

Grant & Associates LLC

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JANUARY 2017

◆ 2017 TAX OFFICE STAFF AND HOURS

Terry Grant AFSP and **Jeanne Harrington** EA, AFSP will prepare your tax documents. Our veteran and experienced office staff members are **Sue Emmert**, **Jesse Kasper** and **Kathy Ostrowski**. During tax season, our office hours are Monday through Friday 9-6 and Saturdays 9-3. Many other day and evening times are available by appointment.

◆ PREPARATION OF YOUR TAX RETURN

The months have flown by and here we are again reaching out to you in anticipation of the 2016 tax return filings. Each year there are more complexities in the tax law, in technology and in information security. Our mission is to educate ourselves as fully as possible to make sure your tax returns reflect only the tax you are legally required to pay. We will take as much time as is needed to prepare and review your return. We will ask many questions in reviewing your income and deductions. We invite you to bring us your questions, including tax information that is specific to your profession, articles you have read that you think may pertain to your tax situation, and information about your changes in the last year. Together we will partner to prepare complete and accurate tax returns for you.

◆ WHEN TO CALL US

Call anytime. We begin regular hours starting **Wednesday, January 4th**. If you connect to voice mail, leave us a message and you will receive a quick response. We are available year round.

◆ APPOINTMENTS SCHEDULED

Appointments for our returning clients are pre-scheduled based on when we saw you in the previous year or on your requested date or time.

Your appointment is noted on the back of this newsletter. Please let us know if you would like a different time. If you used our drop-off or mail-in service, you may do so again. If you have not been scheduled and would like to be, contact us for an appointment time.

◆ IRS, STATE, CITY CORRESPONDENCE

If you receive a notice or letter regarding changes or requests for more information, we will be happy to help you reply or respond for you. We will need a copy of the letter in order to assist you in resolving any issues. We strongly suggest you pay no assessments until we have reviewed your notice.

◆ NEW CLIENTS AND REFERRALS

We have very few new client appointments available for 2017. We can help with referrals to other practices.

E-MAIL AND WEBSITE

www.GrantandAssociatesTaxes.com

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◆ E-MAILING INFORMATION TO US

The confidentiality of internet e-mail cannot be guaranteed. Do not include private or confidential information such as social security numbers, dates of birth, credit card numbers or passwords in e-mails. Instead, please call us with this information.

◆ INFORMATION DISCLOSURE TO THIRD PARTIES

If you would like us to disclose your tax information to a third party, such as your financial advisor or potential mortgagors, we must have your written authorization on a form provided by us. Otherwise, we cannot release your information. We never share information, including your email address, to any third party without your explicit written permission.

◆ TAX RECORDS: WHAT TO KEEP?

This is the most common question during the off-season. Retain your federal tax returns and copies of your W-2's at least until you are satisfied your social security records are correct. Keep records of capital purchases, such as stocks or real estate, for four years after the sale of these assets. Retain your documentation of all business and rental depreciable assets. You can dispose of other documentation for all years 2012 and before. The year 2013 materials may be disposed of after July 1, 2017. We suggest you retain records of all improvements on your personal residence in a separate file just in case.

◆ IDENTITY THEFT

Identity theft and refund fraud are huge problems for the IRS and for taxpayers. Under "Resources" on our website, you will find information about what to do if you suspect that your identity has been compromised. Two common clues that you may have identity theft issues are if you receive a refund and have not yet filed your tax return or if you receive a letter from the IRS asking you to verify your identity. At least two large institutions in the Lansing area were hacked in 2016. We will not know if your identity has been stolen for the purposes of filing a fraudulent tax return until your return is rejected for e-file. Our staff is prepared to assist you.

◆ CHANGES CONTINUE! WILL YOU RECEIVE ALL THE DEDUCTIONS AND CREDITS AVAILABLE?

We cannot ask you about every possible deduction or credit, especially with the many changes this year. Please ask us about **any items** you think may relate to your tax situation.

TAX INFORMATION

◆ E-MAIL AND MAIL FROM THE IRS

The IRS does not communicate by e-mail. The IRS will never request payment in any form other than a check to the US Treasury. If you receive an e-mail claiming to be from the IRS, do not open any attachments or click on any of the links contained in the e-mail. Instead, forward the e-mail to phishing@irs.gov. **NEVER** respond with your social security number or any other information. In another type of scam, taxpayers are receiving letters that appear to be from the IRS and include a bill for tax due. To repeat, don't pay any tax assessed before your tax professional has reviewed the correspondence and verified any amounts billed.

◆ IRS PHONE SCAMS

There have been thousands of scam phone calls where the caller threatens lawsuits, liens, jail, and other dire consequences if you don't act immediately. Many thousands of these calls have been reported to the IRS and victims have paid millions to the scammers. If you are targeted, call 800-366-4484 to file a report. You can find more detailed information at IRS.gov and on our website. If you wonder what to do when receiving any contact about your taxes, suspect or not, call us.

◆ 2016 STANDARD MILEAGE RATES

Business: 54 cents per mile all of 2016
Medical and Moving: 19 cents per mile
Charitable: 14 cents per mile

◆ HOUSEHOLD EMPLOYEES.

Schedule H is filed with your tax return to report wages paid to household employees. If you paid over **\$2,000** to a person over 18 who worked in your home in 2016 or will pay over \$2,000 in 2017, this form is included in your return to pay employer taxes.

◆ CHARITABLE CONTRIBUTIONS DOCUMENTATION

The IRS requires documentation for all contributions. No proof = no deduction. If the contribution is under \$250, documentation can be a receipt or letter from the qualified non-profit or a bank record. A receipt from the non-profit is **required** if the contribution is \$250 or over. If you purchase items, you may not use the store receipt. You must acquire a receipt from the non-profit organization. There is no standard deduction for charitable giving.

◆ CHARITABLE CONTRIBUTIONS FROM IRA'S

The tax law is now permanent (at least for now) that an IRA owner may make qualified charitable distributions (QCDs) directly from their IRAs to charities. The owner does not include the distribution in income and does not claim the charitable deduction. This can be a beneficial tax planning strategy for some taxpayers in keeping income down and receiving a benefit for charitable contributions if you don't itemize.

◆ QUALIFIED NON PROFIT ORGANIZATIONS

If you are not sure your contribution is deductible, you may reference IRS pub 78 using a feature called Select Check to verify organizations that are tax deductible.

◆ AFFORDABLE CARE ACT (ACA)

Taxpayers covered by health insurance will receive one or more 1095 forms from their insurance providers. Be sure to include these forms with your tax materials. The ACA created the requirement that individuals obtain health insurance for themselves and persons they are able to claim as exemptions on their tax returns. The object of the law is to allow individuals the opportunity to obtain affordable health insurance and to provide a premium assistance credit to low and moderate income individuals. If you are eligible for a credit or if you have to make a repayment (based on your household income), these amounts will be included on your 2016 tax return. A penalty could be assessed for not obtaining minimal essential coverage. Any penalty will be due with the 2016 tax return based on a percentage of the taxpayer's income or a flat dollar amount.

◆ AMERICAN OPPORTUNITY TAX CREDIT- AOC

The maximum credit is \$2500. Part of the credit may be refundable. The credit applies to the first four years of qualified college tuition as well as qualifying course material expenses, computers, software, internet access, and related expenses if they are used primarily by the student during college enrollment at a qualified institution. We must have the form 1098-T and statements showing the amount of tuition PAID in 2016 as well as receipts for books, supplies and equipment. Your student may have to access the 1098T and billing statements on their on-line student account. Many institutions no longer mail these documents.

◆ ANNUAL GIFT EXCLUSION

For 2016 and 2017, you may gift up to \$14,000 to each person without the having to file a gift tax return.

◆ FOREIGN ACCOUNTS

If the combined value of all foreign accounts over which you have signature authority exceeds \$10,000 at any time during the year, reporting is required. Financial accounts include bank, brokerage accounts and pension funds. Please advise us if you have any foreign accounts.

◆ NEW FOR 2016 DUE DILIGENCE

The IRS requires that paid professional tax preparers exercise due diligence in determining eligibility for three credits: the earned income credit, the child tax credit, and the American Opportunity (education) Tax Credit. We have always done this but for 2016, we must prepare form 8867 based on information provided by you and include the form as part of your tax return. We will ask additional questions to verify these credits.

BUSINESS & VEHICLE

If you use your vehicle(s) for business purposes, we need the following information *split by vehicle*:

Date you began using vehicle in business: _____
Total of all miles you drove your vehicle in 2016: _____
Number of business miles you drove in 2016: _____

◆ MILEAGE RATES

The 2016 business standard mileage rate is 54 cents per mile. The 2017 rate is 53.5 cents per mile.

◆ MILEAGE SUBSTANTIATION

If you plan to take a mileage deduction as an employee or self-employed, make sure you have the beginning and ending odometer readings for 2016. We need your business miles, your commuting miles, and your total miles for the year for each vehicle. Your mileage must be substantiated preferably by written detail in your calendar or in a mileage log.

◆ MEALS PER DIEM

The meals per diem is \$46 per day unless you traveled to a specifically listed location. Use 75% of the rate for partial travel days. Go to www.gsa.gov for per diem rates by location.

◆ HOME OFFICE DEDUCTION AND SAFE HARBOR

In order to take your mileage from doorstep to doorstep, your home must be your principal place of business. A home office will qualify as a principal place of business if it is used to conduct administrative activities and there is no other fixed location for the business. The office must be used regularly and exclusively for the business. The safe harbor deduction is \$5 per square foot up to a maximum of a \$1500 deduction. If the office qualifies, no other record keeping is required. Actual expenses may be a better deduction. The safe harbor is an easy method for those who otherwise qualify but who prefer not to do the record keeping.

◆ ISSUING 1099/1096 FORMS - NEW DEADLINES

If you pay a non-incorporated individual or entity \$600 or more in the course of your trade or business, you are required to file forms 1099 and 1096. Examples of payments include rent, web and computer consultants, repair persons, and billing services. The 1099 is also required for therapists who deduct their own counseling as a business expense. Our staff can assist in filing these forms or prepare them for you. The penalties for failing to file and failing to furnish these forms range from \$50 to \$250 per return. The due date to recipients AND (new this year) FOR FILING THE FORMS TO SOCIAL SECURITY ADMINISTRATION is January 31, 2016. You no longer have until the end of February to file some of your forms.

RETIREMENT PLANNING

MAXIMIZE YOUR PENSION CONTRIBUTIONS!

◆ ELECTIVE DEFERRALS

Elective deferrals for 2016 and 2017 are capped at \$18,000 plus an additional \$6,000 if you are 50 or older.

◆ SIMPLE CONTRIBUTIONS

The maximum elective deferral to your SIMPLE plan for 2016 and 2017 is \$12,500 plus an additional \$3,000 if you are 50 or older. The elective deferral must be contributed by January 30, 2017 for the 2016 year.

◆ CONTRIBUTE TO YOUR IRA

The contribution limit for 2016 and 2017 for traditional and ROTH IRAs is the smaller of \$5,500 or your total earned income. Using the special catch-up provision, you may contribute an additional \$1,000 if you are 50 or older. The contribution deadline for 2016 is April 15, 2017. There are income limits for ROTH contributions and the deductibility of traditional IRAs.

◆ ROTH ELIGIBILITY

Though ROTH contributions are not deductible, be sure to let us know if you are contributing to a ROTH. Better still, let's talk before you contribute if there is any doubt as to whether you are eligible. There is no income limit for converting traditional IRA's into ROTH IRA's.

◆ REQUIRED MINIMUM DISTRIBUTIONS - RMD

Your minimum required distributions from your IRA accounts start in the year you reach age 70½. Although you should be notified by your plan trustee, you have final responsibility for arranging the distributions. The penalties for not taking your RMD's are severe.

◆ SOCIAL SECURITY www.SSA.gov (great site!)

The earnings limit before having to repay social security benefits if you have not reached full retirement age in 2017 is \$16,720. Full retirement age is 66 for those born in 1943-1954. The amount of earnings subject to Social Security taxes for 2016 is \$118,500 and increases to \$127,200 for 2017. The phone number for the Lansing Social Security Office is 817-512-5944. Other addresses and phone numbers can be found on line at the SSA.gov website.



THINGS YOU NEED TO BRING TO YOUR APPOINTMENT

- Prior year returns (2 years) if you are new.**
- All official forms that you receive.**
- Refinance Info.** If you refinanced your home this year, bring your settlement statement. If you refinanced with a different company, you will have at least two statements detailing mortgage interest.
- Property Tax Receipts.** Receipts for taxes paid as well as the current year receipts, whether paid or not, are helpful.
- Affordable Care Act.** Did you purchase health insurance through the marketplace? If yes, bring your **form 1095** as well as income for all dependents.
- Car registration fees** (personal property tax)
- Closing Documents:** If you bought or sold real estate, bring your closing documents. Also include the tax proration statements you received at closing for both the property you bought and the property you sold. If you converted your residence to rental, please call your preparer before your appointment.
- Child Care Expenses.** Name, address, social security number, and amount paid to each provider, even if you used a flex plan through work that reimbursed your dependent care expenses.
- College Tuition.** Your student will receive a form 1098-T, probably on-line. Also provide statements showing the **dates and tuition amounts PAID in 2016**. Also include receipts for required course materials, fees, and computers.
- New or Used Vehicle Purchase Papers** if you use your vehicle for work or business.
- 1099 forms from your bank, broker or investment company.** These forms are arriving later each year. Please keep your appointment even if you do not have all of these documents yet.
- Estimated payments.** Fill out our yellow sheet with the amount of each check and date paid.
- Sales of Mutual Funds and Stock.** Bring the sales information as well as the dates of purchase and purchase prices for what was sold. Don't throw away records relating to initial purchases and dividend reinvestments. You will need your records when you sell.
- Mileage records.** Make sure you have kept a written record of the date, miles driven and business purpose for all mileage you plan to deduct. Bring us the beginning and ending odometer reading for the year (your best estimate if you don't have records) and your business miles. Split out commuting miles if possible.
- Contributions.** Bring your receipts for any single contribution of \$250 or more. Also, list your non-cash contributions as separate amounts and bring the receipts with the lists of items donated. The IRS requires an itemized list and fair market value of each of the items donated.
- Use Tax.** Total your out of state catalog and internet purchases if no MICHIGAN sales tax was charged.
- ANYTHING ELSE you think you need.**
Each tax return is unique!
- SHREDDING SERVICES:** Friedland Industries (482-3000) 405 E. Maple Street (near our office). \$5 per 100 pounds. If you want to watch your shredding, you can go on Wednesdays from 1:00 to 4:30 p.m.
- WHERE'S MY REFUND?** Go to IRS.gov or www.michigan.gov/taxes/ and follow the prompts.

SPECIAL REQUESTS: *If you are sick, please don't come to your appointment. We will reschedule at a time convenient to you. Or you can drop off your materials and we will do a phone appointment. Thanks for not sharing. We also have a staff member who is allergic to perfumes, colognes, and aftershave. We appreciate, if possible, that you not wear strong scents.*

YOUR TAX APPOINTMENT IS SCHEDULED AT OUR OFFICE FOR:

*FOR DROP OFF OR MAIL IN CLIENTS
PLEASE CALL IF YOU NEED
TO SCHEDULE AN APPOINTMENT*

**HAPPY
NEW YEAR!
SEE YOU
SOON!**