



The Tax Man

If You Want to Pay Too Much in Taxes,
That's Your Business.
If you Don't, That's Our Business

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IRS Impersonation Telephone Scams Continue



I have spent a lot of time relaying and exposing these IRS scams to you. The scams continue to evolve. An aggressive and sophisticated phone scam targeting taxpayers, including recent immigrants, has been making new rounds throughout the country. Callers claim to be employees of the IRS, but are not. These con artists can sound convincing when they call. They use fake names and bogus IRS identification badge numbers. They may know a lot about their targets, and they usually alter the caller ID to make it look like the IRS is calling.

Victims are told they owe money to the IRS and it must be paid promptly through a pre-loaded debit card, gift card or wire transfer. If the victim refuses to cooperate, they are then threatened with arrest, deportation or suspension of a business or driver's license.

Callers claim to be employees of the IRS, but are not. These con artists can sound convincing.

In many cases, the caller becomes hostile and insulting. Or, victims may be told they have a refund due to try to trick them into sharing private information. If the phone isn't answered, the scammers often leave an "urgent" callback request.

Remember: Scammers Change Tactics -- Aggressive and threatening phone calls by criminals impersonating IRS agents remain a major

threat to taxpayers, but variations of the IRS impersonation scam continue year-round and they tend to peak when scammers find prime opportunities to strike.



Tax Law Changes? Tax Extenders On Hold? Good News!

Most of the usual year-end tax laws that required Congress to act were either already extended through December 31, 2016 or permanently extended to years in the future. We are no longer waiting for the most frequently used laws to be passed retroactively!

Be On The Alert For Fake Tax Bills

The Internal Revenue Service and its Security Summit partners are releasing an alert to taxpayers to be on the lookout for fake IRS tax bills that may arrive by email, as an attachment, or by mail purportedly related to the

Affordable Care Act. If you have received one of these notices, do not open any email attachments. There are subtle differences between these notices and those sent by the IRS. Do not pay these until you consult with me. It's better to be safe than sorry.



Tax Provisions For 2016 With Major Impacts On Your Return!

✓ 0% Capital Gains Rate!
This capital gains rate is available to all taxpayers in the 10% and 15% tax brackets. Married taxpayers qualify for the 0% rate if their taxable income is \$75,300 or less, for single taxpayers \$37,650 or less.

✓ Tax Free Gains on Home Sales.

Married couples can exclude up to \$500,000 in gain from their income on the sale of their home, for single taxpayer

the maximum exclusion is \$250,000 (limitations apply).

✓ Retirement Plan Contributions.

The limit on contributions to 401(k), 403(b) and most 457 Plans for

2016 is \$18,000. If you are age 50 or older, then additional catch-up contributions are allowed up to \$6,000.

✓ Roth and Traditional IRA Contributions.

Limits are \$5,500 plus an additional \$1,000 catch-up for those age 50 and older.

✓ Child Credits.

Each qualifying child under age 17 reduces your tax bill up to \$1,000 (subject to limitations).

✓ College Education.

Two big credits and one adjustment to income are available. The American Opportunity Credit can reduce your tax bill by up to \$2,500 per eligible student or up to \$2,000 through the Lifetime Learning Credit. The Tuition and Fees deduction can reduce the amount of your income subject to tax by up to \$4,000.

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January 2017 Isn't Far Off. Watch Mail For These Words:



Let's be prepared! Collection of the information is easy if you start early. Most tax records will show up in the mail in January. Keep all of these together in a special place. Compiling all of your tax related documents is important so that we report a complete and accurate return.

The IRS also gets copies of many

consolidations and may or may not result in taxable income. We need to see them to correctly prepare your return.

• **Form 1098.** Reports mortgage interest paid to a bank, savings & loan or credit union. These forms may also report real estate taxes (if payments are escrowed by the lender) and mortgage insurance premiums if applicable (limits apply). Form 1098-T shows college tuitions. These forms are mailed to the student or may be available through the school's web site. Make sure Billy and Suzy watch for these forms or email notices to have them downloaded – you'll need them.

• **Other Income.** Look for reports of *State Tax Refunds, Unemployment Income, Prizes or Gambling Winnings or Rents* that you collect. Read each one carefully and keep them with all of your other tax documents. We don't want to miss anything!

• **Your Records.** Check all of your records for income or deductions. Review everything that occurred during the past year. Check

registers or calendars and previous tax returns will help jog your memory of items or events to review. Look for medical related receipts as well as receipts for any taxes paid. If you recall paying a deductible expense but don't have a receipt, jot it down and we

will discuss before I prepare your return. *Charitable Contributions (cash and/or non-cash donations). These are different – you must have receipts or your deduction could be challenged and denied!*

• **Start Now.** Make a list of any items that you are missing. Take a few minutes each week to gather and review your documents and

of these documents ... we don't want to miss any!

Let's review what you should be looking for.

• **W-2s.** Read them carefully.

Contact your employer if there is a problem or if you don't receive them by the end of January.

• **1099s.** You get 1099-INT or 1099-DIV for any accounts that pay interest or dividends. Even tax-exempt interest will be reported. **IMPORTANT:** "Corrected"

forms are always a possibility. Be alert for any announcements that warn you of these situations.

• **1095-A, 1095-B & 1095-C.** You will receive these forms if you purchased Health Care through the Health Insurance Marketplace or from your employer on company sponsored insurance plans.

• **Other 1099s.** Real estate sales are reported on 1099-S. Stock sales on 1099-B. Pension, 401K and IRA distributions are reflected on 1099-R. Pay special attention to forms 1099-A and 1099-C. These report foreclosures and debt

Here is a list of frequently missed items. Check these against your list.



For example, you win \$500 gambling, but you lose \$1,000 in gambling in the same year. Under the rule, you can only claim up to \$500 (the amount of your winnings) in losses on your tax return.

Gambling income and losses are among the favorite red flags that the IRS looks for when ordering an audit. If you do write off your gambling losses,

Myth: Filing a tax extension increases my chances of an IRS audit.

Truth: Filing for an extension actually reduces your risk of an audit because we have up to six extra months to make sure we have complete and accurate information and documents. If there aren't any math errors or other red flags, the IRS will more than likely pass you over for an audit.

Myth: Paying taxes is voluntary.

Truth: U.S. Courts have universally found these tax avoidance arguments to be frivolous. Furthermore, the people who make these arguments usually end up liable for taxes and are sometimes hit with additional tax penalties.

Myth: It's Easy To Write Off Your Gambling Losses.

Truth: Taxpayers can only claim deduction on losses equal to or less than their winnings.



be sure that you have all your paperwork to back up your claims. Many casinos offer a "profit & loss statement" that will substantiate those activities.

Myth: Social Security income is tax-free.

Truth: In reality, up to 85% of your Social Security income may be taxed. The IRS uses a formula to determine the taxable amount. The amount of your Benefit that will be subject to tax is based upon other income reported on your tax return.

records. Short reviews help you remember items that you are missing or might have forgotten. Make note of any questions and/or issues for us to discuss.

Your refund is at stake here – let's make sure that you protect it by claiming all legitimate deductions!

Need To Send 1099-MISC?

• **Businesses (including landlords).** If you paid \$600 or more for services performed by non-employees, then you are required to file forms 1099-MISC and 1096 with the IRS by January 31 (this is a new ruling, deadline was previously February 28). A copy of form 1099-MISC must be given to the worker no later than January 31. You pay a penalty for not sending them! Any questions, call me.

• **Getting the Forms.** The IRS can send you the forms. Start early. Let me know if you need my help. Call the IRS at 1-800-829-3676 for forms. You can see the forms on the IRS website but you will need the official paper forms for filing. You will need to use the proper Form 1099 and Form 1096 as a cover sheet.

Note: The Social Security Administration has increased the cap on income subject to tax. The limit has been raised to \$127,200 in 2017 from \$118,500 in 2016.

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Some 2017 Refunds Will Be Delayed

Due to changes in the law, starting in 2017, the IRS can't issue refunds before Feb. 15, 2017, for returns that claim the Earned Income Credit (EIC) or the Additional Child Tax Credit (ACTC). This applies to the entire refund, not just the portion associated with these credits. As in past years, the IRS will begin

accepting and processing tax returns once the filing season begins. We should file as usual. Even though the IRS cannot issue refunds for some early filers until at least Feb. 15, most taxpayer refunds will still be issued within the normal timeframe: 21 days or less, after being accepted for processing by the IRS.

Private Debt Collection Program to Begin Next Spring

IRS to Contract with Four Agencies; Taxpayer Rights Protected!

The Internal Revenue Service plans to begin private collection of certain overdue federal tax debts next spring and has selected four contractors to implement this new program.

The IRS has selected the following contractors to carry out this program:

- CBE Group • Conserve • Performant • Pioneer

The IRS will give each taxpayer written notice that their account is being transferred to a private collection agency.

These private collection agencies will not ask for payment on a prepaid debit card. Payment by check should be payable to the U.S. Treasury and sent directly to IRS, not the private collection agency.

If you receive any of these notices contact me. We will need to review the documents sent to you plus documents relating to the past due tax that is being collected.

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retirement plan). You have to make the required withdrawals by the date required--the end of the year for most individuals--or a 50% penalty tax applies.

✓ **Qualified Charitable Distributions (QCD).**

You'll be able to make QCDs of up to \$100,000 from an IRA directly to a qualified charity if you're 70½ or older. Such distributions may be excluded from income and count toward satisfying any RMDs you would otherwise have to receive from your IRA in 2016.

✓ **Re-align Your Portfolio.**

Many taxpayers have taken gains (or losses) on investments up to this point in 2016. The markets have become increasingly volatile and by selling some losing investments to offset the gains (or selling investments with gains to offset losses) you may also reduce your risk to further downturns in

the markets. Remember, if you have more losses than gains the IRS will allow you to take up to \$3,000 of net losses per year to reduce your income, until the losses are depleted.

✓ **Increase or Accelerate Your Charitable Contributions.**

The joys of giving cannot only help those in need, but can also help you as your donations to charitable organizations may count as tax deductible expenses! Make sure that all contributions are made by December 31 and that a receipt of your gift is included in your tax documents.

✓ **Other Deductions.**

Medical expenses such as hospital bills, doctor's charges and prescriptions can create sizable itemized deductions. Look for any balances still owed on medical related bills and pay them before the end of 2016.

Got Everything We Need?

✓ **Refinances.** I need to see the settlement statement. Collect all documents associated with a refinance if you are unsure.

✓ **Child Care Expenses.** I need the full name, address, telephone number and tax ID number of your care providers.

✓ **Estimated Federal Tax Payments.** Find the date and amount for payments. Look at dates near payment due dates. April 15, 2016, June 15, 2016, September 15, 2016 and January 17, 2017. A January 2016 payment would have been claimed on your 2015 return.

✓ **Sales of Property.** The most important thing is the settlement statement. Gather all related documents.

✓ **UBERlyft or Airbnb?** You are considered self-employed or in the rental business. You may be able to deduct expenses related to this work from the income generated. Call me to discuss what to look for if you are involved in these activities.

✓ **Sales of Stock.** Form 1099-B shows sale price and lots of other confusing data. If this form does not show the original purchase price, you will need to find the original "buy" confirmation or ask your broker for the data.

✓ **Business Records.** Be careful to separate purchases of major equipment from other supplies.

✓ **Employer Reimbursements.** If employer reimburses an expense, we need records to be sure we claim only the excess. An example is reimbursement of business travel miles at less than the

Federal reimbursement amount (54 cents per mile down from 57.5 cents in 2015). Flexible Spending Accounts (FSA) for Dependent Care could also result in an additional deduction for expenses that exceed contributions (subject to limits).

✓ **Partnership Information.** Schedule K-1 from partnerships and LLCs always seem to arrive late. Don't worry. We can do the rest of your return and be ready to finish when the K-1 arrives. Make special note here, we don't want to file your return only to find out we were still waiting for a Form K-1.

✓ **Social Security Benefits.** Find Form 1099-SSA. We must report the gross amount, not just your net monthly benefit. Your Medicare Premiums listed on the Form may also get you a medical deduction.

✓ **Employees - Last Pay Stub.** Your W-2 is critical, but your last pay stub may reveal tax deductions that don't usually show up anywhere else...like union dues.

✓ **Special Accounts.** Do you contribute to an IRA, Roth IRA or Health Savings Account? These and others can cut your taxes.

Make sure that I have all of the information on contribution amounts and dates of the contribution.

✓ **Complex Transactions.** Please call if you have an unusual or difficult transaction. These would include foreclosures, sales or exchanges of real estate, casualties and the like. We may need to schedule a special meeting to review these issues.





Affordable Care Act – FAQ

Q What happens if I don't file or I fail to reconcile my advance payments of the premium tax credit when I file my return?

A Failing to file a tax return or filing your return without reconciling your advance payments will delay your refund and may affect future advance credit payments. The IRS will send you a letter with instructions about what we need to do

to resolve this issue. If you have not yet filed your return for the 2014 tax year, the Marketplace may discontinue your 2016 advance credit payment. If we do not file and reconcile your return for tax year 2015, the Marketplace may deny your eligibility for advance credit payments in 2017.

Q Does everyone need to have health insurance coverage?

A The Affordable Care Act requires you and each member of your family to have basic health

coverage, qualify for an exemption from the requirement to have coverage, or make an individual shared responsibility payment when you file your federal income tax return. If you are not required to file a tax return and don't want to file a return, you do not need to file a return solely to report your coverage or to claim an exemption.



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RETURN SERVICE REQUESTED



Your Tax Calendar

- Dec 31** A check mailed today counts for 2016. Last chance for deductions.
State estimated taxes paid today are deductible on your 2016 Federal Return.
- Jan 17** 4th Quarter estimated tax payments due.
- Jan 31** W-2s and 1099s due to recipients.
- Jan 31** W-2s and 1099s due to IRS.
- Apr 17** 2016 Tax Returns due.

Anytime you have any questions, don't hesitate to call me. I am here for you!

Tax Tips For You... Now!

 **Roth IRA Conversions & Re-Characterizations.**

The Conversions (transferring Traditional IRA balances to a Roth IRA) generally come at an immediate tax cost but could result in major tax-free gains over the years as distributions begin. Managing the tax impact of a Roth IRA conversion requires careful analysis. Ideally, we should review the transaction carefully. Higher-income filers have to deal with

phase-outs on itemized deductions and personal exemptions which can make computing taxable income more complex.

There are also other things to consider. Your conversion must be completed by December 31. Estimating your taxable income may be tricky until you've received all your tax reporting documents, which typically aren't available until well after December 31. Consequently, your

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income may end up higher or lower than originally expected. A possible solution: a re-characterization. It allows you to "undo" some, or all, of a conversion made the prior year. You have until October 15 of the year following conversion to re-characterize. This may be a solution if the tax on your conversion ends up exceeding your estimate.

 **Required Minimum Distributions.** Once you reach age 70½, you're generally required to start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (special rules apply if you're still working and participating in your employer's

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