**Year End Newsletter**

***Carmela Davis, CPA, PLLC &* *Staff***

**Happy New Year**

**Office Management –*Crystal, Melinda & Katy***

**Office Staff *– Shannon, Amber, Abel, Maria, Kathy P, Stephanie, Stephen, Melissa, Cynthia, Victor, Julie, Sharon, Amy, Veronica, Laura, Patti, Bebe, Isaac and Pam***

**Remember if you ever have a question please email me at** [**cpa@sydcom.net**](mailto:cpa@sydcom.net)**. If you need to get a hold of any employee it is their first** [**name@sydcom.net**](mailto:name@sydcom.net) **(except Kathy P is kathyp)**

**We will be giving you the changes that are in place for the next year plus reminders for the upcoming year. Visit our web site throughout the year www.carmeladaviscpa.net.**

**Don’t forget we have two locations**

**714 NORTH HIGH ST – 753-3329**

**(Across from the cable company)**

**2304 GILMER RD 297-5600**

**(In front of Wal-Mart – across from Whataburger)**

**TAX SEASON HOURS**

**Our hours for tax season beginning January 2nd are as follows UNTIL April 18th.We will close our offices at 5pm that deadline day.**

**Mon – Fri 8 am – 7 pm**

**Saturday 8 am – 4 pm**

**REMINDERS**

**The first day to electronic file is *January 23, 2017*. However, remember we cannot complete a tax return without the Form 1095 – A, B, or C. This is needed to prevent paying a penalty for the required medical insurance for each person on the tax return.**

**\*The tax deadline is not April 15th this year BUT April 18th– April 15th is on a weekend & the following Monday is Emancipation Day so this pushes the deadline to the following Tuesday. .**

**NEW DEADLINE FOR EMPLOYERS**

**The PATH Act enacted in Dec 2015 includes a new requirement for employers. They are now required to file their copies of Form W2 by January 31st. In the past they had until the end of Feb to submit their copies.**

**The 31st deadline applies to 1099sMISC for payments to independent contractors.**

**The accelerated deadline will help the IRS improve its efforts to spot errors on returns filed by taxpayers. It will enable the IRS to verify the legitimacy of tax returns and properly issue refunds to taxpayers eligible to receive them.**

**SOME REFUNDS DELAYED UNTIL AT LEAST FEBRUARY 15**

**Due to changes in the PATH Act, some people will get their refunds a little later. The new law requires the IRS to HOLD the refund for ANY tax return claiming either the EARNED INCOME CREDIT or ADDITIONAL CHILD TAX CREDIT until February 15th. By law, the IRS must hold the ENTIRE refund, not just the portion related to the Earned Income Credit or Additional Child Tax Credit.**

**PAYROLL LAW CHANGES**

**For 2017 – maximum cap for social security is $127,200. This was $118,500 in 2016.**

**TAX LAW CHANGES FOR 2016 TAX RETURNS FILED IN 2017**

**“The Protecting Americans from Tax Hikes Act (The PATH Act) of 2015**

**SECTION 179 EXPENSING**

**For 2016, taxpayers may expense up to $500,000 for assets acquired in trade or business. The SUV limit remains at $25,000. For 2017 the total Section 179 amount increases to $510,000.**

**NOTE: The $500 penalty for failure to comply with EIC due diligence is now expanded to include the Child Tax Credit and American Opportunity tax credit.**

**2016**

**\*The residential energy efficiency credit is still set to expire at the end of 2016.**

**2019**

**\*The 50% bonus depreciation applies to property place in service through 2017, then reduces to 40% for 2018 and 30% for 2019.**

**\*The act extends the first year depreciation for passenger automobiles – allows for the additional $8,000 bonus through 2017, then $6,400 for 2018 and $4,800 for 2019.**

**ADOPTION**

**The maximum nonrefundable credit increases to $13,460 for 2016 and $13,570 for 2017. The credit begins to phase out when adjusted gross income exceeds $201,010.**

**ANNUAL GIFT TAX EXCLUSION**

**For tax years 2014 – 2017 the annual gift exclusion is $14,000 to each person.**

**The gift tax exemption amount is $5,450,000 for 2016 and $5,490,000 for 2017.**

**CAPITAL GAINS RATES**

**The top tax rate for capital gains is permanently set at 20% for taxpayers. The 0% rate will continue to apply to capital gains to the extent ordinary income is taxed at a rate below the 25% rate. For those individuals at 25% or higher - the capital gains are taxed at the 15% rate.**

**PERSONAL EXEMPTION/STANDARD DEDUCTION**

**\*The amount for the personal exemption is now $4,050**

**Standard Deduction for 2016**

**\*Single - $6,300**

**\*Married filing joint - $12,600**

**\*Head of household - $9,250**

**Standard Deduction for 2017**

**\*Single - $6,350**

**\*Married filing joint - $12,700**

**\*Head of household - $9,350**

**Additional standard deduction for 65+ and blind taxpayers:**

**\*Single $1,550**

**\*Married filing joint $1,250**

**\*Head of household $1,550**

**STANDARD MILEAGE RATE**

**\*\*Business Mileage:**

**2016 – 54 cents per mile**

**2017 – 53.5 cents per mile**

**\*\*Medical mileage:**

**2016 – 19 cents per mile**

**2017 – 17 cents per mile**

**Charitable mileage is 14 cents per mile**

**PER DIEM MEAL ALLOWANCE**

**Oct 1, 2015 – Sept 30, 2016 $51 day**

**Oct 1, 2016 – Sept 30, 2017 $51 day**

**Transportation Industry**

**Travel inside the U.S. $63 day**

**Lodging – Per Diem Allowance**

**Oct 1, 2015 – Sept 30, 2016 $89 night**

**Oct 1, 2016 – Sept 30, 2017 $91 night**

**EARNED INCOME CREDIT**

**The maximum amount of income a taxpayer can earn and still be eligible for the earned income credit increased. If earned income or AGI exceeds the following amounts, the Earned Income Credit is zero.**

**2016**

**\*\*Single – no children 14,880**

**\*\*Head of Household – 1 child 39,296**

**\*\*Head of Household – 2 children 44,648**

**\*\*Head of Household - 3 children 47,955**

**\*\*Joint – no children 20,430**

**\*\*Joint – 1 child 44,846**

**\*\*Joint – 2 children 50,198**

**\*\*Joint - 3 children 53,505**

**\*\*Maximum Earned Income Credit –**

**One qualifying child $3,373**

**Two qualifying children $5,572**

**Three or more qualifying children $6,269**

**No qualifying children $506**

**The max amount of investment income to get the EIC is $3,400 for 2016 and $3,450 for 2017.**

**Remember you cannot receive Earned Income Credit filing Married Filing Separate.**

**Due to the extreme fraudulent Earned Income Credit filed, the IRS may ask you to provide documents to prove you are entitled to the EIC. These may include birth certificate, school records, etc.**

**\*\*Saving for Health Care –**

**Health Savings Accounts (HSAs)Contribution Limit for 2016 & 2017**

**\*2016 Individual $3,350**

**\*2016 Family $6,750**

**\*2017 Individual $3,400**

**\*2017 Family $6,750**

**\*\*Medical Expense Deduction**

**For taxpayers under age 65 at year end, the floor on deducting medical expenses is 10%.**

**For individuals age 65 or older, the 7.5% floor continues to apply through 2016. After 2016, all taxpayers regardless of age are subject to the 10% floor.**

**ITIN – Individual Taxpayer Identification Numbers**

**Effective 1/1/17 – any ITIN not used at least once on a tax return in the past three years will no longer be valid for use on a return. In addition, an ITIN with middle digits 78 or 79 will also expire on Jan 1. Those with expiring ITINs who need to file a return in 2017 must renew their ITIN.**

**You should allow seven weeks from 1/1/17 or the mailing date of the Form W7. If you fail to renew before filing a return you could face a delayed refund and may be ineligible for some important tax credits.**

**TOP TAX ISSUES**

**TARGETING OF IDENTITY THIEVES**

**In effort to stop tax identity theft - Specifically, 20 new pieces of data will be used to validate tax returns.**

**Safeguards planned for 2017 to protect taxpayers from identity theft & refund fraud.**

**\*The tax industry will provide information to strengthen the authentication that a tax return is being filed by the real taxpayer.**

**\*The tax industry will share information extending more identity theft protections to business filers and individuals.**

**\*More than 20 states are working to create a program to flag suspicious refunds before being deposited into taxpayer accounts.**

**\*The Form W-2 Verification Code initiative will expand to 50 million forms in 2017 from 2 million in 2016**

**\*The software industry will enhance software password requirements – providing additional safety prior to filing.**

***THEREFORE*– due to these enhanced security measures we cannot allow any usage of our Wi-Fi passwords – this is to protect you the taxpayer & client. Furthermore, if you bring in your laptop you will not be able to print any documents --- HOWEVER - if you will bring in a flash drive we can print the applicable documents**

***FURTHERMORE* – when we request you complete the *WHOLE* client info packet – it’s not because we want you to be miserable BUT its REQUIRED information to complete your return in an accurate manner. We apologize for any inconvenience – remember you can download this packet from our website prior to coming in or sending us your tax info.**

**OBAMACARE TAX PENALTIES, CREDITS**

**Have health insurance or be prepared to pay the price at tax-filing time. The price keeps going up –**

**The individual responsibility payment penalty is based each month on the number of uninsured members of your family and your household income. An uninsured household of 3 or more during the 2016 tax year could face a max penalty of $2,085.**

**For 2016 - $695 per adult or 2.5% of yearly household income.**

**If you had insurance anytime throughout the year you should be receiving *a FORM1095* that will indicate the number of months you were covered and family members or if you were covered for the complete year. WITHOUT this form you will be PENALIZED for the complete year as not being covered unless you qualify for one of the exemptions.**

**WE MUST HAVE THESE FORMS THIS YEAR!**

**PROVING EDUCATION TAX BREAK**

**Starting with 2016 tax year, you’ll have to prove you’re actually in class per IRS. You will be required to provide Form 1098T to us for the deduction. If you don’t get this official verification, you cannot claim the Education credits or tuition and fees deduction.**

**THE USA APPRECIATION FOR OLYMPIANS AND PARALYMPIANS ACT OF 2016**

**This act excludes from gross income of any individual with adjusted gross income of $1 million or less the value of medals and any prize money received from the U.S. Olympic Committee on account of competition in the Olympic or Paralympic Games**

**THE TRADE FACILITATION AND TRADE ENFORCEMENT ACT OF 2015**

**This act increases the penalty under Code Sec 6651 for failure to file a return effective for returns required to be filed in calendar years after 2015. For taxpayers who fail to file their returns more than 60 days after the due date or extended due date, *the minimum penalty tax is the lesser of $205 or 100 percent of the unpaid tax.***

**CHANGES IN RETURN DUE DATES & EXTENSIONS**

**The PARTNERSHIP filing deadline will BE March 15th instead of April 15th. This is the same deadline for the S corporations. Then both the partnerships and S corporations will have a 6 month extension.**

**Also the C Corporations will move from March 15th to April 15th deadline and will be extended five months to September 15th.**

**DEPENDENTS**

**For any dependents that file their own tax return we must get a copy of that tax return if YOU are claiming the dependent. The IRS rejects the tax returns if filed incorrectly and can cause other issues – so to insure that the filing was done correctly by your dependent we must review their return.**

**Any new dependent we must have a copy of their social security card and we need a copy of their birth certificate as well.**

**IRS WARNS OF TAX SCAMS**

**Requesting fake tax payments–there has been scammers leaving urgent callback requests telling you to call them back to settle your “tax bill”. The fake calls generally claim to be the last warning before legal action is taken. They demand pay on prepaid debit cards, ITunes & other gift cards or wire transfers. The IRS reminds taxpayers that any request to settle a tax bill using any of these payment methods is an indication of a scam.**

**Additionally, they are targeting students & parents demanding payments for fictitious taxes, such as the “Federal Student Tax”. If the person does not comply, the scammer becomes aggressive & threatens to report the student to the police to be arrested.**

**Also, they are sending a fraudulent IRS bill for the tax year 2015 related to the Affordable Care Act. The scam involves an email or letter that includes the fake CP2000. The fraudulent notice includes a payment request that taxpayers mail a check made out to “I.R.S.” to the “Austin Processing Center” at a P O Box address. THIS IS ALSO A SCAM**

**CARMELA’S MINI SANTA LAND**

**I want to thank each & every one of you who came through & enjoyed the lights!! If you missed it see face book– Carmela’s Mini Santa Land. We will be open until January 10th!**

**GETTING PREPARED**

**We have organizers available upon request – please call& ask anyone to mail, email or fax you your personal organizer. There is no charge for this & it should help you gather your documents. (Email – cpa@sydcom.net)**

**Furthermore, you may want additional worksheets that we have available for the following schedules: (also on our website under the “Forms” tab)**

***Schedule A* – Itemize Deductions**

***Form 2106* – Employee Business Expenses**

***Schedule C* – Business Income & Expenses**

**(Used when you receive a Form 1099)**

***Schedule E* – Rental or Royalty Income**

***Schedule F* – Farm Income & Expenses**

**These forms help you with your planning & gathering tax data. Remember you do not need to bring in your receipts unless you want us to review them.**

**Also do not forget:**

**\*\*W2s \*\*Form 1099\*\*W2Gs\*\*1095’s**

**\*\*Form 1099R\*\*Interest &/or Dividend Income\*\*Form 1098 – Mortgage Interest**

**\*\*Stock transactions**

**MESSAGES**

**To get ahold of Carmela – the best way is to email her at** [***cpa@sydcom.net***](mailto:cpa@sydcom.net) **& put in the subject matter “Tax matter”. This is the most effective way for her to communicate back as it can be anytime of the day. Most of the time the response will be late in the evening.**

**QUICK BOOKS**

**We can assistance in setting up your Quick Books or review the data monthly, quarterly, semiannually. If we review your data throughout the year this will assist you on having the accurate information for the tax return.**

**We also can assist you in entering your data into your Quick Books through the online option.**

**PAYROLL/BOOKKEEPING**

**We now offer direct deposits for our payroll services along with other methods. Our rates are very minimal and you will find if you get penalized one time by the IRS regarding your payroll it will cover our cost for nearly a year.**

**Additionally, we offer numerous bookkeeping services to fit your business needs. Monthly Bookkeeping many times is cheaper than us recapping the information just once a year during tax season. The cost is very affordable & efficient especially when there is an IRS audit.**

**\*\*Partnership & S Corporation Deadline due March 15th. C Corporation – April 15th.**

**\*\*If you have brought in items for us to summarize – in other words a box full of receipts, etc – this year or from prior year – PLEASE make sure you pick those up when you come in.**

**OUR STAFF TO ASSIST YOU**

**We apologize if you are not able to get an appointment with Carmela. However, we have several long time staff members that are available to meet with you & to go over your information. Remember that Carmela still writes up your tax return. After each return is keypunched they are reviewed by two individuals – Carmela is the final review. We strive to assist you in tax preparation, tax planning, bookkeeping, payroll, financial statements & of course with the IRS.**

**Appointments can be made with the following qualified employees:**

**High Street Office-\*Crystal \*Katy \*Kathy \*Amy**

**\*Stephen \*Sharon \*Cynthia \*Laura \*Maria**

**Gilmer Road Office - \*Melinda \*Melissa\*Victor**

**Thank you & we are looking forward to a great year in 2017 for the tax season – 2016.**

***Carmela Davis CPA, PLLC & Staff***

***Merry Christmas***