

E&R TAX SERVICE TIPS

Tax Year 2016 Edition

Patchogue, New York

January, 2017

Protect Your Finances....Let a Professional Prepare Your Return!

Cyber Security and Documentation becomes Major Tax Issues

Because of rampant fraud both the IRS and the state may withhold refunds until certain documents are provided by the taxpayer. Be prepared when preparing returns to show for all family members proof of residency, birth certificates, social security cards, medical and school records for children. Also documents supporting certain expenses including medical and child care.

The IRS reminds taxpayers that a new law requires the IRS to hold refunds claiming the Earned Income Tax Credit and the Additional Child Tax Credit until Feb. 15 or later as necessary. Be also aware that it may take several days for refunds to be released and processed through financial institutions.

The IRS is working with the tax industry and state revenue departments as part of the Security Summit initiative to continue strengthening the processing systems to protect taxpayers from identity theft and refund fraud. New York State will continue to take longer than the IRS to issue refunds due to its need to more extensively check each filed return for fraud issues.

E&R staff will assist clients in completing Form 14039, Identity Theft Affidavit and faxing it to the IRS. Tax payers however have to file with the local police department a theft report themselves. Powers of Attorney need to

be prepared in order to continue discussions with the IRS.

Health Insurance Documentation

All taxpayers this year will be required to provide proof of health insurance (normally a form 1095) in order to file a tax return. If one decided to skip health insurance, they will be liable for a penalty or fee. Penalties will be higher than last year. Unfortunately there are few exceptions. One major exception is for Senior Citizens covered by Medicare.

Under the Affordable Care Act (ACA) a credit to offset the cost of health insurance premiums is available. Those who obtained health insurance through government exchanges may qualify for a tax credit to subsidize the cost.. To qualify, one must have a household income between 100% and 400% of the U.S. poverty line and not have access to an employer-sponsored plan.

Audit Issues

Total audits of individual tax returns in IRS offices continue to decline. Partial audits by correspondence, based on computer modelling is on the increase. Before entering into an audit make sure the IRS computer data base is checked E&R staff are trained to help you in these situations. With signed Powers of Attorney we will call the IRS on your behalf to work out the problems There is a charge for these services.

Filing Deadline Apr 18

The filing deadline to submit 2016 tax returns is Tuesday, April 18, 2017, rather than the traditional April 15 date. In 2017, April 15 falls on a Saturday, and this would usually move the filing deadline to the following Monday – April 17. However, Emancipation Day – a legal holiday in the District of Columbia – will be observed on that Monday, which pushes the nation's filing deadline to Tuesday, April 18, 2017. Under the tax law, legal holidays in the District of Columbia affect the filing deadline across the nation.

Renewal Reminder for ITINs

ITINs are used by people who have tax-filing or payment obligations under U.S. law but are not eligible for a Social Security number. Under a change in law any ITIN not used on a tax return at least once in the past three years will expire on Jan 1, 2017. In addition, any ITIN with middle digits of either 78 or 79 will also expire on that date. Early renewal of ITINs are necessary if returns are to be filed timely.

This affects those either living or having relatives outside of the U.S. or a non-working non U.S. citizen spouse in the U.S. E&R prepares tax returns for those who live, work or have businesses outside of the U.S.

Visit Our Web Site

www.ertaxinc.com is the address of our web site. Not only does the site give information on the services of E&R Tax and Business Services, it also has some handy tools that will help you with financial planning and tax preparation.

What if I can't pay the tax?

If you don't have the money or can't get a bank loan, the IRS will often allow you to pay them in monthly installments. Access to the IRS plan is relatively easy. There is an IRS \$105 fee for the plan. Interest will

be charged and the rate varies. (4 to about 8 %) Normally the IRS expects a non-refundable upfront payment equal to the first payment with total payment within one to three years. You can also pay by credit card. Ask for more info.

The Numbers for Tax Year 2016

Standard Deduction

The standard deduction for joint returns is at \$12,600; single taxpayers \$6,300; married filing separate \$6,300 and “kiddie” tax-payers \$2,100 (age limit is up to 18 years of age unless a student - age 19-23); head of household is now \$9,300.

Exemptions

You are allowed a \$4,000 deduction for each exemption which you are entitled. However, your exemption amount could be phased out if you have high income.

Child Tax Credit

The \$1,000 Child Tax Credit remains for 2016 and is partially refundable. The credit is limited by your modified adjusted gross income- \$110,000 for married filing jointly, \$75,000 for Single/Head of Household and \$55,000 for Married Filing Separate.

Education Credit

Maximum AOTC (Hope) Credit for college tuition remains at \$2,500.

Saving for Future Retirement Saves on Taxes Today

Putting money in a Regular or Simple IRA, 401k, 403b plan will not only help you in your retirement years it will also lower your taxes because your contribution will not be taxed in the year you make the payment. Taxes will be taken at the time of distribution, when most people are in a lower tax bracket or may not be taxed by New York State at all. E&R works with Investment Counsellors to help you through the retirement maze.

Do I Need to File A Tax Return?

You may not need to file a return because of the need to pay federal income tax, but tax returns are necessary when setting up payment plans with the government. They are also helpful for Seniors applying for Property Tax Relief. Likewise they are useful when interfacing with various financial institutions.

A Tax Quote

“All told, over the period 1932-1980, nearly half a century, the top federal income tax rate in the United States averaged 81 percent.” *(Today the top rate is 39.6%)*

— Thomas Piketty, Capital in the Twenty-First Century

NOTE: E&R Guarantees Quality Tax Preparation with Fees that are competitive with the National Tax Preparation Chains

Missing a W-2?

It doesn't have to be a crisis if you have lost your W-2 form. The easiest and best way is to contact your employer and ask for a duplicate copy. They are required by law to provide W-2 information. If that is not possible speak to your E&R tax consultant. With time W-2 information can be obtained directly from the IRS and NYS

Needed: e-mail Addresses

Not just the US, but the world has gone digital. To ensure that we are able to communicate with you in a timely manner re refunds, unreported income, audit issues, etc . We need your e-mail address. If you haven't given it to us send it by e-mail to info@ertaxinc.com

IRS Warns of Scams & Phishing

A warning has been once again issued about a fraudulent scheme targeting Electronic Federal Tax Payment System users. The scheme uses an e-mail claiming that the user's tax payment was rejected and directs the user to a website for additional information. The website contains malware that will infect the user's computer.

The IRS **does not** initiate taxpayer communications through e-mail. Nor does it call taxpayers by telephone. Nor does it demand immediate payment of back taxes or penalties. If anyone receives such a message claiming to be from the IRS, do not reply.

Report and identify these callers or other phishing, e-mail scams by forwarding the information to the IRS and let the E&R office know of the situation so we can help you thru this painful process. For those with identity theft it may take a year for you to get your refund

Let E&R save you time and worry!

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**E&R = Edward Boehling (honorably retired),
and Ralph Wright**

Tax Year 2016 NYS Driver License Requirement

The New York State Tax Department, in partnership and collaboration with the Internal Revenue Service and other states, continually assesses and improves its fraud deterrence systems for the mutual benefit of the State and taxpayers, including the tax professional community.

This year, they have taken the step of requiring an additional verification measure in personal income tax preparation software: the collection of driver license and state-issued ID information.

Beginning last year—following the lead of the IRS—New York began to capture taxpayers' driver license or state-issued ID (non-driver ID) information for their electronically-filed personal income tax returns as an additional verification device to deter fraud. Providing this information was optional for Tax Year 2015.

Beginning with Tax Year 2016, this information is required for New York State personal income tax returns that are prepared using software. The requirement applies to driver licenses or state-issued IDs from any state.

For NYS-issued licenses or IDs, they also require the taxpayer/tax professional to input the document number for either the prime taxpayer or spouse. (The document number is specific to NYS IDs and is typically found in the bottom right corner on the front, or on the back of the ID.)

If any taxpayer on a return (prime or spouse) has either a driver license or state-issued ID, the following information is required:- license or ID number;- issuing state;- issue date; - expiration date; and- document number (NYS-issued licenses and IDs only).

If the taxpayer does not have a driver license or state-issued ID (or is deceased), they will be presented with an option to indicate that they don't have either one. This will fulfill the requirement.