

The Consultant

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December 2016 Newsletter

Once again a new year is upon us and tax time is coming. We are once again making our tax organizers available to anyone who requests one. If you have not used one in the past, please call the office to request one for 2016, as it is our attempt to be as thorough as possible in the preparation of your return. The tax organizer may not be enough however, and we wanted to bring some special items to your attention below.

Alimony and Child Support Payments

Alimony received is considered income for tax purposes. Child support is not taxable to the spouse receiving it, and Child support payments cannot be deducted by the paying spouse.

Timing and Filing Status

The Internal Revenue Code deems whether you are married or not based on your legal status on the final day of the tax year. In most cases, it is usually beneficial to file a joint return during the separation period. Or, if you have children and are separated for six months, the spouse who has custody of the children may file as Head of Household, which is a lower tax bracket than filing married filing separate. **Don't forget the state taxes!** In the 50 States plus the District of Columbia, those jurisdictions will have final say over the end of a marriage. They also could have some tax matters that a divorcing couple needs to consider. Make sure your attorney is aware of your State's tax laws and how they could affect your divorce decisions.

Charity Fraud Checklist

- Find out if that charity is aware of the solicitation and has authorized the use of its name. You can find out if the charity is legit by calling the National Association of State Charity Officials.
- Keep a record of your donations and always get a receipt.
- Never send cash donations - send by check.
- Never wire money to someone claiming to be a charity, it most likely is a scam.
- Be aware of charities that spring up too suddenly in response to current events and natural disasters.

If you believe that you are a victim of a charity fraud or fundraiser, file a complaint with Federal Trade Commission.

Identity Theft

If you have been the victim of identity theft, you should have received a PIN number from the Internal Revenue Service which you need to give us when filing your return. This Pin number tells the Internal Revenue Service that the return is yours and not being filed by someone stealing your identity.

Partnership New Law

Previously, partnership returns were due on April 15th. Under a new law, for fiscal year partnerships (year ending December 31st), returns will now be due on the 15th day of the 3rd month after the year-end. A six-month extension is allowed from that date. In simplistic terms, the new due date for partnership returns is March 15th.

Lottery Winnings

STARTING January 1, 2016, lottery winnings will be taxed by the State of Pennsylvania at a rate of 3.07%. My suggestion is if you win, have them withhold the taxes out of the winnings.

Tax Fraud

Many individuals are receiving phone calls that claim to be from the Internal Revenue Service and some individuals are receiving letters from the IRS that look official. If you receive a phone call or a letter, make sure you contact the office so we can determine if it is official.

Social Security Medical Premium

The Social Security Act requires some people to pay higher premiums for their Medicare Part B (medical insurance) and Part D (prescription drug coverage) based on their income.

If you file your taxes as "married, filing jointly" and your MAGI is greater than \$170,000, you'll pay higher premiums for your Part B and Medicare prescription drug coverage. If you file your taxes using a different status, and your MAGI is greater than \$85,000, you'll pay higher premiums.

You must be off Obama Care before going on Medicare at age 65.

Children/Student Tax Returns

We strongly suggest that you do not allow your dependent children or college students to file their own returns. We must file their return because of the Affordable Care Act. Allowing a child to file their own return, particularly a student, can cost the child and the parent literally thousands of dollars in Health Care penalties and/or credits.

If a child receives more than \$1,050.00 in interest, dividends, or capital gains. They are required to file a tax return, even if they do not have any additional income. In most cases, this unearned income will be taxed at their parent's higher tax rate. The tax on a child's investment income is also known as the "Kiddie Tax."

For Pennsylvania residents, a child with income above \$33.00 must file a tax return. Even if they aren't required to file a federal income tax return, they may still need to file a PA return. The PA Dept. of Revenue has started issuing failure to file notices, which can result in failure to file penalties being assessed.

Earned Income Credit

If you qualify for Earned Income Credit, we are required to perform our due diligence and ask you to provide us with proof that your child/children reside with you. The Internal Revenue is cracking down in this area. Examples of documents that can be provided are as follows: School records or statement, Medical records, Child care provided records, Social service records or statement.

Mileage

The mileage rate for 2016 is 54 cents per mile for business miles driven and 19 cents per mile driven for medical or moving purposes. The Internal Revenue Service has not issued the new deduction for business miles as of this newsletter. As soon as we receive a notice, we will send out a new alert to our clients.

The State of Pennsylvania has been critical in verifying business miles that are being deducted on the Schedule UE, (Unreimbursed Employee Business Expenses). If you plan on taking this deduction, be prepared to provide one of the following as they may request proof: your company's expense reimbursement policy for expenses required to be incurred as a condition of your employment, a signed letter from your employer on company letterhead that states you are required to incur the unreimbursed expenses and states whether or not you were reimbursed and any amounts of reimbursement received, or a completed form REV-775, Personal Income Tax Employer Business Expenses Affidavit.

Affordable Care Act

Starting with tax year 2015, insurance companies and employers are required to issue new tax forms to individuals that participate in their health insurance plans. The forms provide information about the individual's health insurance to assist in preparing their federal tax returns, and are titled 1095-B and 1095-C. These forms will be sent to the primary recipient on the insurance plan, so a family that is covered under one plan will only receive one form.

For tax year 2016, the IRS has extended the due date for both 1095-C and 1095-B forms from January 31, 2017 to March 2, 2017. We do not need these forms to prepare or file your 2016 tax return.

The only form that is needed to file your 2016 tax return is the 1095-A, which only applies to insurance plans purchased through the Health Insurance Marketplace. If you receive your health insurance through your employer or a private plan, you don't need to worry about including any of these forms with your tax documents.

Corporations

If you keep your own records, please submit your profit & loss and balance sheet in the cash basis no later than January 31st for us to do the corporate return. This includes LLC's, C-Corporations and Sub-Chapter S Corporations. Remember, the balance sheet should include all accounts in the corporation's name, such as checking, savings, money markets, all lines of credit and credit card balances. If you do not have a computer program that can print these financials, contact our office and we can send you forms to fill in. You **cannot** file your personal return until your corporate return is filed.

Business in other states

If you are operating a business in another State, you are required to register in that State and must file a tax return as an individual, partnership or corporation. Computerization is now allowing States to track down those of you who have not registered. States will assess high penalty and interest on the taxes due. If you fall into this category, we can help you with the registration process.

Keep in mind you are taxed on your total profit in your home State location. You will also receive credit against this tax for any taxes paid to another State for the work completed in them.

Year End Tax Planning

You may consider asking your employer to give your 2016 bonus in 2017, if you believe that your income will be lower.

If you are in business and are showing a profit you may consider making necessary purchases before December 31, 2016.

If you have a large profit think about what you can do to reduce it. Do you need to buy equipment? Make the purchases before the end of the year. Prepay bills for supplies that you know you will need early in the next year.

Make your charitable donations before December 31, 2016.

IRA Deductions - Remember that you have until April 15, 2017 to contribute into an IRA for 2016.

SEP Deductions - You should think about opening a SEP plan which will allow you to put 25% of your salary and defer that money. If you have any question about how a SEP works, call the office and ask to speak with Mr. Piermani.

For those of you who are self-employed, you can deduct your medical insurance and Long Term care on your schedule C.

If you are still working and have turned or will turn 65 years of age, you are no longer eligible to be on a HSA Plan.

Tax Appointments

It is our firm's policy not to allow children in the office at the time of tax consultations. These appointments involve a great deal of information which requires the tax preparers' concentration while completing the necessary forms. If children are old enough, they may sit in the waiting area until the appointment is complete. However, we are not responsible for watching your children. We ask you to kindly **make the appropriate arrangements** to avoid this situation.

Cancellation

We have minimum time slots to accommodate a large client base and therefore it is very important that any appointments made during tax season are kept. We certainly recognize that situations arise and should you need to cancel and reschedule your appointment, we require a six hour notice or there will be a \$95.00 cancellation fee incurred. This policy is strictly enforced.

Tax Season Hours

Monday thru Friday 8:00 a.m. – 9:00 p.m.
Saturday and Sunday 8:00 a.m. – 3:00 p.m.

Filing Deadlines

- January 31, 2017 W-2 & 1099 forms need to be mailed out to employees. Any businesses having these requirements that we do not do bookkeeping or payroll for already, please provide us the information needed in a reasonable time period to get the forms filled out and back to you.
- January 31, 2017
****New Deadline**** The Protecting Americans from Tax Hikes (PATH) Act of 2015 revised the filing deadline for Form W-2 and certain types of Form 1099, including Form 1099 Misc. All forms, W-2's and 1099's, are due to recipient, federal and state agencies by this date. There can be strict penalties assessed if filed late.
- March 15, 2017 Deadline to file Corporation tax returns such as a C Corporation "Form 1120", S Corporation return "Form 1120S", Partnerships "Form 1065" or an LLC return that has an election to file either a "form 1120 or a 1120S". Also, the last day to file an extension to file for the above returns.
- April 18, 2017 Deadline to file Individual "Form 1040". Last day to contribute to a Traditional or Roth IRA, HSA, or SEP-IRA plan. Also, the last day to file an extension for the above returns. Final day to file an amended return for 2013, according to the 3 year rule.
- September 15, 2017 Forms 1120, 1120S and Partnership Returns "Form 1065" that are on extension need to be filed by this date. No additional extensions may be filed.
- October 15, 2017 Forms 1040 that are on extension need to be filed by this date. No additional extensions may be filed.

***We at Piermani & Bearoff, P. C. & Charles J. Piermani Associates
would like to extend our wishes to you for a Merry Christmas and a Happy New Year!!***