

Brian Lehrhoff's Update



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The IRS will start to accept returns on January 23. Returns are due on April 18, 2017 in most states.

Affordable Care Act The ACA requires individuals to carry minimum essential health insurance coverage for each month or to make an individual shared responsibility payment. Shared responsibility payments are due when you file your 2016 returns. If you bought insurance from the Marketplace, you may be eligible for the premium assistance tax credit. If you received advance payment of the credit, your returns will reconcile the credit. If you received insurance on the Marketplace, please fill out the attached questionnaire and return it to me.

If you purchased insurance from the Marketplace, you will receive a 1095-A form. If you received insurance at work you will receive 1095-B or 1095-C forms. You **CAN NOT** file a tax return without these forms.

Partnership returns are now due March 15.

1099s and W2s must be filed by 1/31/2017.

FBAR is now due April 15 with a six month extension.

If you haven't filed your 2013 return, file it before 4/15/2017 or you will lose any refund you may be due.

New! Delayed Refunds with certain credits Due to tax law changes, returns with earned income credits or additional child tax credit will be held until on or after February 15, 2017.

New! Get your transcript online Use the IRS get Transcript tool to order a copy of your older filing information. To guard against fraud there is a two-step process to authenticate your identity. For more information go to IRS.gov/transcripts

Net Investment Income Tax You are subject to 3.8% surtax if your income exceeds \$250,000 MFJ, \$200,000 Single or \$125,000 MFS. Read more about it at <http://goo.gl/Q54FCE>.

Federal Tax Rates remain the same as last year: 10, 15, 25, 28, 33, 35 and 39.6%

Maximum Capital Gains Rate is still 20%.

Medical & Dental Expenses that exceed 10% of

your adjusted gross income are deductible on your Federal and New York returns. They must exceed 2% in New Jersey.

Hot! Foreign income If you are a U.S. citizen or resident alien, you must report income from all sources outside the United States (foreign income) on your tax return unless it is exempt by U.S. law. This is true whether you reside inside or outside the United States and whether or not you receive a Form W-2, Wage and Tax Statement, or Form 1099 from the foreign payer. This applies to earned income (such as wages and tips) as well as unearned income (such as interest, dividends, capital gains, pensions, rents, and royalties). If you have more than \$10,000 in assets, you must file the FBAR form.

Health Savings Accounts Maximum 2016 HSA contribution was **\$3,350** for individuals with self-only coverage. For those with family coverage, the maximum contribution was **\$6,650**. HSA contribution limits are updated annually to reflect cost-of-living adjustments. If you are over 55 you can get an additional \$1000 increase.

Individual Taxpayer Identification Number (ITIN) renewal If you received an ITIN before January 1, 2013 or you haven't filed a return in the last 3 years you may need to renew it.

W-2 reporting of health benefits Your W-2 may show the cost of your health insurance if your employer is large enough. This is for informational purposes only.

Small Business Health Care Tax Credit is 50% of the cost. The credit is available if you have a small business and provide health insurance to your employees (not yourself.) See [here](#) for more information.

Health Coverage for Older Children You can provide health insurance for your children until they turn 27 if they don't have their own coverage.

Teachers The \$250 "above the line" credit is now permanent. **PATH**

State and Local Sales Tax The itemized deduction for state and local general sales tax in lieu of state income taxes paid is now permanent. **PATH**

Qualified Tuition Expenses The above-the-line deduction for qualified tuition and related expenses is now

permanent. **PATH**

IRA Distributions to Charity The rule allowing \$100,000 tax-free IRA distributions to a charity for taxpayers over age 70 is now permanent. **PATH**

American Opportunity Credit Maximum credit is \$2,500 for the first four years of post-secondary education.

- 40% of the allowable credit is refundable.
- Phases out between \$80,000 and \$90,000

(\$160,000 and \$180,000 for MFJ).

- is now permanent. **PATH**

Realtors Rejoice! The Cancellation of Debt exclusion for Qualified Personal Residences was extended through 2016 and will include those transactions entered into in 2016 but not completed until 2017.

Mortgage Insurance Premiums (MIP) were still deductible through 2016. **PATH**

Retirement savings plans for 2016 You may deduct a \$5,500 IRA deduction (\$6,500 over age 50) if you were covered by a retirement plan and your modified AGI is less than \$69,000 (\$115,000 MFJ). The maximum amount for your 401K, 403B or 457 plan was \$18,000. The catch-up contribution was \$6,000. IRS and ROTH payments must be made by April 15. SEP payments are due no later than October 15.

Record keeping requirements for cash contributions You cannot deduct a cash contribution, regardless of the amount, unless you keep a bank record (such as a canceled check, a bank copy of a canceled check, or a bank statement containing the name of the charity, the date, and amount) or a written communication from the charity. The written communication must include the name of the charity, date of the contribution, and amount of the contribution.

Simplified Home Office Deduction is now available - \$5 per square foot as an itemized deduction. The old method is still available and probably will give you a better deduction.

Business Credits are now permanent **PATH**:

- Up to \$500,000 §179 expense deduction
- \$250,000 expense deduction for qualified leasehold, retail improvements and restaurant property
- 50% bonus depreciation on new property, \$8,000 cap on vehicles for a total of \$11,160 (\$11,460 for trucks and vans)
- Research credit (20% for qualified research expenses or 14% alternative simplified credit)
- Work Opportunity credit (40% up to \$6,000)

Energy Credits now have a \$500 lifetime limit.

Plug-In Electric Vehicle Credit may still be available depending on the automobile.

Standard Mileage Rates Business miles were \$0.54 in 2016. Medical and moving miles were \$0.19 in 2016. The charity rate remains \$0.14.

Education Credits You must receive a 1098-T from the school in order to take this credit. It usually is for

tuition and books and not board or sundry items.

Personal Exemptions were \$4,050 for 2016. Exemptions start to phase out for high income taxpayers above \$259,400 AGI (\$311,300 MFJ).

Standard Deduction Married filing joint was \$12,600, single \$6,300 and head of household \$9,300 for 2016. Rates are higher for the blind and senior citizens.

Itemized Deductions phase out above \$311,300 (MFJ), \$155,560 (MFS), \$259,400 (S) \$285,350 (HH).

Same-Sex Marriages If your state recognizes your marriage, you must file MFJ or MFS. You may also be allowed to amend prior year returns under certain circumstances. Ask me about this.

Adoption Credit The maximum credit was \$13,460 per child in 2016 and is no longer refundable.

Foreign Income Exclusion was \$101,300 in 2016.

Social Security The 6.2% wage maximum rose to \$118,500 in 2016 and will rise to \$127,000 in 2017. All wages are subject to the 1.45% Medicare tax.

Savings Bonds You can use your refund to purchase up to \$5000 in \$50 Series I bonds.

Kiddie Tax A child who is age 18 or a student under age 24, whose earned income is not more than one-half of the child's support and had \$1,900 or more in investment income will be taxed at the parent's rates.

Divorced Parents Form 8332 is now mandatory for the custodial parent to waive the exemption. Attaching pages from the divorce decree is no longer allowed.

Child Credit of \$1,000 for each child under 16 is now permanent. **PATH**

Child and Dependent Care Credit remains 35% of \$3,000 of expenses for one child and \$6,000 for two or more children. Payroll deductions (FSA) are limited to \$5000.

Gifts You could have given \$14,000 to any person in 2016 without having to report the gift to the IRS. You can also give a gift of college tuition if paid directly to the school.

Health Insurance for Self-Employed Individuals remains 100% deductible.

Auto Donations The amount of charitable deduction that can be taken for donations of automobiles valued at over \$500 is limited. If the charity sells the vehicle, the deduction is limited to the amount of the sale. If the vehicle is used by the organization, a deduction is allowed for the fair market value. A detailed statement is required from the recipient-organization in either situation and must be attached to the tax return.

Extensions to File Tax Returns A valid extension requires all of the tax due to be **paid in advance**. If you don't pay your quarterly estimated payments on time (or at all), you may be subject to penalties and interest, and your extension may be denied.

Real Time Matching The new filing dates on employee wages such as W-2, W-3, 1099-MISC, 1096, and unemployment statements shall be filed with IRS and payees by January 31, 2017. [PATH](#)

Truncated SSNs on W-2s Employers will be required to include an identifying number for each employee, RATHER THAN using the SSN on the W-2. This provision is effective for returns and statements filed in 2017. [PATH](#)

529 plan distributions may be used to pay for computer equipment and technology. [PATH](#)
New Jersey Updates

Retirement Income Exclusions The maximum amount of pension and/or other retirement income that may be excluded from gross income for 2016 remained \$20,000 (MFJ), \$10,000 (MFS), and \$15,000 (HH). It rose to \$40,000/\$20,000/\$30,000 on January 1, 2017, and will continue to rise over the next three years.

Sales Tax dropped to 6.875% as of 1/1/2017.

Estate Tax As of 1/1/2017, New Jersey taxes estates of \$2M. As of TODAY the tax will expire totally on 1/1/2018. The Inheritance tax remains the same.

NJ-PA taxpayers will have the same rules for 2016 and 2017 as 2015. The change to remove the reciprocity was removed. The change was no change.

Tax Rates New Jersey gross income tax rates for 2016 remained the same as the rates that were in effect for 2010.

Form 1099-G New Jersey no longer sends this form if you received a refund last year. It is available [here..](#)

Property Tax Deduction 100% of your paid taxes up to \$10,000 or 18% of your rent.

Earned Income Tax Credit Taxpayers who receive a Federal earned income credit will also receive a New Jersey credit equal to 30% of their Federal benefit in 2016 and 35% in 2017.

Veterans will get a \$3,000 tax credit in 2017

"Fair" Homeowner's Property Tax Rebate

Homeowners: New Jersey residents who owned and occupied a home in New Jersey which was their principal residence on October 1, 2016, may be eligible for a homestead benefit provided the 2016 property taxes were paid and they met certain income limits. Information about the 2016 homestead benefit will be posted as it becomes available. The rebate is only available for primary residences, not rental property. Taxpayer must be age 65 or older or disabled and have income below \$75,000.

Tenants: There is no tenant rebate.

Keep reading your local newspapers for more information on your rebates.

Senior Property Tax Freeze This program reimburses senior citizens or disabled persons for property tax increases. For 2015, the income limit was \$85,553 for 2014

and \$87,007 for 2015. Applications will be mailed in February.

Penalties New Jersey now charges \$100 per month (or any portion of a month) for late filing if a return is not properly extended and paid. This also applies to payroll and sales tax returns.

New York Updates

In order to efile your 2016 New York returns, you must provide your driver's license numbers. Resident or Non-Resident. If you don't have this, please contact me.

Form 1099-G New York no longer mails this form if you received a refund last year, but it is available [online.](#)

New York Itemized Deductions start with the federal, so they may have the same income limits.

Same-sex married couples who are married as of the last day of the tax year file New York personal income tax returns using a married filing status, the same as their federal income tax filing.

Cost of living adjustment The New York State standard deduction and tax rate schedules have been adjusted to reflect the cost of living adjustment required under the Tax Law

One Last Word

If you know someone who needs a tax return prepared, give them my information! Nothing pleases me more than a phone call from one of your neighbors or associates that starts, "I got your phone number from Mrs. Jones. She tells me that you prepare her taxes. She is very happy with the job that you did last year. Can you give me an appointment for this year?" Please tell me that my new client was your *referral*. If I prepare a new return this year for someone whom you have referred, I'll give you a \$25 credit on your 2017 return fee. Two referrals - \$50. There's no limit.

Brian

My Privacy Policy

Accountants are now required by law to inform their clients of their policies regarding privacy of client information. We have been and continue to be bound by professional standards of confidentiality that are even more stringent than those required by law. I have always protected your right to privacy.

I collect nonpublic personal information about you that is provided to me by you or obtained by me with your authorization.

For current and former clients, I do not disclose any nonpublic personal information obtained in the course of our practice except as required or permitted by law. In all such situations, I stress the confidential nature of information being shared.

I retain records relating to professional services provided to assist you with your professional needs and to comply with professional guidelines. In order to guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

Please call if you have any questions, because your privacy, my professional ethics, and the ability to provide you with quality financial services are very important.



What is an Enrolled Agent?

An Enrolled Agent (EA) is a federally-authorized tax practitioner who has technical expertise in the field of taxation and who is empowered by the U.S. Department of the Treasury to represent taxpayers before all administrative levels of the Internal Revenue Service for audits, collections, and appeals. **What does the term "Enrolled Agent" mean?** "Enrolled" means to be licensed to practice by the federal government, and "Agent" means authorized to appear in the place of the taxpayer at the IRS. Only Enrolled Agents, attorneys, and CPAs may represent taxpayers before the IRS. The Enrolled Agent profession dates back to 1884 when, after questionable claims had been presented for Civil War losses, Congress acted to regulate persons who represented citizens in their dealings with the U.S. Treasury Department.

How does one become an Enrolled Agent?

The license is earned in one of two ways, by passing a comprehensive examination which covers all aspects of the tax code, or having worked at the IRS for five years in a position which regularly interpreted and applied the tax code and its regulations. All candidates are subjected to a rigorous background check conducted by the IRS.

How can Enrolled Agent help me?

Enrolled Agents advise, represent, and prepare tax returns for individuals, partnerships, corporations, estates, trusts, and any entities with tax-reporting requirements. Enrolled Agents' expertise in the continually changing field of taxation enables them to effectively represent taxpayers audited by the IRS.

Privilege and the Enrolled Agent

The IRS Restructuring and Reform Act of 1998 allow federally authorized practitioners (those bound by the Department of Treasury's Circular 230 regulations) a limited client privilege. This privilege allows confidentiality between the taxpayer and the Enrolled Agent under certain conditions. The privilege applies to situations in which the taxpayer is being represented in cases involving audits and collection matters. It is not applicable to the preparation and filing of a tax return. This privilege does not apply to state tax matters, although a number of states have an accountant-client privilege.

Are Enrolled Agents required to take continuing professional education?

The IRS requires Enrolled Agents to complete 72 hours of continuing professional education every three years

What are the differences between Enrolled Agents and other tax professionals?

Only Enrolled Agents are required to demonstrate to the IRS their competence in matters of taxation before they may represent a taxpayer before the IRS. Unlike attorneys and CPAs, who may or may not choose to specialize in taxes, all Enrolled Agents specialize in taxation. Enrolled Agents are the only taxpayer representatives who receive their right to practice from the U.S. government (CPAs and attorneys are

licensed by the states).

Are Enrolled Agents bound by any ethical standards?

Enrolled Agents are required to abide by the provisions of the Department of Treasury's Circular 230, which provides the regulations governing the practice of Enrolled Agents before the IRS. NAEA members are also bound by a Code of Ethics and Rules of Professional Conduct of the Association. **Why should I choose an Enrolled Agent who is a member of the National Association of Enrolled Agents (NAEA)?**

The principal concern of the National Association of Enrolled Agents and its members is honest, intelligent and ethical representation of the financial position of taxpayers before the governmental agencies. Members of NAEA must fulfill continuing professional education requirements that exceed the IRS' required minimum. In addition, NAEA members adhere to a stringent Code of Ethics and Rules of Professional Conduct of the Association, as well as the Treasury Department's Circular 230 regulations. NAEA members belong to a strong network of experienced, well-trained tax professionals who effectively represent their clients and work to make the tax code fair and reasonably enforced.



To minimize delays in processing your income tax return, please review this form right away. I will be available to answer questions about this form and the tax implications of the Affordable Care Act. I cannot process your income tax return without this form completed and signed.

Part 1 Taxpayer (and Spouse)

Did you (primary taxpayer) have health insurance coverage for all 12 months of 2016?

- Yes, through the Exchange **(include Form 1095-A)**
- Yes, from another source (such as employer provided)
Where is the coverage from? _____
Did it provide Minimum Essential Coverage?
 - Yes (include proof of coverage)
 - No
- No, I did not have coverage for any months of 2016
- No, but I had coverage for some months of 2016 (complete chart in Part 5)

Minimum Essential Coverage – meets the individual responsibility mandate – includes market policies, Medicaid, Medicare etc.

Did your spouse (secondary taxpayer) have health insurance coverage for all 12 months of 2016?

- Not Applicable
- Yes, it is the same as primary taxpayer's coverage
- Yes, but it is different than primary taxpayer's coverage (complete chart in Part 5)
- No, my spouse did not have coverage for any months of 2016
- No, but my spouse had coverage for some months of 2016 (complete chart in Part 5)

Part 2 Dependent(s) – Include only those which are part of your TAX HOUSEHOLD

Did your dependent(s) have health insurance coverage for all 12 months of 2016?

- Not Applicable
- Yes, it is the same as primary taxpayer's coverage
- Yes, but it is different than primary taxpayer's coverage (complete chart in Part 5)
- No, my dependent(s) did not have coverage for any months of 2016
- No, but my dependent(s) had coverage for some months of 2016 (complete chart in Part 5)

Tax Household – taxpayer, spouse and all individuals claimed as dependents on a single federal

Individual Shared Responsibility Payment – individuals must maintain Minimum Essential Coverage for all members of the tax household or make a payment with their federal income tax

Part 3 Exemptions from the Individual Shared Responsibility Payment (do not complete if ALL members of your tax household had Minimum Essential Coverage for ALL 12 months of 2016)

- Part of a recognized religious sect (include proof)
- Part of a health sharing ministry (include proof)
- Illegal alien
- Incarcerated (include proof)
- Member of Indian Tribe (include proof)
- Hardship Exemption
Exemption Certificate Number _____

Exemption – some individuals may not have to make the Individual Shared Responsibility Payment – many qualifying reasons require certificates to be applied for in

Part 4 Premium Tax Credit (do not complete if NO members of your tax household were covered through the Exchange for any months of 2016)

Are you (primary taxpayer) any of the following?

- Married filing separate
- Incarcerated
- An illegal alien
- Eligible to be claimed as a dependent on someone else's return

Premium Tax Credit – tax credit to help make health coverage more affordable – only applies if you purchase coverage through the Exchange

Were you eligible for (even if you did not receive) Medicare, Medicaid or other state or local health insurance program?

- Yes
- No

Did you purchase health insurance on the Exchange?

- Yes
- No

Were you eligible for (even if you did not receive) health care coverage through the taxpayer or spouse's employer?

- Yes
- Yes, but it did not satisfy the Individual Shared Responsibility Mandate because it either did not provide Minimum Essential Coverage or it was not deemed affordable for this purpose
- No

Affordable – individual's share of the premium for the lowest cost self only plan is not greater than 9.5% of annual household income

Did you receive an Advanced Premium Tax Credit?

- Yes
- No

Advanced Premium Tax Credit is taken in the form of reduced monthly premiums and reconciled on the federal tax return, the taxpayer could be due an additional refundable credit amount, or could have to repay excess advance payments

Do any of these special situations apply?

- Adult nondependent children are part of my health insurance plan
- There was a change in marital status this year
- A dependent in my tax household can be claimed as an exemption on another taxpayer's tax return
- My health insurance policy covers individuals in two or more tax households

Do any dependents in your tax household have income?

- No
- Yes **(Certain income for dependents must be included in the calculation for Premium Tax Credit, we MUST review this income before we can proceed)**
 - My dependent does not typically have to file a return (I can review the 2016 tax documents to be sure)
 - My dependent has already filed a return (I need to review a copy of the filed return for 2016)
 - My dependent needs to file a return (I can prepare this return, or if your dependent prefers to file elsewhere we can review and return the tax documents for 2016)

Part 5 Coverage Worksheet (complete only if prompted from an earlier question)

Place an X in the box for any month with NO COVERAGE

Individual	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Taxpayer												
Spouse												
Dependent 1												
Dependent 2												
Dependent 3												
Dependent 4												

Describe coverage for each individual in your tax household (include proof)

Individual	Type of Coverage	From (Exchange/employer/other)
Taxpayer		
Spouse		
Dependent 1		
Dependent 2		
Dependent 3		
Dependent 4		

If any individual had more than one type of coverage or other situations of which we should be aware please attach additional pages as needed.