



Tax Law Updates

January 2017

Eva Rosenberg, EA

- Eva Rosenberg, EA, CTRS, Your TaxMama[®] has been teaching Enrolled Agents Exam review courses off and on since developing the program for UCLA Extension over 20 years ago. These days, she's teaching her own in-depth tax course online at <http://www.irsexams.school/>
- Eva has a BA in Accounting and an MBA in International Business. Your TaxMama[®] is a TaxWatch columnist for Dow Jones' www.MarketWatch.com and award-winning author of two best-selling books, *Small Business Taxes Made Easy*, published by McGraw-Hill (3rd edition due out in January 2017) and *Deduct Everything!* from Humanix Publishing (both in audio books and Audible[®]).
- As a speaker, TaxMama[®] is popular with both tax professionals and taxpayers.
- You can find her at www.TaxMama.com and get answers to tax questions for free by simply clicking on Ask a Free Question.



What we will cover – an Overview

- Updated Exemptions, Standard Deductions and limits
- Updated tax brackets
- Earned Income Credit issues
- Key Legislation with direct effect on 2016 and 2017
- Mileage and depreciation updates
- Tax Professionals – get Annual Filing Season Program (AFSP) certificate of completion – and get added to the IRS preparer directory
- ITIN updates and issues – and credits that cannot be used
- Should you be a Certified Acceptance Agent (CAA)?
- Phaseouts
- Expiring Legislation
- Reporting gifts and money from family outside the US
- Capital Gains rates
- Addl Medicare Tax and Investment Tax
- Extenders — Made Permanent — PATH Act 2015
- SS/SE limits
- New Entity Filing Deadlines
- Foreign Assets, accounts — FBARs, FATCAs and what to not to overlook

Exemptions and Deductions

	<u>2017</u>	<u>2016</u>
• Personal Exemption	\$4,050	\$4,050

Standard Deductions:

• MFJ/Widow	12,700	12,600
• HOH	9,350	9,300
• Single/MFS	6,350	6,300

Tax Brackets – Single and Head of Household

Tax Rate--Single Taxpayers--2016

Taxable income:		Tax	Tax: +%	On amount over
Over	But not over			
\$ 0	\$ 9,275	\$ 0.00	10	\$ 0
9,275	37,650	927.50	15	9,275
37,650	91,150	5,183.75	25	37,650
91,150	190,150	18,558.75	28	91,150
190,150	413,350	46,278.75	33	190,150
413,350	415,050	119,934.75	35	413,350
415,050	.....	120,529.75	39.6	415,050

Tax Rates--Heads Of Households--2016

Taxable income:		Tax	Tax: +%	On amount over
Over	But not over			
\$ 0	\$ 13,250	\$ 0.00	10	\$ 0
13,250	50,400	1,325.00	15	13,250
50,400	130,150	6,897.50	25	50,400
130,150	210,800	26,835.00	28	130,150
210,800	413,350	49,417.00	33	210,800
413,350	441,000	116,258.50	35	413,350
441,000	.....	125,936.00	39.6	441,000

Tax Brackets – Married & Widow(er)

Tax Rates--Married Individuals Filing Joint and Surviving Spouses--2016

Taxable income:		Tax	Tax: +%	On amount over
Over	But not over			
\$ 0	\$ 18,550	\$ 0.00	10	\$ 0
18,550	75,300	1,855.00	15	18,550
75,300	151,900	10,367.50	25	75,300
151,900	231,450	29,517.50	28	151,900
231,450	413,350	51,791.50	33	231,450
413,350	466,950	111,818.50	35	413,350
466,950	.....	130,578.50	39.6	466,950

Tax Rates--Married Individuals Filing Separate--2016

Taxable income:		Tax	Tax: +%	On amount over
Over	But not over			
\$ 0	\$ 9,275	\$ 0.00	10	\$ 0
9,275	37,650	927.50	15	9,275
37,650	75,950	5,183.75	25	37,650
75,950	115,725	14,758.75	28	75,950
115,725	206,675	25,895.75	33	115,725
206,675	233,475	55,909.25	35	206,675
233,475	.....	65,289.25	39.6	233,475

Alternative Minimum Tax 2016

Filing Status	Exemption Amount	Income Level - 26%	Excess Taxable Income AMTI 28%
Single	\$53,900	\$119,700	\$186,300
Married Filing Jointly	\$83,800	\$159,700	\$186,300
Married Filing Separately	\$41,900	\$79,850	\$93,150
Estates & Trusts	\$24,100	\$79,850	\$186,300

Exemption and phase-outs
are now indexed for inflation

Earned Income Credit - 2016

Earned Income and AGI Limits

Earned income and adjusted gross income (AGI) must each be less than:

If filing...	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household or Widowed	\$14,880	\$39,296	\$44,648	\$47,955
Married Filing Jointly	\$20,430	\$44,846	\$50,198	\$53,505

Investment Income Limit

Investment income must be \$3,400 or less for the year.

Maximum Credit Amounts

The maximum amount of credit for Tax Year 2016 is:

- \$6,269 with three or more qualifying children
- \$5,572 with two qualifying children
- \$3,373 with one qualifying child
- \$506 with no qualifying children

Earned Income Credit - 2017

Earned Income and AGI Limits

Earned income and adjusted gross income (AGI) must each be less than:

If filing...	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household or Widowed	\$15,010	\$39,617	\$45,007	\$48,340
Married Filing Jointly	\$20,600	\$45,207	\$50,597	\$53,930

Investment Income Limit

Investment income must be \$3,450 or less for the year.

Maximum Credit Amounts

The maximum amount of credit for Tax Year 2017 is:

- \$6,318 with three or more qualifying children
- \$5,616 with two qualifying children
- \$3,400 with one qualifying child
- \$510 with no qualifying children

Earned Income Credit - Issues

- Must have SSN or ITIN by due date of return for eligible individuals
 - Not available on late-filed return
 - Not available on amended return
- Must use expanded checklist to verify eligibility
 - Use Form 8867 - <https://www.irs.gov/pub/irs-pdf/f8867.pdf>
 - Penalty is \$510 (2016)
 - IRC 6695 (g) and (h) - annual adjustment for inflation - <https://www.law.cornell.edu/uscode/text/26/6695>
 - If you get IRS notice for missing or incorrect Form 8867 – visit this page - <https://www.eitc.irs.gov/Tax-Preparer-Toolkit/dd/Form8867>

EITC – Education Credits Due Diligence Checklist

- Complete and send in Form 8867 – with all EITC submissions - the Paid Preparer’s Due Diligence Checklist has been updated to include the AOTC and the CTC, due to the PATH Act <https://www.irs.gov/pub/irs-pdf/f8867.pdf>
- Fill out Form 8863 – the Education Credits carefully and completely - <https://www.irs.gov/pub/irs-pdf/f8863.pdf>
- Keep records –
 - A copy of the Form 8867 and the worksheets used to determine credits.
 - A record of all additional questions you asked your client to comply with your due-diligence requirements and your client’s answers to those questions.
 - Copies of any documents your client gives you on which you relied on to determine eligibility for, or the amount of, the credits.
 - A record of how, when, and from whom you obtained the information used to complete the return.
- Make an extra copy of each set to put in a separate EITC Audit File.
 - When the EITC audit unit comes by they don’t have to see your client’s tax file – just the EITC verification information, all in one place.

W-2 Verification Codes

The IRS is testing a system to combat identity theft and fake refunds.

- The IRS has partnered with certain Payroll Service Providers (PSPs) to include a 16-digit code and a new Verification Code field on a limited number of Form W-2 copies provided to employees. (note: Limited = 50 million!)
- Look for “Verification Code” on W-2s because location will vary.
- The code will be displayed in four groups of four alphanumeric characters, separated by hyphens. Example: XXXX-XXXX-XXXX-XXXX.
- If there is no code on the W-2, don’t worry.
- Not entering a code that IS there won’t prevent efilng – this is a pilot program
- Note: This will not affect state and local income tax returns or paper federal returns.

Legislation updates affecting 2016 and 2017

- The Usual Credits Changed & Unchanged

R= Refundable NR= Non-Refundable

- **Child Tax Credit & Additional Child Tax Credit (R)**- \$1,000/ child
- Phase-out MAGI \$110,000 joint, \$75,000 single, \$55,000 MFS; Sec. 24(d)(1)(B)(i)
(Sec 101 – permanent + Sec 205-210- new restrictions and penalties)
- **Child & Dependent Care Credit (NR)** – Based on up to \$6,000 for 2 children under age 13 – 20% - 35% of cost, depending on income level.
- **Adoption Credit (NR)** - \$13,400
 - Phase-out MAGI \$201,010 - \$241,010
- **Adoption Exclusion** - \$13,400 – paid by employer as a benefit
- **American Opportunity Credit (R & NR)** – \$2,500 (**\$1,000**) (extended to 12/31/17) *(Sec 102 – permanent + Sec 206-212- new restrictions and penalties)*
 - Phase-out MAGI \$160,000 joint, \$80,000 single, \$80,000 MFS
- **Lifetime Learning Credit (NR)** - \$2,000
 - Phase-out MAGI \$110,000 joint, \$55,000 single, \$55,000 MFS

Legislation updates affecting 2016 and 2017

- Additional Extenders in PATH Act of 2015

- **Commuting Costs** - 132(f), which provides parity between the exclusion for employer-provided mass transit and parking benefits by making the limit for the monthly tax exclusion for employer-provided transit passes and vanpools the same as the limit for employer-provided parking benefits. **PATH Act Sec. 105 – makes this permanent.**
- **RMD to Charity** - Sec. 408(d)(8), which allows taxpayers to distribute up to \$100,000 in qualified charitable distributions from individual retirement plans without including the distributions in income. **PATH Act Sec. 112 – makes this permanent**
- **Sec 529 plans** – are not permitted to use funds for computers and technology. It also allows redeposit of funds if tuition is refunded. **PATH Act Sec. 302 – makes this permanent**

Mileage Updates

			Depreciation Adjustment for Standard Mileage Rate	
			Year	Depreciation cents per mile
Standard Mileage Rate Per Mile	<u>2017</u>	<u>2016</u>	2017	25
Business	53.5¢	54.0¢	2016	24
			2015	24
Medical and moving	17.0¢	19.0¢	2014	22
			2012-2013	23
			2011	22
Charitable	14.0¢	14.0¢	2010	23
			2008-2009	21
Depreciation	24.0¢	24.0¢	2007	19
			2005-2006	17
			2003-2004	16
			2001-2003	15
			2000	14
			1994-1999	12
			1992-1993	11.5

Best source - <http://www.smbiz.com/sbrl003.html#smr>

Vehicle Depreciation Limits - 2016

Depreciation Limits for Passenger Automobiles

Tax Year	Standard	50% Bonus
First	\$3,160	\$11,160
Second	5,100	5,100
Third	3,050	3,050
Subsequent	1,875	1,875

Depreciation Limits for Trucks and Vans

Tax Year	Standard	50% Bonus
First	\$3,560	\$11,560
Second	5,700	5,700
Third	3,350	3,350
Subsequent	2,075	2,075

Annual Filing Season Program (AFSP)

Why the AFSP Record of Completion is important to YOU!

What do you get – YOUR Benefits?

- An Annual Filing Season Program – Record of Completion from the IRS.
- AFSP participants are included in the searchable “The Directory of Federal Tax Return Preparers with Credentials and Select Qualifications.” <http://irs.treasury.gov/rpo/rpo.jsf>
- The directory shows name, city, state, zip code, and credentials of all attorneys, CPAs, enrolled agents, enrolled retirement plan agents and enrolled actuaries with a valid PTIN, as well as all AFSP – Record of Completion holders.
- The right to represent taxpayers in exam, on tax returns you prepared.

AFSP - General Requirements

A voluntary program with benefits: <https://www.irs.gov/tax-professionals/annual-filing-season-program>

- AFSPs will be recommended in IRS public relations campaigns
- Listing in the IRS Preparer Directory
- Limited representation rights for returns prepared – and authorized using the Third Party Designee - before revenue agents, customer service representatives, and similar IRS employees, including the Taxpayer Advocate Service.

How do I obtain an AFSP – Record of Completion?

- Take 18 hours of continuing education from [IRS-Approved CE Providers](#), including:
 - a six (6) hour Annual Federal Tax Refresher (AFTR) course that covers filing season issues and tax law updates, as well as a knowledge-based comprehension test administered at the end of the course by the CE Provider;
 - ten (10) hours of other federal tax law topics; and
 - two (2) hours of ethics.
- Have an active [preparer tax identification number \(PTIN\)](#).
- Consent to adhere to specific practice obligations outlined in Subpart B and section 10.51 of [Treasury Department Circular No. 230](#).

If you got your RTRP or passed Part 1 of the EA exam – get all your CPE before 12/31 and you're in!

Who is exempt and able to obtain the AFSP – Record of Completion without taking the Annual Federal Tax Refresher course?

- Anyone who passed the Registered Tax Return Preparer test administered by the IRS between November 2011 and January 2013.
- Established state-based return preparer program participants currently with testing requirements: Return preparers who are active registrants of the Oregon Board of Tax Practitioners, California Tax Education Council, and/or Maryland State Board of Individual Tax Preparers.
- SEE Part I Test-Passers: Tax practitioners who have passed the Special Enrollment Exam Part I within the past two years.
- VITA/TCE volunteers: Quality reviewers, instructors, and return preparers with active PTINs.
- Other accredited tax-focused credential-holders: The Accreditation Council for Accountancy and Taxation's Accredited Business Accountant/Advisor (ABA) and Accredited Tax Preparer (ATP) programs.

I meet one of these exemptions. How do I obtain an AFSP – Record of Completion?

- Take fifteen (15) hours of continuing education from [IRS-Approved CE Providers](#), including:
 - three (3) hours of federal tax law updates,
 - ten (10) hours of other federal tax law topics and
 - two (2) hours of ethics.
- Have an active [preparer tax identification number \(PTIN\)](#).
- Consent to adhere to specific practice obligations outlined in Subpart B and section 10.51 of [Treasury Department Circular No. 230](#).

PTIN fee - \$50.00 , renewal - \$50.00

- Online registration and renewal
<https://www.irs.gov/Tax-Professionals/PTIN-Requirements-for-Tax-Return-Preparers>
- To qualify for the 2016 AFSP – Record of Completion – you must renew your PTIN before 12/31/16
 - Note: A lot of CE providers are just now posting your records
- Once you meet all the requirements, log into your PTIN account and click on messages – that’s where you will find your certificate of completion.

- The IRS announced that they are sending letters to tax return preparers who do not have an active PTIN, but prepared returns in 2016.
- There are three different letters depending on the situation.
 - Letter 4966 – Expired PTIN
 - Letter 4732 – SSN Used
 - Letter 4731 – Legacy PTIN Used

No late filed returns or amended returns:

- Earned Income Credits – cannot be issued if taxpayer did not have a Social Security number at the time the return is filed.
- Child Tax Credit - cannot be issued if taxpayer or qualifying child did not have an ITIN or Social Security number at the time the return is filed.
- American Opportunity Credit - cannot be issued if taxpayer or qualifying student did not have an ITIN or Social Security number at the time the return is filed.

Note: There is a penalty of 20% of the refundable credit for erroneous credit claims.

ITIN updates and issues – Renewals

Taxpayers with ITINs must renew them in a 3-year cycle – based on the middle digits of their ITIN numbers or lack of use:

The following ITINs will expire January 1, 2017:

- ITINs with middle digits of 78 and 79 (e.g. 9NN-78-NNNN). The IRS will send [Letter 5821](#) to taxpayers with these expiring ITINs.
 - Note: You may also renew ITINs for family members who have different numbers.
- ITINs that have not been used on a tax return for Tax Year 2013, Tax Year 2014, or Tax Year 2015

To renew an expiring ITIN, you must submit a completed Form W-7, Application for IRS Individual Taxpayer Identification Number, and all required ORIGINAL identification documents to the IRS.

- No tax return is required for a renewal application.
- Mail the application to Internal Revenue Service, ITIN Operation, P.O. Box 149342, Austin, TX 78714-9342.
- You can make an appointment to go to an IRS TAS (taxpayer assistance center) for renewal.

Should you be a Certified Acceptance Agent?

YES!

- Current requirement for all aliens to renew and update their ITINs
- You will be listed on the IRS website for your state (free advertising)
- <https://www.irs.gov/individuals/acceptance-agent-program>
- Your clients won't have to send original documents to the IRS and risk losing those precious documents.
- You make extra fees.
- You get a special IRS phone number to use to follow up
- But to qualify, you may apply year-round. You must:
 - File Form 13551 - <https://www.irs.gov/pub/irs-pdf/f13551.pdf>
 - Take an online IRS course and <https://www.irs.gov/PUP/individuals/itin-online%20pre-application%20training%2011-16-16.ppt>
 - Take a forensic course <https://www.irs.gov/individuals/forensic-training>

- 2016 thresholds (start - disappear):
 - Single - \$259,400 - \$381,900
 - Head of Household - \$285,350 - \$407,850
 - Married filing Joint and Qualifying Widow(er) - \$311,300 - \$433,800
 - Married filing Separately - \$155,650 - \$216,900

- **Savings Bond/Higher Education Expense Exclusion**
 - Modified adjusted gross income phaseout: married, joint, \$116,300 - \$146,300; all other filing status, \$77,550 - \$92,550
- **American Opportunity Tax Credit (Hope Credit)**
 - Phaseout begins at modified adjusted gross income of \$160,000 joint return; \$80,000 all others.
 - Credit completely phased out at \$180,000 (\$90,000).
- **Lifetime Learning Credits**
 - 20% of first \$10,000 of qualified education expenses.
 - Phaseout begins at modified adjusted gross income of \$112,000 joint return; \$56,000 all others.
 - Credit completely phased out at \$162,000 joint returns; \$66,000 all others.

Expiring Provisions – through 12/31/16

- Personal Residence – Cancellation of Debt
- Above-the-line deduction for qualified tuition and related expenses.
- 7.5% medical exclusion for seniors age 65 and above
- PMI – Private Mortgage Insurance
- \$500 lifetime credit for nonbusiness energy property.
- 10-percent credit for plug-in electric motorcycles and 2-wheeled vehicles (capped at \$2,500).
- Credit for purchases of new qualified fuel cell motor vehicles. The provision allows a credit of between \$4,000 and \$40,000 depending on the weight of the vehicle for the purchase of such vehicles.

Congress usually extends these...so stand by

Reporting Gifts and Money from Family Outside the U.S.

- Gifts and money received are tax-free
- File Form 3520 when money received -
https://www.irs.gov/pub/irs-access/f3520_accessible.pdf
 - is more than \$100,000 from non-resident alien or foreign estate
 - More than \$15,671 from a foreign corporation or partnership
 - You control a foreign trust
 - You receive any distribution from a foreign trust
- Non-filing penalties start at higher or \$10,000 or 35% of distributions

Capital Gains and Qualified Dividends Rates

- **0% - Taxpayers in 0% - 15% tax brackets to:**
 - Single – \$37,650 Head of Household - \$50,400
 - Married filing Joint and Qualifying Widow(er)- \$75,300
 - Married filing Separately - \$37,650
- **15% - Taxpayers in 25%-35% tax brackets to:**
 - Single – \$415,050 Head of Household - \$441,000
 - Married filing Joint and Qualifying Widow(er)- \$446,950
 - Married filing Separately - \$233,475
- **20% - Taxpayers in the 39.6% tax brackets**
 - All income above those numbers

Other Capital Gains Rates

- 25% Unrecaptured Section 1250 gains (real estate)
- 28% Gains on Collectibles
- Ordinary rates – short-term gains

Use Form 8949 – which carries the information to Schedule D

- Codes for columns (f) and (g) start on page 6
<https://www.irs.gov/pub/irs-pdf/i8949.pdf>

Additional Medicare and Investment Income Interest Tax

- **Unearned Income Medicare Contributions Tax (Net Investment Income Tax)**

Lesser of 3.8% of net investment income from interest, dividends, annuities, royalties, rents, and gains not generated in active trade or business or modified adjusted gross income in excess

- **Additional Medicare Tax on Wages and Self-Employment Income**

Additional tax of 0.9% on wages and self-employment income in excess of

Single	\$200,000
Head of Household	\$200,000
Married Filing Jointly	\$250,000
Married Filing Separately	\$125,000

PATH Act – Extenders Made Permanent

Section 121. Extension and modification of research credit. The provision permanently extends the research and development (R&D) tax credit. Additionally, beginning in 2016 eligible small businesses (\$50 million or less in gross receipts) may claim the credit against alternative minimum tax (AMT) liability, and the credit can be utilized by certain small businesses against the employer's payroll tax (i.e., FICA) liability.

Section 122. Extension and modification of employer wage credit for employees who are active duty members of the uniformed services. The provision permanently extends the 20-percent employer wage credit for employees called to active military duty. Beginning in 2016, the provision modifies the credit to apply to employers of any size, rather than employers with 50 or fewer employees, as under current law.

Section 123. Extension of 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements. The provision permanently extends the 15-year recovery period for qualified leasehold improvements, qualified restaurant property, and qualified retail improvement property.

Section 124. Extension and modification of increased expensing limitations and treatment of certain real property as section 179 property. The provision permanently extends the small business expensing limitation and phase-out amounts in effect from 2010 to 2014 (\$500,000 and \$2 million, respectively). These amounts currently are \$25,000 and \$200,000, respectively. The special rules that allow expensing for computer software and qualified real property (qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property) also are permanently extended. The provision modifies the expensing limitation by indexing both the \$500,000 and \$2 million limits for inflation beginning in 2016 and by treating air conditioning and heating units placed in service in tax years beginning after 2015 as eligible for expensing. The provision further modifies the expensing limitation with respect to qualified real property by eliminating the \$250,000 cap beginning in 2016.

Section 125. Extension of treatment of certain dividends of regulated investment companies. The provision permanently extends provisions allowing for the pass-through character of interest-related dividends and short-term capital gains dividends from regulated investment companies (RICs) to foreign investors.

Section 126. Extension of exclusion of 100 percent of gain on certain small business stock. The provision extends the temporary exclusion of 100 percent of the gain on certain small business stock for non-corporate taxpayers to stock acquired and held for more than five years. This provision also permanently extends the rule that eliminates such gain as an AMT preference item.

Section 127. Extension of reduction in S-corporation recognition period for built-in gains tax. The provision permanently extends the rule reducing to five years (rather than ten years) the period for which an S corporation must hold its assets following conversion from a C corporation to avoid the tax on built-in gains.

Section 128. Extension of subpart F exception for active financing income. The provision permanently extends the exception from subpart F income for active financing income.

PART 4 – Incentives for Real Estate Investment

Section 131. Extension of temporary minimum low-income housing tax credit rates for non-Federally subsidized buildings. The provision permanently extends application of the 9-percent minimum credit rate for the low-income housing tax credit for non-Federally subsidized new buildings.

Section 132. Extension of military housing allowance exclusion for determining whether a tenant in certain counties is low-income. The provision permanently extends the exclusion of military basic housing allowances from the calculation of income for determining eligibility as a low-income tenant for purposes of low-income housing tax credit buildings.

Section 133. Extension of RIC qualified investment entity treatment under FIRPTA. The provision permanently extends the treatment of RICs as qualified investment entities and, therefore, not subject to withholding under the Foreign Investment in Real Property Tax Act (FIRPTA).

PATH Act – Extenders Through 2019

Section 141. Extension of new markets tax credit. The provision authorizes the allocation of \$3.5 billion of new markets tax credits for each year from 2015 through 2019.

Section 142. Extension and modification of work opportunity tax credit. The provision extends through 2019 the work opportunity tax credit. The provision also modifies the credit beginning in 2016 to apply to employers who hire qualified long-term unemployed individuals (i.e., those who have been unemployed for 27 weeks or more) and increases the credit with respect to such long-term unemployed individuals to 40 percent of the first \$6,000 of wages.

Section 143. Extension and modification of bonus depreciation. The provision extends bonus depreciation for property acquired and placed in service during 2015 through 2019 (with an additional year for certain property with a longer production period). The bonus depreciation percentage is 50 percent for property placed in service during 2015, 2016 and 2017 and phases down, with 40 percent in 2018, and 30 percent in 2019. The provision continues to allow taxpayers to elect to accelerate the use of AMT credits in lieu of bonus depreciation under special rules for property placed in service during 2015. The provision modifies the AMT rules beginning in 2016 by increasing the amount of unused AMT credits that may be claimed in lieu of bonus depreciation. The provision also modifies bonus depreciation to include qualified improvement property and to permit certain trees, vines, and plants bearing fruit or nuts to be eligible for bonus depreciation when planted or grafted, rather than when placed in service.

Section 179 Expense Limits

	2016*	2015
Regular 179 limits	\$500,000	\$500,000
SUV limits	\$25,000	\$25,000
Investment <u>phaseout begins</u>	\$2,000,000	\$2,000,000

- *Sec 124 of PATH Act makes it permanent and adjusted for inflation*
- *Air conditioning and heating units placed in service in tax years beginning after 2015 are eligible for expensing.*
- *Can be used for new or used assets*
- *Limited to \$25,000 for luxury vehicles of 6,000 pounds or more*
- *Limited to profit – cannot create a loss*

Bonus Depreciation

50% Bonus Depreciation is extended through 2019 by Sec 143 of the PATH Act.

- 2015 - 2017 - Bonus depreciation is 50 percent of the cost of equipment acquired and put in service.
 - 2018 - Bonus depreciation is 40 percent
 - 2019 - Bonus depreciation is 30 percent
-
- Can only be used for new assets.
 - Certain trees, vines and plants qualify for bonus depreciation when planted or grafted

Social Security and Self-Employment Tax Limits

Employee's portion of FICA	<u>2017 **</u>	<u>2015-2016</u>	<u>2014</u>
Maximum earnings subject to Social Security tax (Medicare no limit)	\$ 127,200	\$ 118,500	\$ 117,000
Social Security tax rate	6.20%	6.20%	6.20%
Medicare tax rate*	1.45%	1.45%	1.45%
Maximum Social Security tax	\$ 7,886.40	\$ 7,347	\$ 7,254
Maximum Self-Employment Tax	\$15,772.80	\$14,694	\$14,508

*Plus 0.9% on wages above threshold amount, plus 3.8% on unearned income above threshold amount.

** <https://www.ssa.gov/news/press/factsheets/colafacts2017.pdf>

New Filing Deadlines

Tax Return Filing Calendar				
Changes are in brown		Unusual changes are in Red		
TAX RETURN	CURRENT DUE DATE	CURRENT EXTENSION DATE	Old Due Date	Old Extension Date
1040	April 15	October 15	Same	Same
1041	April 15	September 30	April 15	October 15
1065	March 15	September 15	April 15	September 15
1120 Calendar year before Jan 1 2026	April 15	September 15	March 15	September 15
1120 Calendar year after Dec 31 2025	April 15	October 15	March 15	September 15
1120 Fiscal Fiscal Year End (other than Dec. 31 or June 30)	15th day of 4th month after year-end	15th day of 10th month after year-end	15th day of 3rd month after year-end	15th day of 9th month after year-end
1120 June 30 Fiscal Year before Jan. 1, 2026	September 15	April 15	September 15	March 15
1120 June 30 Fiscal Year after Dec 31, 2025	October 15	April 15	September 15	March 15
1120S	March 15	September 15	March 15	September 15
Exempt Form 990	May 15	November 15	May 15	Aug 15 and Nov 15
FBAR - FinCEN 114	April 15	October 15	June 30	NONE
W-2s and 1099s with withholding	Forms W-2 and certain 1099-MISC due to IRS/SSA Jan. 31.		To IRS/SSA — Feb. 28 and March 31 if filed electronically	
W-2s and 1099s due to taxpayers	Forms W-2 and certain 1099-MISC due to IRS/SSA Jan. 31.			
All other W-2s and 1099s	All other Forms 1099 due Feb. 28; March 31 if filed electronically.			

- **FBAR** = Report of Foreign Bank and Financial Accounts (FBAR) – use FinCEN Form 114
 - The report is filed anytime relevant foreign assets reach \$10,000 or more during the year.
 - <https://www.irs.gov/businesses/small-businesses-self-employed/report-of-foreign-bank-and-financial-accounts-fbar>
 - **Due date:** April 15, 2017 with 6 month extension for 2016 tax year
 - Note: APRIL 15 - not when tax returns are due (like April 18th)
- **FATCA** = Foreign Account Tax Compliance Act - Use Form 8938, Statement of Specified Foreign Financial Assets
 - The report is filed anytime relevant foreign assets reach a variety of different levels during the year based on filing status and residency
 - <https://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA>
 - **Due date:** With timely filed Form 1040.

Main IRS FBAR & FATCA Resources

- **FinCEN Form 114**, Report of Foreign Bank and Financial Accounts (FBAR) - <http://bsaefiling.fincen.treas.gov/main.html>
- FBAR Code Sec - 31 CFR 1010.350 - <https://www.law.cornell.edu/cfr/text/31/1010.350>
- Comparison of **Form 8938** and **FBAR** Requirements <https://www.irs.gov/Businesses/Comparison-of-Form-8938-and-FBAR-Requirements>
- FATCA - Basic Questions and Answers about Form 8938 <https://www.irs.gov/businesses/corporations/basic-questions-and-answers-on-form-8938>
- Form 8938 - Statement of Specified Foreign Financial Assets <https://www.irs.gov/pub/irs-pdf/f8938.pdf>
 - Instructions for Form 8938 <https://www.irs.gov/pub/irs-pdf/i8938.pdf>
 - FATCA Code Sec. 6038D - <https://www.law.cornell.edu/uscode/text/26/6038D>

FBAR – Who Files and When

- Any individual with ownership or signatory authority over a foreign account
 - Authority is defined as anyone who has the ability to withdraw funds
 - If one ANY one day during the year the total of ALL accounts is greater than \$10,000 reporting is required
 - If there are any dividends or interest from foreign sources, reporting is required on Schedule B
- Taxpayers with foreign gambling website accounts do not need to file regarding players funds held on those websites
 - But the bank accounts they use must be reported

FATCA – What's New?

- **NEW! Domestic Entities are now required to file FATCA forms**
- Form 8938 filers who complete Part IV, Excepted Specified Foreign Financial Assets. Beginning in 2015, a Form 8938 filer who satisfies his or her Form 8938 reporting obligation by completing Part IV, Excepted Specified Foreign Financial Assets, must complete the newly added checkbox on **Form 3520, 3520-A, 5471, 8621, or 8865** to indicate that the respective form is included in the number of forms reported in Part IV of Form 8938.
<https://www.irs.gov/pub/irs-pdf/i8938.pdf>
- If this applies to your clients – please – either take an update course specifically on these topics –

Part IV Excepted Specified Foreign Financial Assets (see instructions)

If you reported specified foreign financial assets on one or more of the following forms, enter the number of such forms filed. You do not need to include these assets on Form 8938 for the tax year.

1. Number of Forms 3520 _____	2. Number of Forms 3520-A _____	3. Number of Forms 5471 _____
4. Number of Forms 8621 _____	5. Number of Forms 8865 _____	

FATCA – Taxpayers in the US

- You must file Form 8938 if you must file an income tax return and:
- You are **unmarried** and the total value of your specified foreign financial assets is more than **\$50,000** on the **last day** of the tax year or more than \$75,000 at any time during the tax year
- You are married filing a **joint income** tax return and the total value of your specified foreign financial assets is more than **\$100,000** on the **last day** of the tax year or more than **\$150,000** at any time during the tax year.
- You are married filing **separate** income tax returns and the total value of your specified foreign financial assets is more than **\$50,000** on the last day of the tax year or more than **\$75,000** at any time during the tax year. For purposes of calculating the value of your specified foreign financial assets in applying this threshold, **include one-half the value** of any specified foreign financial asset jointly owned with your spouse. However, **report the entire value on Form 8938** if you are required to file Form 8938.

FATCA – Taxpayers Not Living in the US

- You are married filing a joint income tax return and the total value of your specified foreign financial assets is more than **\$400,000** on the **last day** of the tax year or more than **\$600,000** at **any time** during the year.
 - These thresholds apply even if only one spouse resides abroad.
 - Married individuals who file a joint income tax return for the tax year will file a single Form 8938 that reports all of the specified foreign financial assets in which either spouse has an interest.
- You are **not** a **married** person filing a joint income tax return and the total value of your specified foreign financial assets is more than **\$200,000** on the last day of the tax year or more than **\$300,000** at any time during the year.

FATCA – FBAR Penalties

- **FBAR Non-Compliance Penalties:**
 - Non-willful civil \$10,000 per violation
 - Willful civil \$100,000 or 50% amount in account
 - Criminal penalties \$500,000 fine or 10 years or both
 - Civil & criminal may be imposed together
- **FATCA Non-Compliance Penalties:**
 - Up to \$10,000 for failure to disclose
 - An additional \$10,000 for each 30 days of non-filing after IRS notice of a failure to disclose
 - For a potential maximum penalty of \$60,000
 - Criminal penalties may also apply

Streamlined Procedures

<https://www.irs.gov/individuals/international-taxpayers/streamlined-filing-compliance-procedures>

- Failure to report foreign financial assets and pay all tax due in respect of those assets **did not result from willful conduct** on their part. In lieu of the OVDP process, the streamlined procedures are designed to provide to taxpayers in such situations with
 - a streamlined procedure for filing amended or delinquent returns, and
 - terms for resolving their tax and penalty procedure for filing amended or delinquent returns, and
 - terms for resolving their tax and penalty obligations.
 - Cannot be under IRS audit for any reason
- **Rules for taxpayers within the U.S.** <https://www.irs.gov/individuals/international-taxpayers/u-s-taxpayers-residing-in-the-united-states>
- **Rules for taxpayers outside the U.S.** <https://www.irs.gov/individuals/international-taxpayers/u-s-taxpayers-residing-outside-the-united-states>
 - For more depth, consider Jason Freeman's class – the 2016 International Tax & Asset Reporting http://www.cpelink.com/product/detail/?p=7475&t_ref=3&s=85iz6kg

New – Online Access from the IRS

<https://www.irs.gov/payments>

Pay Online Directly from Your Bank Account



If you're an individual taxpayer, IRS Direct Pay offers you a free, secure electronic payment method.

IRS Direct Pay



Pay with Your Debit or Credit Card



Choose an approved payment processor to make a secure tax payment online or by phone.

Pay by Card



Other Ways You Can Pay

- [Electronic Federal Tax Payment System](#) (best option for businesses, enrollment required)
- [Electronic Funds Withdrawal](#) (during e-filing)
- [Same-day wire](#) (bank fees may apply)
- [Check or money order](#)
- [Cash](#) (at a retail partner)

Can't Pay Now?

- Meet your tax obligation in [monthly installments](#) by applying for an [online payment agreement](#)
- Find out if you qualify for an [offer in compromise](#) -- a way to settle your tax debt for less than the full amount
- Request that we [temporarily delay collection](#) until your financial situation improves

Check Your Balance Due

You can view your [balance online](#) or refer to the information in the notice you received to determine the amount you owe..

Prevent Future Tax Liabilities

You can reduce or even eliminate a balance due after filing, by adjusting your withholding amount or making estimated payments.

[The IRS Withholding Calculator](#) can help you adjust the amount withheld from your pay by your employer, in order to reduce or eliminate your balance due.

[Estimated tax](#) is the method you use to pay tax on income that is not subject to withholding, such as self-employment income. (Learn more about estimated tax in [this video](#))



844-440-UTAX (8829), www.utaxsoftware.com
email: sales@utaxsoftware.com

What You See When Looking up Balances Due

After setting up the account, the IRS texts a new 6-digit access code EACH time you log in.

5 years of data – and the ability to set up an IA right there.

Sorry, we are not able to show your cumulative balance due at this time.

The information provided is based on our [current data](#).

Payment Options

PAY BY BANK ACCOUNT

PAY BY CARD

Fees apply when paying by card.

NEED MORE TIME TO PAY?

Overview by Tax Year

Tax Year	You Owe
2016	INFO >
2015	\$0.00
2014	\$0.00
2013	\$0.00
2012	\$0.00

Some Reminders for your Clients

- Write down the odometer reading on all business-use vehicles
- Get all receipts from charities for \$250 or more total donations to the charity
- If they are in a Flexible Spending Account at work – submit all medical receipts immediately
 - \$2600 contribution limit in 2017
 - some companies allow treatment and receipts until March 1st
 - <https://www.irs.gov/uac/plan-now-to-use-health-flexible-spending-arrangements-in-2017>
- Household employees need to be on W-2 - and Schedule H - \$2,000
<https://www.ssa.gov/OACT/COLA/CovThresh.html>
- Folks who got First Time Homebuyers Credit in 2008 must repay it - make their annual payment on Form 5405 <https://www.irs.gov/pub/irs-pdf/f5405.pdf>
 - Look-up <https://www.irs.gov/individuals/first-time-homebuyer-credit-account-look-up>

CURES Act – Employee Health Insurance

- Beginning on January 1st, a company with fewer than the equivalent of 50 full-time employees — that is, a business not subject to the Affordable Care Act's [employer mandate](#) to offer insurance coverage to employees — can reimburse employees' for purchasing individual health insurance as if it were directly paying the premiums on a group health policy:
 - the employee won't have to pay taxes on the company's premium contribution,
 - and the company won't owe payroll taxes on it, either.
- The law sets some conditions for this new benefit: the company cannot offer a separate group health plan, and it must make the reimbursement available on the same terms to all employees, although it can vary the amount the reimbursement based on the employee's age and family size, two main factors under the Affordable Care Act that insurers can use to determine the cost of plans.
- The law limits reimbursement to \$4,950 for individual insurance, and \$10,000 for a family plan, amounts that are indexed for inflation.

Thank you for coming!

- For uTax Partner Support – 206-209-2653
<http://resourcecenter.utaxsoftware.com>