MARK C. PETERS, CPA
JAMES W. HOYER, CPA
DENNIS J. HART, CPA
DAVID J. UPCRAFT, CPA
KIMBERLY T. SANDERSON, CPA
RHONDA C. HUTCHINSON, CPA

PETERS & ASSOCIATES
Certified Public Accountants, P.C.

SCOTT L. BALDWIN
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MATTHEW G. HILL, MBA
NANCY A. ANELLI
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TIMOTHY T. HAVENER, CPA

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August 5, 2017

FINANCIAL PLANNING SERVICE

Dear Client:

Due to increased client interest in financial planning, I continue to provide quarterly updates on the investments I recommend. Clients that actively use our services are aware that:

1) A large percentage of the investments I recommend are in the S & P 500.
2) I only recommend investments that my family actually owns and that we follow daily.
3) I am paid only on a fee basis for the time spent reviewing your portfolio and making recommendations.
4) I am not a registered investment advisor. Due to the fact that I only provide investment advice as an incidental part of other services, I am able to qualify for the accountant's exemption from registration.
5) I chart recommended investments on a spreadsheet in order to review them and to update clients on the results.
6) Finally, I am not a market timer. The strategy followed is buy and hold. This strategy reduces trading costs, taxes, and planner fees.

Currently, I recommend eight mutual funds. My family also has three self-directed individual stock portfolios that attempt to outperform the S & P 500 due to lower costs and superior stock selection. I consider myself a value investor that likes reasonably priced technology stocks. The actual results are as follows:

	2011 (12 mos.)	2012 (12 mos.)	2013 (12 mos.)	2014 (12 mos.)	2015 (12 mos.)	2016 (12 mos.)	2017 (6 mos.)
Mutual Funds							
#1 VTSM	1.1 %	16.3 %	33.3 %	12.4 %	.4 %	12.5 %	9.0%
#2 INVESCO DD	.7 %	17.2 %	29.0 %	11.9 %	1.8 %	14.3 %	3.2%
#3 VW	(3.9 %)	20.8 %	36.1 %	11.7 %	(3.1) %	12.6 %	8.8%
#4 VS	.8 %	13.8 %	17.8 %	7.4 %	(.2) %	6.6 %	9.5%
#5 INVESCO GCE	(10.8 %)	13.2 %	22.3 %	.3 %	(2.2) %	6.7 %	11.2%
#6 VIG	(13.7 %)	20.1 %	23.0 %	(5.5 %)	(.6) %	1.8 %	24.2%
#7 VWII	2.8 %	16.8 %	30.8 %	11.3 %	(3.1) %	13.5 %	7.8%
#8 V500	2.0 %	16.0%	32.3 %	13.5 %	1.4 %	11.9 %	9.3%
Individual Stock Funds							
#1 JMP (47)	(1.2 %)	14.4 %	34.1 %	12.1 %	(1.7) %	16.0 %	7.8%
#2 MCP (100)	1.8 %	15.3 %	35.2 %	13.5 %	3.1 %	11.0 %	7.0%
#3 WEB (31)	(6.1 %)	10.2 %	26.2 %	0.0 %	(3.7) %	19.3 %	4.8%

Please call if you have any questions regarding my investment planning services. These services are offered to our clients strictly as an extra benefit. It is a pleasure to have you as a client.

Sincerely,
Mark C. Peters, CPA
President
Peters & Associates, CPAs, P.C.

731 JAMES STREET • SUITE 400
SYRACUSE, NEW YORK 13203-2003
TEL (315) 476-1616
FAX (315) 476-0417

1008 CORNELIA STREET
UTICA, NEW YORK 13502
TEL (315) 797-0560
FAX (315) 797-5633

30 WEST 63RD STREET • APT. 7K
NEW YORK, NEW YORK 10023-7110
TEL (315) 882-8187
FAX (315) 476-0417

141 FALL STREET
SENECA FALLS, NY 13148
TEL (315) 651-5239

WEBB BUILDING • MAIN STREET
OLD FORGE, NEW YORK 13420
TEL (315) 369-6323
FAX (315) 369-2509

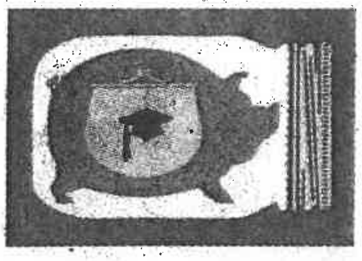
www.peterscpas.com

Which State's '529'?

More college-finance answers

Just before students begin applying to colleges this fall, we answer more questions on how to pay for college, including using 529s—the tax-advantaged higher-education savings accounts that invest in mutual funds.

How can I determine which state's 529 plan is right for me?



Every state offers a 529 plan, which allows investors (typically the parents) to contribute after-tax money that will grow tax-free and can be withdrawn later without any federal taxes or penalties when it's used for qualified higher-education expenses like tuition, room and board, or a computer.

In some ways, deciding which state's plan is best for you is similar to deciding which mutual funds to include in a retirement account—fees are important, and returns are paramount.

But there are other considerations that make the decision on a 529 plan different. The most important is state taxes. Having to pay state taxes on withdrawals eats into your returns. So a good first step is to find out whether the state where you are a tax resident will give you state-tax benefits for choosing a specific 529 plan (28 states and Washington, D.C., do), says Andrea Feirstein, a 529 consultant to states and managing director of AKF Consulting Group in New York. Five other states offer tax benefits if you save in any 529 plan.

Some states also offer a partial scholarship if you start an account with your own state's plan, Ms. Feirstein says. For instance, New Jersey residents who invest in the state's 529 plan can earn a scholarship of up to $1,500 for the first semester of the student's freshman year at an approved school in the state, depending on how long their account has been open and how much they have contributed to it. The New Jersey scholarships start at $500 for an account that has been open for four years with contributions totaling at least $1,200.

Next, think about whether you want a financial adviser to sell you the plan (nearly every state offers this kind of plan) or whether you want to invest in a direct-sold plan (31 states have these). Adviser-sold plans tend to have higher fees.

You should also consider which investment managers are involved in your other investments when you choose the company that will administer your 529, Ms. Feirstein says. "We believe that manager diversity is always worth considering," she says.

Finally, some state plans give you a menu of investing options that include low-cost, passively managed index funds, while others feature more expensive, actively managed funds. Make sure the plan you choose has the fund type you prefer, Ms. Feirstein says.

For help with comparing states' 529 plans, look at College Savings Plans Network (collegesavings.org), Savingforcollege.com, and Morningstar.com.

Whichever plan you choose, the key is to get started saving, Ms. Feirstein says. "There is simply no substitute for getting this process under way and having funds work for you on a tax-deferred basis, regardless of how little or how much you can contribute or how early or late you may be to the game," she says.

* * *

Are furniture and furnishings for a student's off-campus apartment an eligible 529 withdrawal expense?

No. The earnings portion of withdrawals used for these purposes are subject to ordinary income tax and the 10% federal penalty for nonqualified withdrawals, Ms. Feirstein says.

Why Do I Need a LAST WILL and TESTAMENT?

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APPOINT **GUARDIANS** FOR MINORS

SAVE ON ESTATE **TAXES**

CREATE TRUSTS TO PRESERVE YOUR **ASSETS**

APPOINT AN **EXECUTOR**

CONTACT US TO DISCUSS ALL YOUR **OPTIONS**

Dear Client: Washington, May 2017

HIGHLIGHTS
Personal Taxes New tax brackets
Minimum Tax Higher exemptions
Social Security Wage base hike
Medicals HSAs, long-term care
Estate & Gift Tax Exemption rises
Savings Plans 401(k) payin limit

Much to the chagrin of business and others... Odds for tax reform this year have ebbed. Although Donald Trump and Republicans in Congress continue to clamor for an overhaul of the tax system, and the issue will be hotly debated by all sides, we don't expect tax reform legislation to pass in 2017.

For now, we'll note changes in place for 2017. Most reflect prior-year inflation. Others are new rules. But one thing is certain: All taxpayers will be affected.

FILING DEADLINES

Some key filing due dates have changed. Employers are required to file W-2s with the federal government by Jan. 31, up from the prior deadlines of Feb. 28 for paper returns and March 31 for e-filings. This earlier deadline matches the date for sending copies of the forms to employees. The Jan. 31 due date also applies to 1099s reporting nonemployee compensation.

Returns of partnerships are now due 2½ months after year-end...March 15 for calendar-year firms. Those needing more time can request a six-month extension.

The due date for most regular corporations is 3½ months after year-end... generally April 15 for calendar-year firms...but they can request a six-month extension. The deadline for S firms and corporations with a June 30 fiscal year hasn't changed.

The filing date for owners of foreign accounts has moved up to April 15. Filers who miss the deadline get an automatic six-month extension to file. In the past, U.S. owners of these accounts had until June 30 to file FinCEN Form 114 to report them if the total value exceeded $10,000 at any time during the prior year.

BUSINESS TAXES

The 2017 standard mileage rate for business driving falls to 53½¢ a mile, a 0.5¢ drop. The rate decreases to 17¢ a mile for travel for medical purposes and job-related moves. But the rate for charitable driving remains at 14¢ per mile.

$510,000 of assets can be expensed in 2017, and this figure phases out dollar for dollar once over $2,030,000 of assets are put into service during the year.

Two business tax breaks first apply on 2016 returns filed in 2017:

Small start-ups can opt to claim $250,000 of R&D costs to offset payroll taxes instead of their regular income tax liability. The election is available to companies in business for five years or less that have gross receipts under $5 million.

Businesses that hire the long-term unemployed get a tax credit. The work opportunity tax credit is expanded to cover employers that hire people who've been out of work for 27 weeks or more and received unemployment benefits. The 40% credit on the first $6,000 in wages applies for those beginning work after 2015.

PREPARERS

Tighter rules apply to preparers of returns that claim the child credit... And the American Opportunity Tax Credit. Starting with 2016 tax returns due in 2017, preparers have to document how they figured a filer's claim was valid, similar to the rules that now apply to returns claiming the earned income credit. Form 8867 now includes a due diligence checklist that includes all three credits.

Marrieds: If taxable income is	**The tax is**
Not more than $18,650	10% of taxable income
Over $18,650 but not more than $75,900	$1,865.00 + 15% of excess over $18,650
Over $75,900 but not more than $153,100	$10,452.50 + 25% of excess over $75,900
Over $153,100 but not more than $233,350	$29,752.50 + 28% of excess over $153,100
Over $233,350 but not more than $416,700	$52,222.50 + 33% of excess over $233,350
Over $416,700 but not more than $470,700	$112,728.00 + 35% of excess over $416,700
Over $470,700	$131,628.00 + 39.6% of excess over $470,700
Singles: If taxable income is	**The tax is**
Not more than $9,325	10% of taxable income
Over $9,325 but not more than $37,950	$932.50 + 15% of excess over $9,325
Over $37,950 but not more than $91,900	$5,226.25 + 25% of excess over $37,950
Over $91,900 but not more than $191,650	$18,713.75 + 28% of excess over $91,900
Over $191,650 but not more than $416,700	$46,643.75 + 33% of excess over $191,650
Over $416,700 but not more than $418,400	$120,910.25 + 35% of excess over $416,700
Over $418,400	$121,505.25 + 39.6% of excess over $418,400
Household Heads: If taxable income is	**The tax is**
Not more than $ 13,350	10% of taxable income
Over $13,350 but not more than $50,800	$1,335.00 +15% of excess over $13,350
Over $50,800 but not more than $131,200	$6,952.50 + 25% of excess over $50,800
Over $131,200 but not more than $212,500	$27,052.50 + 28% of excess over $131,200
Over $212,500 but not more than $416,700	$49,816.50 + 33% of excess over $212,500
Over $416,700 but not more than $444,550	$117,202.50 + 35% of excess over $416,700
Over $444,550	$126,950.00 + 39.6% of excess over $444,550

The 2017 standard deductions go up a bit. Married couples get $12,700, plus $1,250 for each spouse age 65 or older. Singles can claim $6,350...$7,900 if 65 or up. Household heads get $9,350, plus $1,550 once they reach age 65. Blind people receive $1,250 more ($1,550 if unmarried and not a surviving spouse).

High-incomers lose itemized deductions starting at a higher level in 2017. Their write-offs are slashed by 3% of the excess of AGI over $261,500 for singles, $287,650 for household heads and $313,800 for marrieds. But the total reduction can't exceed 80% of itemizations. Medicals, investment interest, casualty losses and gambling losses (to the extent of winnings) are exempted from this cutback.

Personal exemptions stay at $4,050 for filers and their dependents in 2017. However, this tax break is phased out for upper-incomers. It is trimmed by 2% for each $2,500 of AGI over the same thresholds as for the itemized deduction phaseout.

The 20% top rate on dividends and long-term gains starts at a higher amount for 2017: Singles with taxable income above $418,400, household heads over $444,550 and joint filers above $470,700. The 3.8% Medicare surtax boosts the rate to 23.8%. The regular 15% maximum rate applies for filers with incomes below these amounts, except that filers in the 10% or 15% income tax bracket still get the special 0% rate.

MINIMUM TAX

AMT exemptions go up for 2017. They increase to $84,500 for couples and $54,300 for both singles and heads of household. The phaseout zones for the exemptions start at higher income levels as well...above $160,900 for couples and $120,700 for single filers and household heads. Also, the 28% AMT bracket kicks in a little later in 2017...above $187,800 of alternative minimum taxable income.

SOCIAL SECURITY The Social Security wage base increases in 2017 to $127,200, up $8,700 from 2016's cap. The Social Security tax rate on employers and employees remains at 6.2%. The employer's share of Medicare tax stays at 1.45% of all pay. The employees' share is 1.45%, too, but they also pay the 0.9% Medicare surtax on wages that exceed $200,000 for singles and $250,000 for married couples. This extra levy doesn't hit employers. Self-employeds are also subject to the surtax.

Social Security recipients see a tiny 0.3% hike in their benefits in 2017.

The earnings test limits head up, too. Individuals who turn 66 in 2017 do not lose any benefits if they earn $44,880 or less before they reach that age. People who are age 62 through 65 by the end of 2017 can make up to $16,920 before they lose any benefits. There is no earnings cap once a beneficiary turns 66.

The amount needed to qualify for coverage climbs to $1,300 a quarter. So earning $5,200 anytime during 2017 will net the full four quarters of coverage.

MEDICARE For most, the 2017 monthly Medicare Part B premiums average $109. However, the basic premium increases to $134 a month for some people. The group that pays more includes individuals who first enroll in Part B for 2017 and folks who do not have premiums deducted from monthly Social Security benefits

Upper-income seniors also pay more for Parts B and D coverage in 2017 if their modified adjusted gross incomes for 2015 exceeded $170,000 for joint filers or $85,000 for single people. Here, modified AGI is AGI plus any tax-exempt interest. For Part B, they pay the higher $134 basic monthly premium plus a surcharge. They also owe a surcharge on Part D premiums for prescription drug coverage. The combined surcharges on upper-incomers can be as large as $370.80 a month.

HEALTH CARE The income levels to qualify for the health premium credit in 2017 go up. It is available to filers with household incomes ranging from 100% to 400% of the federal poverty level...$11,880 to $47,520 for singles and $24,300 to $97,200 for a family of four...who buy health insurance through one of the exchanges. Individuals who are eligible for Medicaid or other federal insurance don't qualify. Nor do individuals who can get affordable health insurance through their employers.

MEDICALS The annual cap on deductible contributions to HSAs rises to $3,400 in 201 for self-only coverage. The ceiling for account owners with family coverage remains $6,750. Individuals born before 1963 can put in an additional $1,000. Minimum policy deductibles stay at $2,600 for families and $1,300 for singles. The limits on out-of-pocket costs, such as deductibles and copayments, stay steady

ESTATE & GIFT TAX

The estate and gift tax exemption for 2017 rises to $5,490,000. The rate remains 40%. The gift tax exclusion stays the same...$14,000 per donee. Up to $1,120,000 of farm or business realty can receive discount estate tax valuation.

More estate tax liability qualifies for an installment payment tax break. If one or more closely held businesses make up greater than 35% of an estate, as much as $596,000 of tax can be deferred, and IRS will charge only 2% interest.

FRINGE BENEFITS

U.S. taxpayers working abroad have a larger income exclusion...$102,100. The cap on employer-provided tax-free parking stays put at $255 a month. The exclusion for mass transit passes and commuter vans matches that amount.

Employees covered by health flexible savings plans can defer up to $2,600.

SAVINGS PLANS

Most key dollar ceilings on retirement plans do not change for 2017: The 401(k) contribution limit remains $18,000, but folks born before 1968 can put in $6,000 more. These payin maximums apply to 403(b) and 457 plans, too. The cap on SIMPLEs stays at $12,500...$15,500 for individuals age 50 and older.

However, the payin limit for defined contribution plans goes up to $54,000. And retirement plan contributions can be based on up to $270,000 of salary.

The 2017 payin limits for IRAs and Roth IRAs also stay steady at $5,500, plus $1,000 as an additional catch-up contribution for taxpayers age 50 and up.

Deduction phaseouts for regular IRAs start at higher levels in 2017, from $99,000 to $119,000 of AGI for couples and from $62,000 to $72,000 for singles. If only one spouse is covered by a plan, the phaseout zone for deducting a contribution for the uncovered spouse rises a bit. It starts at $186,000 of AGI and ends at $196,000.

The income ceilings on Roth IRA payins tick upward. They phase out at AGIs of $186,000 to $196,000 for couples and $118,000 to $133,000 for singles.

EXPIRED BREAKS

Among the batch of business and individual tax breaks that expire on Jan. 1: The exclusion of up to $2 million of forgiven debt on primary residences. The credit for installing energy-efficient windows and exterior doors in one's home. The write-off for private mortgage insurance. The 30% credit for geothermal heat pumps, wind turbines and fuel cell property. Credits for biodiesel and other alternative fuels as well as two-wheeled electric vehicles. Shorter depreciation lives for young racehorses. Plus accelerated expensing write-offs for some Broadway and film production costs.

There's no guarantee that lawmakers will extend these provisions in 2017.

2017 is sure to be tumultuous...with tax and health reform talks continuing. As always, we'll be here to keep you up to date on all the changes that occur.

Yours very truly,

Don't Postpone Mid-Year Tax Planning

President Trump has promised to propose major tax legislation, but no action has been taken as of this writing. If that's still the case in June, when this issue of the *CPA Client Bulletin* appears, you may be tempted to wait for word from Washington before scheduling mid-year tax planning meetings with key clients.

That's one way to handle the current uncertainty, but there's no knowing when tax legislation will emerge this year. Meanwhile, putting off mid-year tax planning sessions can deprive you of a chance to meet with clients and bolster your position as a valued adviser.

With that in mind, you may want to schedule mid-year tax planning in June or July, as you usually do. Chances are, there will be many tax-saving tactics to discuss with clients, regardless of proposed legislation.

For example, this can be a good time to reconsider annual salary deferrals to 401(k) and similar plans. Are clients able to contribute more than they had anticipated?

Considering the market volatility we have seen, clients may have paper losses on some investments. Selling devalued securities can yield valuable capital losses, perhaps permitting tax-free gains in the future. At this point in the year, clients will have ample time to weigh reinvestment options.

Income shifting plans might be put in place to save tax. The kiddie tax provision affects parents with children under age 24 who are full-time students, among others. In 2017, parents owe tax on a child's unearned income in excess of $2,100. Up to that amount, though, a "kiddie's" investment income may be lightly taxed. In the right situation, clients may be able to benefit from children's low tax obligations.

The kiddie tax doesn't apply to older students or to clients' parents who are retired with modest incomes. Some savvy tax planning may help clients' family members take advantage of the 0% tax rate that now applies for certain long-term capital gains and qualified dividends.

If a taxpayer is in a tax bracket lower than 25%, the recipient of a net long-term capital gain or a qualified dividend would not be subject to tax. In 2017, the 25% tax bracket begins at taxable income of $37,950 for single filers, at $75,900 for those filing jointly, and at $50,800 for heads of household. Therefore, if a high-income taxpayer shifts property having capital gains or qualified dividend income to eligible relatives who have taxable income below these amounts, the resulting tax would be zero.