

## In This Issue...

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- Saving Estate Taxes with an Irrevocable Life Insurance Trust
- Applicable Social Security changes for 2017
- 2016 Year-End Tax Strategies

# 2016

## Year-End Tax Strategies

As we get close to the end of the year, it's time to implement tax saving strategies. With the fate of many of the long-favored tax breaks having been settled late last year, this year's planning should be easier – at least more certain tax-wise – than it has been in quite a while. Of course, the national elections, as always, bring about a certain amount of angst in the tax and financial world, but at least we know what the tax laws are for 2016 and the odds of tax law changes in the near future seem pretty slim regardless of who is elected.

Here are two important considerations to keep in mind:

1. *Effective tax planning requires considering both this year and next year – at least. Without considering a multiyear outlook, you can't be sure maneuvers intended to save taxes on your 2016 return won't backfire and cost additional tax in the future.*
2. *Be on the alert for the Alternative Minimum Tax (AMT) in all of your planning because what may be a great strategy for regular tax purposes may create or increase the Alternative Minimum Tax. There's a good chance you'll be subject to the AMT if you deduct a significant amount of state and local taxes, claim multiple dependents, exercise incentive stock options, or recognize a large long-term capital gain this year.*

For tax-saving ideas visit our website under TIPS/NEWS/EVENTS. As always, you can call on us to help you sort through the options and implement strategies that make sense for you.

# Happy Holidays!

## From Your Friends at KRD

Wishing You and Your Families a Happy and Safe  
Holiday Season and Prosperous New Year!

JOY PEACE  
CHEER

**We Can Help**  
**847.240.1040**



We welcome the opportunity to discuss how KRD can help with your tax and financial planning, please call us at

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## CLIENT PROFILE:



**SMART**  
payment plan

## Entrepreneurial Spirit Drives Consumer Finance Company's Success

After starting and running several successful companies, Dan Engelman, founder and CEO of SMART Payment Plan had an idea that would help thousands of Americans. His idea would have a profound impact on both credit providers and consumers alike – a service for smaller, more consistent debt payments matched to the consumers' pay days.

Backed by an empowered leadership team and a passion for constant improvement through continuous learning and change, the new company was off and running.

### Eliminate Hassles. Improve Budgeting. Maximize Cash Flow.

SMART Payment Plan's innovative technology simplifies an individual's bill paying process by automatically deducting smaller payments from their bank account on a regularly scheduled basis that coincides with their specific pay periods. This allows the individual to pay off debt faster and save money by reducing the amount of interest they are charged. And it potentially improves an individual's credit score because of on-time payments to their debtors.

### Successfully Navigating Uncharted Waters

Getting automotive dealers and mortgage professionals on-board proved to be a bit of a challenge in the beginning, Engelman recalled.

"We had to struggle to get automotive dealers and mortgage professionals to understand what we were trying to do," he said. "Lots of car dealers said we were crazy to think car buyers would let us automate their loan payments. Now, we are a complete bill payment service helping hundreds of thousands of Americans live easier, happier lives. We are proud to have been selected by automotive dealers as the leading bill payment service in their industry for three years in a row." commented Engelman.

Today, Smart Payment works with numerous mortgage providers and top dealership groups across the country. Consumers are introduced to Smart Payment at the time of their purchase.

### Poised for Growth

With increased scrutiny on the consumer finance industry beginning in the mid 2000's, SMART Payment Plan had to demonstrate solid risk-management and financial practices as well as the value they provide to the consumer. KRD was instrumental in helping them navigate this process.

Looking forward to the future, the company plans on utilizing improvements in technology, strong dealer relationships, and an unmatched commitment to customer service to grow exponentially in 2017 and beyond.

KRD will be there to help. "We rely on KRD's financial advice, their ability to satisfy regulator's financial questions and the level of service they provide, it's reassuring to know that they always have our back. Jon Segal is a trusted advisor, in both my professional and personal lives." says Engelman.



To mark their 10<sup>th</sup> anniversary in 2013, SMART Payment Plan launched the Great American Debt Reduction Tour with a fully equipped RV that traveled the country informing Americans of the benefits of its bill payment service.



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## Illinois Withholding Income Tax Changes

The Illinois Withholding Income Tax changes for tax year 2017 for employers, payroll service providers, software developers and those that pay gambling and lottery winnings.

All withholding taxpayers will be:

- *Required to file quarterly returns. The annual filing option will no longer be available.*
- *Assigned to pay withholding income tax on a monthly or semi-weekly schedule. The annual filing option will no longer be available.*
- *Form IL-941, Illinois Withholding Income Tax Return has changed. The form requires additional information to implement new legislation and provide better guidance to the taxpayer in calculating and paying withholding income tax.*

The changes go in effect January 1, 2017 (not before). For tax year 2016 continue to file and pay your IL Withholding Tax per your assigned 2016 filing and payment schedules.

Effective January 1, 2017 – Report IL Income Tax withheld as follows:

Qtr	Months Included	Qtr Ends	IL-941 Due
1	Jan, Feb, Mar	Mar 31	Apr 30 <i>(May 1 for 2017)</i>
2	Apr, May, June	June 30	July 31
3	July, Aug, Sept	Sept 30	Oct 31
4	Oct, Nov, Dec	Dec 31	Jan 31

### Effective January 1, 2017 – IL-501 Payment Schedule

Payment due dates are determined by the payment schedule assigned to you based on a variables pertaining to your business. See Publication 131 <http://www.revenue.state.il.us/Publications/>



## Saving Estate Taxes with an Irrevocable Life Insurance Trust

By Robert S. Jacobson,  
CPA, MST (Masters of Taxation)

Few people realize that, even though they may have a modest estate, their families may owe hundreds of thousands of dollars in estate taxes because they own a life insurance policy with a death benefit that could exceed the current estate tax exemption of 5.43 million dollars. This is because life insurance proceeds, while not subject to federal income tax, are considered part of your taxable estate and are subject to federal estate tax.

The solution to this possible estate tax problem is to create an irrevocable life insurance trust that will own the life insurance policy and receive the policy proceeds on your death. A properly drafted life insurance trust keeps the insurance proceeds from being taxed in your estate as well as in the estate of your surviving spouse. It also protects the trust beneficiaries from any potential future creditors since the assets are held in trust.

Here are the mechanics of the life insurance trust. You create an irrevocable life insurance trust to be the owner and beneficiary of one or more life insurance policies on your life. You contribute cash to the trust to be used by the trustee to make premium payments on the life insurance policies. If the trust is properly drafted, the contributions you make to the trust for premium payments will qualify for the annual gift tax exclusion, so you won't have to pay gift tax on the contributions.

The life insurance trust typically provides that during your lifetime both principal and income, at the trustee's discretion, may be paid to your spouse and descendants. This allows indirect access to the cash surrender value of the life insurance policies owned by the trust, and permits the trust to be terminated if desired despite its being irrevocable. Upon your death, the trust continues for the benefit of your spouse during his or her lifetime.

Your spouse is given certain beneficial interests in the trust, such as the right to income and eligibility to receive principal. On the death of your spouse, the trust assets are paid outright to, or held in further trust for the benefit of, your descendants, tax free.

If you own a life insurance policy with a significant death benefit, an irrevocable life insurance trust may be of substantial benefit to you.

## Applicable Social Security Changes for 2017

Tax Rates	2016	2017
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

**Note:** The 7.65% includes both Social Security and Medicare. The SS portion is 6.2% on earnings up to the applicable taxable maximum amount shown below. The Medicare portion is 1.45% on all earnings. Also, individuals with earned income of more than \$200,000 (\$250,000 for married filing jointly) pay an additional 0.9% in Medicare taxes. The tax rates above do not include the extra 0.9%.

### Maximum Taxable Earnings:

Social Security	\$118,000/yr.	\$127,200/yr.
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### Retirement Earnings Test Exempt Amounts:

For those under Full Retirement Age (FRA)	\$15,720/yr.	\$16,920/yr.
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One dollar in benefits will be withheld for every \$2 in earnings higher than the limit above.

### For the year an individual reaches FRA:

\$41,880/yr.	\$44,880/yr.
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During the year of attaining FRA, the months prior to attaining FRA, one dollar in benefits will be withheld for every \$3 in earnings above the limit.

There is NO limit on earnings beginning the month an individual attains Full Retirement Age (FRA).

Maximum Social Security Benefit: Workers retiring at FRA:	\$2,639/mo.	\$2,687/mo.
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**Note:** Social Security benefits are calculated by combining your 35 highest-paid working years (if you worked for more than 35 years) and wages are indexed to account for inflation therefore, the maximum allowable benefit amount is only payable to those who had the maximum taxable earnings for at least 35 working years. Depending on when you retire and how much you made while working, your benefits may be considerably less. The estimated average monthly benefit for "all retired workers" in 2016 is \$1,341.

**Supplemental Security Income Benefit** differs from Social Security, please visit: [www.ssa.gov/disabilityssi](http://www.ssa.gov/disabilityssi)

### The Cost-of Living Adjustment (COLA)

Social Security and Supplemental Income (SSI) beneficiaries will receive a 0.3% COLA for 2017.



## Another Successful Toy Drive for LaRabida Children's Hospital!

We want to thank each and every one of you that donated toys or cash to our toy drive!

Your kind generosity means so much to the children, their parents and to our KRD team.

Sincerely,

*The KRD Team*

## International Corner

### Geneva Group International (GGI)

**KRD attends the 2016 GGI International Conference.** Held in Bangkok, Thailand, the conference was attended by accountants and lawyers from countries across the world.

As always, the conference provided valuable networking opportunities and international seminars that benefit our clients.

GGI is a worldwide alliance of experienced accounting, consulting and law firms that provide clients with solutions for international business requirements. Let us know if we can be assistance to your organization with any international financial decisions.

