

# TaxUpdate

2016 YEAR END NEWSLETTER

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**G**reetings! Thank you for your friendship and goodwill throughout 2016. To prepare for the upcoming tax-filing season, here are some helpful ideas and key tax law changes.



## Tax Filing Date Changes

There are new tax filing deadlines effective for some 2016 tax returns. Here are the major changes worth noting.

**1 Form 1065** – Small businesses that are organized as a partnership or limited liability companies filing Form 1065 must file their tax return on or before March 15, 2017. This moves the required filing date up one month versus last year.

**Who:** Partnerships and LLC's taxed on Form 1065

**New filing deadline:** March 15th (old filing Date was April 15th)

**2 C-Corporations** – Year-end C-Corporations filing date is a month later. The old filing date of March 15th is now moved to April 15th.

**Who:** Year-end C-Corporations

**New filing deadline:** April 15th (old filing date was March 15th)

**Note:** If your C-Corporation is a non-calendar year filer, your deadlines may change over the next few years so please be alert to this.

**3 Foreign Accounts** – Annual reporting of foreign bank accounts moves from June 30 to April 15th. This is FBAR Form 114.

**Who:** Anyone with foreign financial accounts.

**New filing deadline:** April 15th (old filing date was June 30th)

## 2016 Tax Refund Delays

What everyone needs to know

If your 2016 tax return claims an Earned Income Tax Credit or the Additional Child Tax Credit your refund will be held by the IRS until February 15th.

This delay is being mandated because of the proliferation of identity theft and fraudulent tax returns using taxpayer information. This extra time will be used by the IRS to help prevent revenue loss due to theft. Those most impacted by this change are early tax return filers.

**Hourglass icon** **Entire refund.** If your tax return claims either of these credits, your entire refund will be held until February 15th.

**Hourglass icon** **Do not delay.** If you typically file early, do not delay filing your tax return because of this rule change. Tax returns can still be processed. Only the refund is being delayed.

**Hourglass icon** **The bottleneck.** Filing early can help you avoid the bottleneck of tax refund processing. On February 15th you will want to be at the front of the line to receive your money.

**Hourglass icon** **Plan accordingly.** If you historically plan on receiving an early refund, you will now need to plan for this delay.

## Look for Your Identity PIN

If you are among the millions who have been impacted by IRS identity theft you will receive a PIN from the IRS.

This PIN will be sent to you through the mail in early January. It is a one-time use number that is needed on your Form 1040 when you file your tax return. Without this number you will not be able to e-file your tax return.

This PIN is your added security to ensure that would-be thieves cannot successfully process a tax return using your private information.

**IMPORTANT:** If you receive this IRS notice do not throw it out. Last year the IRS mislabeled the form with the wrong year. Those who accidentally threw it out then faced the hassle of getting it replaced.

## Income Brackets for 2016 Tax Rates

Tax Rate	Single	Married filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1- 9,275	\$1 - 18,550	\$1 - 13,250	\$1 - 9,275
15%	9,276 - 37,650	18,551 - 75,300	13,251 - 50,400	9,276 - 37,650
25%	37,651 - 91,150	75,301 - 151,900	50,401 - 130,150	37,651 - 75,950
28%	91,151 - 190,150	151,901 - 231,450	130,151 - 210,800	75,951 - 115,725
33%	190,151 - 413,350	231,451 - 413,350	210,801 - 413,350	115,726 - 206,675
35%	413,351 - 415,050	413,351 - 466,950	413,351 - 441,000	206,676 - 233,475
39.6%	Over \$415,050	Over \$466,950	Over \$441,000	Over \$233,475



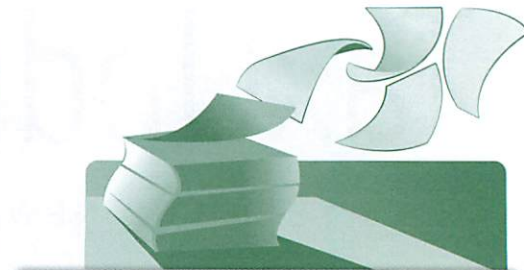
# Key 2016 Tax Information

# 2016



## Ideas to Help Organize Your Tax Records

Here are some ideas to organize this year's tax records. By creating a solid recordkeeping system now, you will save time should you ever need to retrieve documentation later.



### Personal Exemption

Item	2016	2015	Change
Personal Exemption	\$4,050	\$4,000	+\$50
<b>Exemption phase-out</b> <small>Reduce exemptions by 2% for each \$2,500 (or any part thereof) of \$1,250 MFS) over the phase-out threshold amounts listed below.</small>			
Single	259,400	258,250	+\$1,150
Head of household	285,350	284,050	+\$1,300
Married joint/widow	311,300	309,900	+\$1,400
Married filing separate	155,650	154,950	+\$700

### Standard Deductions

Item	2016	2015	Change
Single	\$6,300	\$6,300	—
Head of household	9,300	9,250	+\$50
Married joint/widow	12,600	12,600	—
Married filing separate	6,300	6,300	—
Elderly/blind: married	+\$1,250	+\$1,250	—
Elderly/blind: unmarried	+\$1,550	+\$1,550	—

<b>Deduction phase-out</b> <small>Itemized deductions can be reduced by 3% of the amount AGI exceeds the applicable thresholds listed below. Maximum deduction is 80% of itemized deductions.</small>			
Single	259,400	258,250	+\$1,150
Head of household	285,350	284,050	+\$1,300
Married joint/widow	311,300	309,900	+\$1,400
Married filing separate	155,650	154,950	+\$700

### Mileage Rates

Item	2016	2015	Change
Business	54.0¢/mi	57.5¢/mi	-3.5¢
Medical/moving	19.0¢/mi	23.0¢/mi	-4.0¢
Charitable	14.0¢/mi	14.0¢/mi	—

### Section 179

Limits	2016	2015	Change
Annual Expense	\$500,000*	\$500,000	—
Property	\$2 million	\$2 million	—

\* 2016 to be indexed for inflation.

### Long Term Capital Gains

Tax Rate if in...	2016	2015	Change
10% - 15% income tax brackets	0%	0%	—
25% - 35% income tax brackets	15%	15%	—
39.6% income tax bracket	23.8%**	23.8%**	—

\*\* Includes 3.8% Net Investment Tax

### Maximum Earned Income Tax Credit

	2016	2015	Change
No child	\$506	\$503	+\$3
One child	3,373	3,359	+\$14
Two children	5,572	5,548	+\$24
Three+ children	6,269	6,242	+\$27

**File in tax return order.** Create your annual files to match the flow of your 1040 tax return. Here are some suggestions.

**Income.** Copies of W-2s, 1099s, Social Security statements, interest income, K-1s, and investment activity go in this file.

**Charitable Donations.** Create a separate file for cash donations and one for non-cash donations. Include a copy of your charitable mileage log in this file.

**Medical and Dental.** Create a file for all your medical related expenses. Include a copy of your medical related mileage log in this file.

**Other itemized deduction file.** In this file include all other proof of itemized deductions. This includes tax statements, mortgage interest, state income tax documentation, casualty and theft loss information, and unreimbursed business expenses.

**Business activity.** Have a file for each hobby and business activity. Include a copy of your business mileage log in this file.

**Education.** Create a file for all documents related to educational expenses. Include in it copies of invoices, tuition, and fees. Include invoices for music lessons, instruments, and any materials required to purchase for your student.

**Other.** Put all your miscellaneous receipts into this file. This includes receipts you are unsure about. Include receipts for daycare, dues, unreimbursed business expenses and any other tax related items.

**Statement file.** Sort all your statements by vendor, then by month. Create a separate file for these statements. This can include bank statements, credit card statements, and investment account statements. Consider creating a digital back up copy of these statements and store them on a CD or USB drive.

**Tax return and support.** When your tax return is completed, create a file with copies of your signed tax return(s) for the year. Include any support documents provided with your filed tax return.

## The Last Year for Some Tax Breaks?

While the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) made a number of temporary tax law changes permanent, a number of tax benefits still terminate at the end of 2016. Unless Congress acts, the following tax breaks are a thing of the past.

**Tuition and Fees Deduction.** This popular deduction for up to \$4,000 of qualified tuition and fees expires in 2016.

**Mortgage Insurance Premium Deduction.** If you are required to pay Mortgage Insurance Premiums you

may deduct them on your 2016 tax return, but not in future years.

**No income on cancellation of debt.** For years there was an extended tax break for debt forgiveness related to home mortgages. This program comes to an end in 2016.

**Business Credits.** A number of small business credits also expire at the end of 2016 through 2018. If this concerns you and your business you may wish to conduct a review of your situation.

As in the past, Congress could act to extend these tax breaks. Just do not count on it.

*This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.*