS
Years prior to full retirement age	$16,920/year	$1 for every $2 in earnings above the limit
Year of retirement age up to retirement month	$44,880/year	$1 for every $3 in earnings above the limit
Month reaching retirement age and beyond	No limit	No reduction

RETIREMENT PLANS

Employer-Sponsored Retirement Plan Contribution Limits

The following are the 2017 limits on contributions to various retirement plans. Individuals age 50 or older are eligible for "catch up" contributions in addition to the base limit.

ACCOUNT TYPE	SALARY DEFFERAL LIMIT	CATCH-UP CONTRIBUTION (AGE 50+)	TOTAL MAXIMUM SALARY DEFERRAL (AGE 50+)
401(k)/403(b) and most 457 plans	$18,000	$6,000	$24,000
SIMPLE IRA	$12,500	$3,000	$15,500

The total maximum allowable addition to a 401(k), 403(b) or 457 plan account—including employee salary deferral and employer contribution—is $54,000 in 2017.

Businesses that maintain a SEP-IRA can make contributions of up to $54,000 or 25% of compensation, whichever is less. For self-employed taxpayers, the percentage contribution limit is 20$ of net self-employment income (after deduction for self-employment taxes) instead of 25%.

Traditional IRA vs. Roth IRA

<table>
<tr><th></th><th>TRADITIONAL IRA</th><th>ROTH IRA</th></tr>
<tr><td>Qualifications</td><td>Individual or spouse must have earned income and must not reach age 70 ½ by the end of the year.</td><td>Individual or spouse must have earned income; the Ability to contribute is subject to the phase-out limits listed below.</td></tr>
<tr><td>Maximum contribution</td><td>Lesser of: $5,500 and 100% of taxable compensation</td><td>Lesser of: $5,500 and 100% of taxable compensation</td></tr>
<tr><td>Catch up contribution limit (age 50 or older)</td><td>Lesser of $1,000 and the excess of taxable compensation over the amount of regular contributions made</td><td>Lesser of $1,000 and the excess of taxable compensation over the amount of regular contributions made</td></tr>
<tr><td>Tax deduction allowed</td><td>If neither the taxpayer nor spouse is a participant in an employer's plan, then the contribution is 100% deductible, regardless of AGI.

Active participation in an employer's plan will subject the deduction to the following limits:

<table>
<tr><th>If taxpayer is:</th><th>Phase-out of deduction begins if AGI is:</th><th>Ability to deduct Contribution is totally phased out if AGI is greater than or equal to:</th></tr>
<tr><td>Single</td><td>$62,000</td><td>$72,000</td></tr>
<tr><td>Married filing jointly</td><td>$99,000</td><td>$119,000</td></tr>
<tr><td>The nonworking spouse of a covered participant</td><td>$186,000</td><td>$196,000</td></tr>
<tr><td>Married filing separately</td><td>$0</td><td>$10,000</td></tr>
</table></td><td>No deductions are allowed for contributions</td></tr>
<tr><td>Contributions allowed</td><td>Contributions to Traditional IRAs are allowed, up to the lesser of (1) earned income and (2) the maximum contribution amount (deductibility of contributions is subject to income limitations—see above).

April 18, 2017 is the last day for making 2016 tax year Contribution to an IRA.</td><td>Roth contributions are subject to the following limits:

<table>
<tr><th>If taxpayer is:</th><th>Phase-out of ability to contribute begins if MAGI is:</th><th>Ability to contribute is totally phased if MAGI is greater than or equal to:</th></tr>
<tr><td>Single</td><td>$118,000</td><td>$133,000</td></tr>
<tr><td>Married filing jointly</td><td>$186,000</td><td>$196,000</td></tr>
<tr><td>Married filing separately</td><td>$0</td><td>$10,000</td></tr>
</table>
April 18, 2017 is the last day for making a 2016 tax year contribution to a ROTH IRA.</td></tr>
<tr><td>Required Minimum Distributions (RMD)</td><td>Must begin by April 1 following the year in which the IRA owner turns 70 ½. Distributions in subsequent years must occur by December 31.

Post-death distributions are required depending on whether distributions had already begun for the IRA owner and the beneficiary's relationship to the IRA owner.</td><td>Distributions are only required after the death of the IRA owner.

Post-death distributions are required depending on the beneficiary's relationship to the IRA owner.</td></tr>
<tr><td>Penalties on distributions</td><td>A 10% penalty may apply to early distributions.
A 6% penalty applies to excess contributions (assessed each year until excess is removed).

A penalty applies for failure to take required minimum distributions equal to 50% of amount not timely distributed.</td><td>A 10% penalty my apply to nonqualified Roth IRA distributions.

A 6% penalty applies to excess contributions.</td></tr>
</table>

Conversions and Rollovers

There is no AGI limitation for conversions from a traditional IRA to a Roth IRA. The taxable portion of the amount converted is subject to tax in the year the conversion takes place.

Conversions are not subject to the 10% early distribution penalty if the amount has been held by the Roth IRA for a least 5 years.

When rolling a traditional IRA to a different traditional IRA account, funds must be transferred to the new account within 60 days of receipt of the funds, otherwise the distribution will be deemed taxable. A taxpayer may only make one nontaxable 60-day IRA rollover within any 12-month period. All of an individual's IRAs, including SEP, SIMPLE, Roth and Traditional IRAs are aggregated for these purposes. These rules do not apply to trustee-to-trustee transfers (direct rollovers) or Roth conversions.

Taxpayers can contribute to a traditional IRA and then roll the account over to a Roth IRA to grow future earnings tax-free. A portion of these Roth IRA conversions may be taxable as ordinary income in the year made, but are subject to the additional 3.8% NIT.

Provision for IRA Distributions Donated to Charity

A "qualified charitable distribution" from a Traditional IRA or a Roth IRA is any otherwise taxable distribution that is made directly from the IRA trustee to a qualified charity after the IRA owner has attained the age of 70 1/2. A qualified charity for these purposes does not include a private foundation or a donor advised fund.

Up to $100,000 of qualified charitable distributions from an IRA can be excluded from gross income each year.

Up to $100,000 of qualified charitable distributions can be used to satisfy the required minimum distribution of an IRA owner each year and can be excluded from gross income. This provision was made permanent with the passage of The Protecting Americans from Tax Hikes (PATH) Act of 2015.

EMPLOYEE STOCK OPTIONS (TAX CHARACTERISTICS)

Non-Qualified Stock Options (NQSOs)

The difference between the exercise price and the market price ("spread" or "bargain element") of a NQSO is taxed as compensation income in the year of exercise. The employer must withhold all applicable income taxes (i.e., federal, Social Security, Medicare, state, and local) when the options are exercised.

The taxpayer's basis at the time of exercise is equal to the exercise price plus the amount of ordinary income reported--the spread based on fair market value (FMV) on the date of exercise. The holding period of the stock begins on the date the right to acquire the stock is exercised. Capital gain (or loss) applies to any post-exercise appreciation (or depreciation).

The spread on the NQSO is not treated as an "adjustment item" for AMT purposes.

Incentive Stock Options (ISOs)

There are no "regular" income tax consequences at the time of exercise. However, the difference between the exercise price and the FMV ("spread" or "bargain element") is an adjustment item for AMT purposes in the year of exercise.

The basis of the stock received is equal to the exercise price paid for regular tax purposes. The AMT purposes, the basis is the amount paid plus the amount of the AMT adjustment.

If the stock is held for more than two years from the grant date and more than one year from the exercise date, all appreciation after the exercise date is taxed as long-term capital gain. The holding period requirement is waived in the event of the employee's death.

Taxpayers are limited to $100,000 in value of ISOs for any given tax year. If the aggregate FMV of stock options that become exercisable for the first time during any year exceeds $100,000, the options in excess of this amount cannot be treated as ISOs.

Disqualifying Disposition (ISOs)

A disqualifying disposition occurs when stock received from an ISO exercise is sold or otherwise disposed of before meeting the holding period requirements (two years from the grant date or one year from the exercise date). When a disqualifying disposition of incentive stock options occurs, the tax impact is similar to that of non-qualified stock options. In the year of disposition, the difference between the exercise price and the market price on the day of the depreciation below the market price between the date of disposition and the date of exercise is treated as a capital gain or loss for tax purposes. The spread in not treated as an adjustment item for AMT purposes if the disposition occurs in the year of exercise.

An employee may not purchase more than $25,000 worth of stock from an ESPP in any one calendar year.

Employee Stock Purchase Plans (ESPPs)

The company may provide a discount of up to 15 % on the price of the stock in an ESPP.

An employee may not purchase more than $25,000 worth of stock in any one calendar year. This limit is calculated based on the undiscounted purchase price of the stock at the beginning of the calendar year, so an employee's out of pocket cost will be less than $25,000 in a given calendar year.

There is a special holding period requirement that is met on the later of two years after the grant date and one year after the employee receives the stock. If the stock is sold or otherwise disposed of prior to satisfying the special holding period, the taxpayer must report compensation income equal to the bargain element when the stock was purchased. This income must be reported even if the stock is sold at a loss. If the special holding period is met, no compensation income is reported if the stock is sold at a loss. If the stock is sold at a gain, compensation income is limited to the lesser of the amount of profit and the difference between the value of the stock when the option was granted and the option price.

The basis for ESPP stock is equal to the purchase prince plus any ordinary income recognized.

Note: An ESPP is not a retirement plan and does not fall within the purview of ERISA. An ESPP should not be confused with an employee stock ownership plan (ESOP). An ESPO is qualified tax-deferred plan designed to invest primarily in employer stock.

2017 Individual Income Tax Rates

Individual income tax rates remain largely unchanged from 2016 to 2017. The only significant change comes from the inflation adjustments to the tax brackets. Below illustrates a comparison of 2017 and 2017 individual income tax rates for all categories of filers. [Taxable income is income after all deductions (including either itemized deductions or the standard deduction) and exemptions.]

2016

Married Filing Jointly/Qualifying Widow(er)

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$18,550	$0	10%	$0
$18,550	$75,300	$1,855.00	15%	$18,550
$75,300	$151,900	$10,367.50	25%	$75,300
$151,900	$231,450	$29,517.50	28%	$151,900
$231,450	$413,350	$51,791.50	33%	$231,450
$413,350	$466,950	$111,818.50	35%	$413,350
$466,950	--	$130,578.50	39.6%	$466,950

Single

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$9,275	$0	10%	$0
$9,275	$37,650	$927.50	15%	$9,275
$37,650	$91,150	$5,183.75	25%	$37,650
$91,150	$190,150	$18,558.75	28%	$91,150
$190,150	$413,350	$46,278.75	33%	$190,150
$413,350	$415,050	$119,934.75	35%	$413,350
$415,050	--	$120,529.75	39.6%	$415,050

Head of Household

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$13,250	$0	10%	$0
$13,250	$50,400	$1,325.00	15%	$13,250
$50,400	$130,150	$6,897.50	25%	$50,400
$130,150	$210,800	$26,835.00	28%	$130,150
$210,800	$413,350	$49,417.00	33%	$210,800
$413,350	$441,000	$116,258.50	35%	$413,350
$441,000	--	$125,936.00	39.6%	$441,000

Married Filing Separately

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$9,275	$0	10%	$0
$9,275	$37,650	$927.50	15%	$9,275
$37,650	$75,950	$5,183.75	25%	$37,650
$75,950	$115,725	$14,758.75	28%	$75,950
$115,725	$206,675	$25,895.75	33%	$115,725
$206,675	$233,475	$55,909.25	35%	$206,675
$233,475	--	$65,289.25	39.6%	$233,475

2017

Married Filing Jointly/Qualifying Widow(er)

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$18,650	$0	10%	$0
$18,650	$75,900	$1,855.00	15%	$18,650
$75,900	$153,100	$10,452.50	25%	$75,900
$153,100	$233,350	$29,752.50	28%	$153,100
$233,350	$416,700	$52,222.50	33%	$233,350
$416,700	$470,700	$112,728.00	35%	$416,700
$470,700	--	$131,628.00	39.6%	$470,700

Single

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$9,325	$0	10%	$0
$9,325	$37,950	$932.50	15%	$9,325
$37,950	$91,900	$5,226.25	25%	$37,950
$91,900	$191,650	$18,713.75	28%	$91,900
$191,650	$416,700	$46,643.75	33%	$191,650
$416,700	$418,400	$120,910.25	35%	$416,700
$418,400	--	$121,505.25	39.6%	$418,400

Head of Household

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$13,350	$0	10%	$0
$13,350	$50,800	$1,335.00	15%	$13,350
$50,800	$131,200	$6,952.50	25%	$50,800
$131,200	$212,500	$27,052.50	28%	$131,200
$212,500	$416,700	$49,816.50	33%	$212,500
$416,700	$444,550	$117,202.50	35%	$416,700
$444,550	--	$126,950.00	39.6%	$444,550

Married Filing Separately

Taxable Income Is

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$9,325	$0	10%	$0
$9,325	$37,950	$932.50	15%	$9,325
$37,950	$76,550	$5,226.25	25%	$37,950
$76,550	$116,675	$14,876.25	28%	$76,550
$116,675	$208,350	$26,111.25	33%	$116,675
$208,350	$235,350	$56,364.00	35%	$208,350
$235,350	--	$65,814.00	39.6%	$235,350

ADDITIONAL TAX NUMBERS, INCLUDING INCOME TAX AND AMT DEDUCTIONS AND EXEMPTIONS

Standard Deduction

Married filing jointly/ Qualifying widow(er)	Single	Head of Household	Married filing separately
$12,700	$6,350	$9,350	$6,350

An additional standard deduction can be claimed by filers who are over age 65 or blind. The amount of each additional standard deduction is $1,250 for married individuals and $1,550 for single filers.

Personal and Dependency Exemptions

The amount of the personal and dependency exemption is $4,050 per individual.

Personal Exemption Phase-Out

The personal exemption is subject to phase-out based on the taxpayer's AGI. As a taxpayer's AGI moves through the phase-out band, the allowable personal exemption is reduced from $4,050 to $0.

Married filing jointly/ Qualifying widow(er)	Single	Head of Household	Married filing separately
$313,800 - $436,300	$261,500 -- $384,000	$287,650 -- $410,150	$156,900 -- $218,150

2017 ITEMIZED DEDUCTION LIMITATION

The Pease Limitation rules limit the amount of allowable itemized deductions for taxpayers above certain income thresholds (noted below). The allowable itemized deductions are reduced by 3% of the amount over the applicable threshold, not to be reduced to more than 80% of total deductions.

Tax planning opportunities exist to minimize the effect of the Pease Limitation. Managing the timing of state tax payments and other itemized deductions (e.g., large charitable donations) can be useful tax planning tools.

Itemized Deduction Limitation Threshold

Married filing jointly/ Qualifying widow(er)	Single	Head of Household	Married filing separately
$313,800	$261,500	$287,650	$156,900

CHARITABLE CONTRIBUTIONS

Contributions to qualified organizations are tax deductible up to either 50% or 30% of the taxpayer's AGI and are subject to the Pease Limitation mentioned above. Qualified organizations should be able to identify if they qualify as a 50% or 30% charity. Contributions to any individual person are considered gifts and therefore are not deductible. *See pages 12-14 for more details on gift tax consequences.*

Donations of appreciated property are valued at the FMV on the date of transfer. Gifts of appreciated property to a public charity are deductible up to 30% of AGI; gifts of appreciated property to a private foundation are deductible up to 20% of AGI. Making gifts of appreciated property can be an excellent strategy to maximize tax deductions, but it is important to speak with a tax advisor before making such donations to ensure that you have a valid deduction and to confirm whether your deduction will be based on the FMV of the donated property or limited to your basis.

A donor must obtain written acknowledgement for any charitable contribution exceeding $250.

Gifts of appreciated property to a public charity are deductible up to 30% of AGI; gifts of appreciated property to a private foundation are deductible up to 20% of AGI.

Charitable contribution in excess of AGI limitations can be carried forward up to five years.

Charitable contribution carryovers expire upon death. These deductions belong to the individual who incurred them and cannot be transferred to a spouse or the individual's estate or revocable trust upon death.

2017 Alternative Minimum Tax Exemption

Married filing jointly/ Qualifying widow(er)	Single	Married filing separately	Estates and trusts
$84,500	$54,300	$42,250	$24,100

2017 Standard Mileage Rates

Mileage Rate	2016	2017
Business	$0.54 per mile	$0.535 per mile
Medical and moving	$0.19 per mile	$0.17 per mile
Charitable	$0.14 per mile	$0.14 per mile

Charitable contributions in excess of AGI limitations can be carried forward up to five years.

2017 Trust and Estate Income Tax Rates

The taxable income is:

Over	But not over	Pay	Plus % on excess	Of the amount over
$0	$2,550	$0	15%	$0
$2,550	$6,000	$382.50	25%	$2,550
$6,000	$9,150	$1,245.00	28%	$6,000
$9,150	$12,500	$2,127.00	33%	$9,150
$12,500	--	$3,232.50	39.6%	$12,500

ESTATE AND GIFT TAXES

2017 Gift Tax Annual Exclusion

-- The 2017 gift tax annual exclusion is $14,000 ($28,000 for married couples who elect gift-splitting) to any person (other than gifts of future interests in property). This amount is excluded from the total amount of taxable gifts made during the year.

-- In 2017, the first $149,000 of gifts to a spouse who is not a U.S. citizen is excluded from the total amount of taxable gifts made during the year.

-- Recipients of distributions from foreign trusts, gifts from foreign persons, or distributions from foreign corporations or partnerships that are treated as gifts may be required to report these gifts.

Summary of Transfer Tax Rates and Exemption Amounts

	Highest gift tax rate	Highest estate tax rate	Generation-skipping transfer (GST) tax rate	Lifetime gift tax exclusion amount	Estate tax exemption amount	Lifetime GST exemption amount
2009	45%	45%	45%	$1,000,000	$3,500,000	$3,500,000
2010	35%	0%	0%	$1,000,000	N/A	$5,000,000
2011	35%	35%	35%	$5,000,000	$5,000,000	$5,000,000
2012	35%	35%	35%	$5,120,000	$5,120,000	$5,120,000
2013	40%	40%	40%	$5,250,000	$5,250,000	$5,250,000
2014	40%	40%	40%	$5,340,000	$5,340,000	$5,340,000
2015	40%	40%	40%	$5,430,000	$5,430,000	$5,430,000
2016	40%	40%	40%	$5,450,000	$5,450,000	$5,450,000
2017	40%	40%	40%	$5,490,000	$5,490,000	$5,490,000

*Note that estates of decedents dying in 2010 had a choice:
-- The default regime-apply the retroactively reinstated 35% estate tax rate with a $5M exemption.
-- The carryover basis regime-apply a zero estate tax rate with a limited step-up in basis available to shelter $1.3 million of gains, and an additional $3 million of gains on property passing to a surviving spouse.

** Portability allows a surviving spouse to elect to take advantage of the unused portion of the estate tax exemption of his or her predeceased spouse.

Form of Asset Ownership and Estate Tax Results

How property is titled	Subject to probate	% included in decedent's estate	Basis adjustment	Who inherits property	How property is transferred
Individual ownership	Yes	100%	100%	Beneficiary of choice	By will or intestacy
Tenancy by entirety	No	50%	50%	Surviving Spouse	By operation of law
Joint tenancy	No	Up to 100%*	Up to 100%*	Other joint tenant	By operation of law
Tenants in common	Yes	% Owned	% Owned	Beneficiary of choice	By will or intestacy
Community property	Yes	50%	100%	Beneficiary of choice	By will or intestacy

* If the joint tenants are U.S. citizen spouses, then 50% of the property is included in the deceased spouse's estate (with certain exemptions for real property owned jointly and purchased before January 1, 1977). Thus, 50% of the property receives a new cost basis. (See the table above for rules concerning community property). If the joint tenants are not spouses or are not U.S. citizens then 100% is included in the estate of the first to die unless the survivor can show that he/she contributed towards the acquisition of property. The basis adjustment will be proportional to the percentage included in the decedent's estate.

2017 Estate and Gift Tax Exemption and Credit

	Exemption Amount	Tax Credit
Transfer by lifetime gift	$5,490,000	$2,141,800
Transfer at death	$5,490,000	$2,141,800

The estate and gift tax credit offsets estate and gift tax liability incurred during one's lifetime and at death. The exemption amount represents the dollar amount of assets that would result in an estate and gift tax equal to the credit amount.

Since 2011 portability has allowed a surviving spouse to take advantage of the unused portion of the estate tax exemption of his or her predeceased spouse. The executor of the predeceased spouse's estate must make a timely election on his or her federal estate tax return to take advantage of this exemption. Portability does not apply to the Generation-Skipping Transfer Tax exemption or to state estate tax exemptions.

The basis and holding period of property received as a gift depends on the fair market value of the gifted property in relation to the donor's adjusted basis.

Basis and Holding Period of Property Received as a Gift

The basis and holding period of property received as a gift depends on the FMV of the gifted property in relation to the donor's adjusted basis.

- If the FMV of the gifted property is equal to or greater than the donor's adjusted basis, the recipient's basis will be that of the donor, increased by a portion of any gift tax paid on the gift.
- If the FMV of the gifted property is less than the donor's adjusted basis, the recipient's basis depends on whether a gain or loss results when the property is ultimately sold.
  - If the property is sold at a gain, the gift recipient's basis will be the donor's adjusted basis.
  - If the property is sold at a loss, the gift recipient's basis will be the FMV at the time of the gift. No gain or loss will be recognized if the property is sold for an amount less than the donor's basis but greater than the FMV of the property on the date of the gift.

Note: For gifted property, the donor's holding period is generally "tacked on" to the donee's holding period.

Basis and Holding Period of Property Inherited Upon Death

Property acquired from a decedent generally has a long-term holding period in the hands of the recipient, regardless of how long the decedent or the recipient actually held the property.

For assets included in the gross estate, the income tax basis of property acquired from a decedent at death is generally stepped up (or stepped down) to its value as of the date of the decedent's death (or the estate tax alternate valuation date, if elected). If an estate tax return was filed August 1, 2015 or after, the new "basis consistency" rules of Section 1014(f) may apply. It is important to speak with your tax advisor regarding how these rules may impact your sale or gifting of inherited property.

2017 HEALTH AND EDUCATION ITEMS

Item	Tax Treatment
Direct payment of tuition and medical expenses	There is an unlimited gift tax exclusion for amounts paid for another individual's tuition expenses (not including room, board, and books) and/or unreimbursed medical expenses. Expenses must be paid directly to the educational institution or medical provider and cannot be reimbursed.
529 Plans	An individual can make annual contributions to a 529 plan up to $14,000 ($28,000 for a married couple)--the gift tax annual exclusion for 2017--and may front-load up to give years of gift tax annual exclusions. This means that an individual could potentially contribute up to $70,000 ($140,000 for a married couple) to a 529 plan this year and treat the gift as though it were made ratably over the current year and subsequent four years.
Coverdell Educational Savings Plans and Education Savings Accounts (ESAs)	The limit on annual aggregate contributions is $2,000 per beneficiary. This is phased-out for taxpayers with a MAGI between $95,000 and $110,000 (for single taxpayers), and between $190,000 and $220,000 (for married taxpayers filing jointly).
American Opportunity Tax Credit for Higher Education Expenses	The maximum credit amount is $2,500 per eligible student per year. This is phased-out for taxpayers with MAGI between $80,000 and $90,000 (for single taxpayers), and between $160,000 and $180,000 (for married taxpayers filing jointly). This tax credit was permanently extended by the PATH Act of 2015.
Tuition and fees deduction	A deduction up to $4,000 for tuition and fees can be taken in tax years beginning before January 1, 2017. This is phased-out for taxpayers with a MAGI between $65,000 and $80,000 (for single taxpayers), and between $130,000 and $160,000 (for married taxpayers filing jointly). Unless further action is taken by Congress, this deduction does not apply to tax years beginning after December 31, 2016.
Interest paid on qualified higher education loans	The maximum deductible amount of student loan interest is $2,500. This is phased out for taxpayers with a MAGI between $65,000 and $80,000 (for single taxpayers), and between $135,000 and $165,000 (for married taxpayers filing jointly).
Health Savings Accounts (HSAs)	The maximum allowed annual HSA contribution amounts are $3,400 for individuals with single coverage and $6,750 for individuals with family coverage. An additional $1,000 catch up is allowed for taxpayers over age 55. If both spouse are over 55, the allowed catch up is $1,000 per spouse.
Eligible long-term care premiums	For 2017 the deduction limitations regarding eligible long term care premiums are:

Age attained before the close of the taxable year	Limitation on premiums
40 or under	$410
41 - 50	$770
51 - 60	$1,530
61 - 70	$4,090
71 or older	$5,110

Affordable Care Act -- Penalties and Forms

In 2017, penalties for not having minimum essential health care coverage is the higher of $695 per adult and 2.5% of household income. The maximum penalty per family is $2,085.

You may receive one or more Form 1095, relating to your health care coverage. There are three versions of this form:

- *Form 1095-A Health Insurance Marketplace Statement:* You will receive this form if you purchased health insurance through the marketplace in 2016.
  - The deadline for the marketplace to mail these forms is January 31, 2017. If you expect a Form 1095-A, you should wait to file your tax return until after the form is received. It contains information you will need to complete your return.
- *Form 1095-B Health Coverage:* This form is sent by health insurance providers to the individuals they cover.
- *Form 1095-C Employer-Provided Health Insurance Offer and Coverage:* Certain large employers send this form to certain employees. It contains information about the coverage that was offered by the employer.
  - Employers should mail Forms 1095-B and 1095-C by March 2, 2017. You do not have to wait to file until after you receive these forms. Rather, once received these should be retained with your 2016 tax records as confirmation that you had health insurance coverage for the 2016 tax year.

ABLE Accounts

Federal legislation passed in 2014 established the framework for ABLE Accounts (i.e., 529A plans). These accounts are intended for certain individuals who were diagnosed with significant disabilities prior to attaining age 26. These accounts will provide a tax deferred savings vehicle for individuals who wish to save for future expenses without having to forfeit public benefits. Some states provide for the deductibility of contributions (which are generally subject to the same rules as 529 plans). The PATH Act of 2015 permits individuals to choose from most states' plans, which provides more control over investment options and expenses (note that the individuals states' legislatures are in various stages of enacting laws to establish ABLE Act programs).

ABLE accounts will provide a tax-deferred savings vehicle for individuals who wish to save for future expenses without having to forfeit public benefits.

WHAT'S NEW IN 2017?

In addition to the items already mentioned, there are a few other changes for 2017 to be aware of.

Medical Expense Deduction for Seniors

For tax years beginning after December 31, 2012 and ending before January 1, 2017, the threshold to claim an itemized deduction for unreimbursed medical expenses was 7.5% for individuals age 65 or older. This was only a temporary waiver. For tax years beginning after December 31, 2016, taxpayers age 65 or older will be subject to the same 10% threshold as younger taxpayers.

Free Application for Federal Student Aid (FAFSA) Changes

Students can now submit their FASFA earlier: beginning on October 1, 2016, rather than January 1, 2017. This earlier date is now a permanent change, enabling students to submit their FASFA as early as October 1 every year. Additionally, students are required to report information from an earlier tax year, removing the obstacle to early filing. For example, for the 2017 - 2018 FASFA students and parents would rather their 2015 income information, rather than their 2016 income information. This change in submission dates is important to note, as need-based aid is often awarded on a first-come, first-served basis.

Potential Elimination of the Stretch IRA

Over the past several years there have been multiple attempts to eliminate what are referred to as "stretch IRAs." Currently, if strict requirements are met, the minimum distribution rules permit an IRA beneficiary to have the payments from a decedent's IRA paid out over the beneficiary's lifetime. A stretch IRA strategy allows the original beneficiary of an IRA to distribute assets to a designated later-generation beneficiary. By using this strategy, the IRA can be passed on from generation to generation while beneficiaries enjoy tax-deferred and/or tax-free growth as long as possible. The term "stretch" does not represent a specific type of IRA; rather it is a financials strategy that allows people to stretch out the life-and therefore the tax advantages-of an IRA.

Legislation has been proposed that would require non-spouse beneficiaries who do not meet one of the exceptions (i.e., disabled, chronically ill, not more than 10 years younger than owner, a minor) to take distributions over no more than five years, eliminating the ability to stretch payments well into the future. Similar legislation has been proposed in the past and has yet to pass.

Proposed Section 2704 Regulations

In August 2016, the IRS issued proposed regulations under IRC Section 2704 that, if enacted, would eliminate most discounts on transfers of entity interests (including family businesses, limited partnerships, corporations, LLCs and others). Discounts are often applied to transfers of minority interests in businesses and result in a depressed valuation for gift tax purposes. Discounts can be substantial and result in significant estate tax savings-assuming they withstand an audit challenge from the IRS. If implemented, the proposed regulations would have significant impact on wealth transfer techniques commonly used by wealthy families.

Most estate planning attorneys and commentators interpreted the language of the proposed regulations to broadly eliminate the ability to claim discounts for lack of marketability or lack of control on transfers of interests in a family limited partnership, family LLC, and an operating business that is controlled by family members.

The IRS held a public hearing on the proposed regulations on December 1, 2016, at which Catherine Hughes-an attorney advisor with the Treasury Department's Office of Tax Policy-maintained that the rules are not meant to eliminate all valuation discounts. The is consistent with statements Hughes reportedly made in September 2016 at the American Bar Association Joint Fall Meeting and again in October 2016 at the 42nd Annual Notre Dame Tax and Estate Planning Institute--that practitioners have construed the proposed regulations more broadly than the IRS intended.

Policy landscape has changed dramatically since the proposed regulations were released in August. The Trump administration is keen on repealing the estate tax, which may be replaced with a capital gains tax. If the Republican-led Congress passes legislation to repeal the estate tax, then the proposed Section 2704 regulations could be moot until and unless the estate tax is reinstated.

Clients who transferred interests in family controlled entities in 2016 after the proposed regulations were published and who wish to report the value of those entities at a discount should consider disclosing on their 2016 gift ax return that they are taking a position contrary to the proposed regulations. Doing so may be necessary to trigger the statute of limitations on the IRS reviewing that gift tax return.

IRS Contact Information

Entity	Phone Number	Website
IRS general information	800-829-1040	*irs.gov*
National Taxpayer Advocate	877-777-4778	*irs.gov/Advocate*

Summary of Key Trump Tax Proposals:

With the change in power in the White House comes talk of major tax changes. Here are a few items to keep an eye on regarding President Trump's tax plans.

Item	Proposed Changes
Individual income tax rate brackets	Condense the current seven income tax brackets to three brackets: 12%, 25% and 33%. Repeal the individual alternative minimum tax (AMT).
Standard deduction, personal exemptions, and filing statuses	Significantly increase the standard deduction and eliminate personal exemptions. Eliminate the Head of Household filing status going forward.
Itemized deductions	Set a cap on itemized deductions.
Estate tax	Repeal the estate tax. However, capital gains in excess of $10 million held at death would be subject to capital gains tax.
Net investment income tax	Repeal the 3.8% net investment income tax (NIIT).
Carried interest	Change the tax treatment of carried interest to ordinary income (rather than capital gains as it is currently treated).
Child/elder care benefits	Taxpayers with total income under $500,000 (married filing jointly)/$250,000 (single) will qualify for an above-the-line deduction for up to four children under age 13 and elderly parents claimed as a dependent. This will be available to families for use with stay-at-home parents or grandparents as well as those who use paid caregivers. The amount of credit for each child will be based on the average cost in the state of residence, and the eldercare exclusion would be capped at $5,000 per year.
Corporate tax structure	Reduce the corporate tax rate to 15% for both large and small corporations (down from 35%). A pass through business would have the option to be taxed at the 15% rate or as an individual. Repeal the corporate alternative minimum tax (AMT).