February 2017Newsletter
from Rex Crandell's Tax Office
in Walnut Creek and San Francisco.

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Who Should File a 2016 Tax Return?

Most people file a tax return because they have to, but even if you don't, there are times when you should--because you might be eligible for a tax refund and not know it. The six tax tips below should help you determine whether you're one of them.

1. General Filing Rules. Whether you need to file a tax return this year depends on several factors. In most cases, the amount of your income, your filing status, and your age determine whether you must file a tax return. For example, if you're single and 28 years old you must file if your income, was at least $10,350. Other rules may apply if you're self-employed or if you're a dependent of another person. There are also other cases when you must file. If you have any questions, don't hesitate to call.

2. Premium Tax Credit. If you bought health insurance through the Health Insurance Marketplace in 2016, you might be eligible for the Premium Tax Credit; however, you will need to file a return to claim the credit.

If you purchased coverage from the Marketplace in 2016 and chose to have advance payments of the premium tax credit sent directly to your insurer during the year, you must file a federal tax return. You will reconcile any advance payments with the allowable premium tax credit.

You should have received Form 1095-A, *Health Insurance Marketplace Statement*, by early February. The new form has information that helps you file your tax return and reconcile any advance payments with the allowable Premium Tax Credit.

3. Tax Withheld or Paid. Did your employer withhold federal income tax from your pay? Did you make estimated tax payments? Did you overpay last year and have it applied to this year's tax? If you answered "yes" to any of these questions, you could be due a refund. But you have to file a tax return to get it.

4. Earned Income Tax Credit. Did you work and earn less than $53,505 last year? You could receive EITC as a tax refund if you qualify with or without a qualifying child. You may be eligible for up to $6,269. If you qualify, file a tax return to claim it.

5. Additional Child Tax Credit. Do you have at least one child that qualifies for the Child Tax Credit? If you don't get the full credit amount, you may qualify for the Additional Child Tax Credit.

6. American Opportunity Credit. The AOTC (up to $2,500 per eligible student) is available for four years of post-secondary education. You or your dependent must have been a student enrolled at least half-time for at least one academic period. Even if you don't owe any taxes, you still may qualify; however, you must complete Form 8863, *Education Credits*, and file a return to claim the credit.

Which Tax Form is Right for You?

You can generally use Form 1040EZ if:

- Your taxable income is below $100,000;
- Your filing status is single or married filing jointly;
- You don't claim dependents; and
- Your interest income is $1,500 or less.

Note: You can't use Form 1040EZ to claim the new Premium Tax Credit. You also can't use this form if you received advance payments of this credit in 2016.

Form 1040A may be best for you if:

- Your taxable income is below $100,000;
- You have capital gain distributions;
- You claim certain tax credits; and
- You claim adjustments to income for IRA contributions and student loan interest.

You must use Form 1040 if:

- Your taxable income is $100,000 or more;
- You claim itemized deductions;
- You report self-employment income; or
- You report income from sale of a property.

Questions?

Help is just a phone call away. Call or make an appointment today and get the answers you need right now.

IRS Tax Scams 2017: FAQs

As tax season approaches, taxpayers are reminded to be on the lookout for an array of evolving tax scams related to identity theft and refund fraud. Every year scam artists look for new ways to trick taxpayers out of their hard-earned money, sensitive financial information or even access to their computers. It seems that no matter how careful you are there's always a possibility that identity thieves could steal your personal information and try to cash in by filing fraudulent tax returns in your name.

Here's what you need to know this year:

Which tax scams should I be on the lookout for this tax season?

This tax season some of the most prevalent IRS-impersonation scams include:

Requesting fake tax payments: The IRS has seen automated calls where scammers leave urgent callback requests telling taxpayers to call back to settle their "tax bill." These fake calls generally claim to be the last warning before legal action is taken. Taxpayers may also receive live calls from IRS impersonators. They may demand payments on prepaid debit cards, iTunes and other gift cards or wire transfer. The IRS reminds taxpayers that any request to settle a tax bill using any of these payment methods is a clear indication of a scam.

Targeting students and parents and demanding payment for a fake "Federal Student Tax": Telephone scammers are targeting students and parents demanding payments for fictitious taxes, such as the "Federal Student Tax." If the person does not comply, the scammer becomes aggressive and threatens to report the student to the police to be arrested.

Sending a fraudulent IRS bill for tax year 2015 related to the Affordable Care Act: The IRS has received numerous reports around the country of scammers sending a fraudulent version of CP2000 notices for tax year 2015. Generally, 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 Post Office Box address.

Soliciting W-2 information from payroll and human resources professionals: Payroll and human resources professionals should be aware of phishing email schemes that pretend to be from company executives and request personal information on employees. The email contains the actual name of the company chief executive officer. In this scam, the "CEO" sends an email to a company payroll office employee and requests a list of employees and financial and personal information including Social Security numbers (SSN).

Imitating software providers to trick tax professionals: Tax professionals may receive emails pretending to be from tax software companies. The email scheme requests the recipient to download and install an important software update via a link included in the e-mail. Upon completion, tax professionals believe they have downloaded a software update when in fact they have loaded a program designed to track the tax professional's keystrokes, which is a common tactic used by cyber thieves to steal login information, passwords and other sensitive data.

"Verifying" tax return information over the phone: Scam artists call saying they have your tax return, and they just need to verify a few details to process your return. The scam tries to get you to give up personal information such as a Social Security number (SSN) or personal financial information, including bank numbers or credit cards.

Pretending to be from the tax preparation industry: The emails are designed to trick taxpayers into thinking these are official communications from the IRS or others in the tax industry, including tax software companies. The phishing schemes can ask taxpayers about a wide range of topics. E-mails or text messages can seek information related to refunds, filing status, confirming personal information, ordering transcripts and verifying PIN information.

What are the signs of identity theft?

Here are six signs that could indicate that you may be a victim of tax-related identity theft:

1. Your attempt to file your tax return electronically is rejected. You get a message saying a return with a duplicate Social Security number has been filed. First, check to make sure you did not transpose any numbers. Also, make sure one of your dependents, for example, your college-age child, did not file a tax return and claim themselves. If your information is accurate, and you still can't successfully e-file because of a duplicate SSN, you may be a victim of identity theft. You should complete Form 14039, *Identity Theft Affidavit*. Attach it to the top of a paper tax return and mail to the IRS.

2. You receive a letter from the IRS asking you to verify whether you sent a tax return bearing your name and SSN. The IRS holds suspicious tax returns and sends taxpayers letters to verify them. If you did not file the tax return, follow the instructions in the IRS letter immediately.

3. You receive income information at tax time from an employer unknown to you. Employment-related identity theft involves the use of your SSN by someone, generally an undocumented worker, for employment purposes only.

4. You receive a tax refund that you did not request. You may receive a paper refund check by mail that the thief intended to have sent elsewhere. If you receive a tax refund you did not request, return it to the IRS. Write "VOID" in the endorsement section, and include a note on why you are returning it. If it is a direct deposit refund that you did not request, contact your bank and ask them to return it to the IRS.

5. You receive a tax transcript by mail that you did not request. Identity thieves sometimes try to test the validity of the personal data they have chosen, or they attempt to use your data to steal even more information. If you receive a tax transcript in the mail and you did not request it, be alert to the possibility of identity theft.

6. You receive a reloadable, prepaid debit card in the mail that you did not request. Identity thieves sometimes use your name and address to create an account for a reloadable prepaid debit card that they use for various schemes, including tax-related identity theft.

What are tax preparers and other tax professionals doing to protect my financial data?

Unfortunately, tax professionals are increasingly targets of cyber criminals seeking access to client data now as well. Criminals use this stolen information to file fraudulent tax returns for refunds; however, tax preparers and other tax professionals are able to protect their clients--and themselves in the event of a data breach by implementing critical steps such as:

Contacting the IRS and law enforcement:

Report client data theft to your local IRS Stakeholder Liaison. Liaisons will notify IRS Criminal Investigation and others within the agency on your behalf. Speed is critical. If reported quickly, the IRS can take steps to block fraudulent returns in your clients' names. Contact local police to file a police report on the data breach, as well as the local FBI office and Secret Service (if directed).

Contacting states in which you prepare state returns:

Contacting the tax agency in each state in which you prepare returnsContact the State Attorneys General in each state in which you prepare returns. Most states require that the attorney general is notified of data breaches. This notification process may involve multiple offices.

Contacting experts:

Security experts can determine the cause and scope of the breach, what to do to stop the breach and prevent further breaches from occurring. A data breach should also be reported to your insurance company to determine if your insurance policy covers data breach mitigation expenses.

Contacting clients and other services:

- The Federal Trade Commission offers tips and templates for businesses that suffer data compromise, including suggested language for informing clients.
- Send an individual letter to any clients who have been a victim of a data breach to inform them of the breach but work with law enforcement on timing. Remember that you may need to contact former clients if their prior year data was still in your system.
- Notify your tax software provider who may need to take steps to prevent inappropriate use of your account for e-filing.

- It's possible that your firm and client passwords may have been compromised and need to be reset, so it's important to contact your website and/or client portal provider(s).
- The Federal Trade Commission offers tips and templates for businesses that suffer data compromise, including suggested language for informing clients.
- If required, notify a credit and/or ID theft protection agency. Certain states require offering credit monitoring and ID theft protection to victims of ID theft.
- Notify credit bureaus if there is a compromise. Clients may seek their services.

What should I do if I've received a suspicious phone call or email from someone claiming to be from the IRS?

If you receive an unexpected call, unsolicited email, letter or text message from someone claiming to be from the IRS, be advised that the IRS will never:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer or initiate contact by email or text message. Generally, the IRS will first mail you a bill if you owe any taxes.
- Threaten to immediately bring in local police or other law-enforcement groups to have you arrested for not paying.
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
- Ask for credit or debit card numbers over the phone.

If you get a suspicious phone call from someone claiming to be from the IRS and asking for money, here's what you should do:

- Do not give out any information. Hang up immediately.
- Search the web for telephone numbers scammers leave in your voicemail asking you to call back. Some of the phone numbers may be published online and linked to criminal activity.
- Contact TIGTA to report the call. Use their IRS Impersonation Scam Reporting web page or call 800-366-4484.
- Report it to the Federal Trade Commission. Use the FTC Complaint Assistant on FTC.gov. Please add "IRS Telephone Scam" in the notes.
- If you think you might owe taxes, call the IRS directly at 800-829-1040.

If you receive an unsolicited email that appears to be from either the IRS or an organization closely linked to the IRS, such as the Electronic Federal Tax Payment System (EFTPS), report it by sending it to phishing@irs.gov.

If you have any questions or believe that you've been a victim of an IRS tax scam, don't hesitate to call.

Five Ways to Improve your Financial Situation

If you are having trouble paying your debts, it is important to take action sooner rather than later. Doing nothing leads to much larger problems in the future, whether it's a bad credit record or bankruptcy resulting in the loss of assets and even your home. If you're in financial trouble, then here are some steps to take to avoid financial ruin in the future.

If you've accumulated a large amount of debt and are having difficulty paying your bills each month, now is the time to take action--before the bill collectors start calling.

1. Review each debt. Make sure that the debt creditors claim you owe is really what you owe and that the amount is correct. If you dispute a debt, first contact the creditor directly to resolve your questions. If you still have questions about the debt, contact your state or local consumer protection office or, in cases of serious creditor abuse, your state Attorney General.

2. Contact your creditors. Let your creditors know you are having difficulty making your payments. Tell them why you are having trouble, perhaps it is because you recently lost your job or have unexpected medical bills. Try to work out an acceptable payment schedule with your creditors. Most are willing to work with you and will appreciate your honesty and forthrightness.

Tip: Most automobile financing agreements permit your creditor to repossess your car any time you are in default, with no advance notice. If your car is repossessed you may have to pay the full balance due on the loan, as well as towing and storage costs, to get it back. Do not wait until you are in default. Try to solve the problem with your creditor when you realize you will not be able to meet your payments. It may be better to sell the car yourself and pay off your debt than to incur the added costs of repossession.

3. Budget your expenses. Create a spending plan that allows you to reduce your debts. Itemize your necessary expenses (such as housing and healthcare) and optional expenses (such as entertainment and vacation travel). Stick to the plan.

4. Try to reduce your expenses. Cut out any unnecessary spending such as eating out and purchasing expensive entertainment. Consider taking public transportation or using a car sharing service rather than owning a car. Clip coupons, purchase generic products at the supermarket and avoid impulse purchases. Above all, stop incurring new debt. Leave your credit cards at home. Pay for all purchases in cash or use a debit card instead of a credit card.

5. Pay down and consolidate your debts. Withdrawing savings from low-interest accounts to settle high-rate loans or credit card debt usually makes sense. In addition, there are a number of ways to pay off high-interest loans, such as credit cards, by getting a refinancing or consolidation loan, such as a second mortgage.

Tip: Selling off a second car not only provides cash but also reduces insurance and other maintenance expenses.

Caution: Be wary of any loan consolidations or other refinancing that actually **increase** interest owed, or require payments of points or large fees.

Caution: Second mortgages greatly increase the risk that you may lose your home.

You can regain financial health if you act responsibly. But don't wait until bankruptcy court is your only option. If you're having financial troubles, don't hesitate to call.

Claiming an Elderly Parent or Relative as a Dependent

Are you taking care of an elderly parent or relative? Whether it's driving to doctor appointments, paying for nursing home care or medical expenses, or handling their personal finances, dealing with an elderly parent or relative can be emotionally and financially draining, especially when you are taking care of your own family as well.

Fortunately, there is some good news: You may be able to claim your elderly relative as a dependent come tax time, as long as you meet certain criteria. Here's what you should know about claiming an elderly parent or relative as a dependent:

Who Qualifies as a Dependent?

The IRS defines a dependent as a qualifying child or relative. A qualifying relative can be your mother, father, grandparent, stepmother, stepfather, mother-in-law, or father-in-law, for example, and can be any age.

There are four tests that must be met in order for a person to be your qualifying relative: not a qualifying child test, member of household or relationship test, gross income test, and support test.

Not a Qualifying Child

Your parent (or relative) cannot be claimed as a qualifying child on anyone else's tax return.

Residency

He or she must be U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico; however, a parent or relative doesn't have to live with you in order to qualify as a dependent.

If your qualifying parent or relative does live with you, however, you may be able to deduct a percentage of your mortgage, utilities, and other expenses when you figure out the amount of money you contribute to his or her support.

Income

To qualify as a dependent, income cannot exceed the personal exemption amount, which in 2016 (and 2017) is $4,050. In addition, your parent or relative, if married, cannot file a joint tax return with his or her spouse unless that joint return is filed only to claim a refund of withheld income tax or estimated tax paid.

Support

You must provide more than half of a parent's total support for the year such as costs for food, housing, medical care, transportation and other necessities.

Claiming the Dependent Care Credit

You may be able to claim the child and dependent care credit if you paid work-related expenses for the care of a qualifying individual. The credit is generally a percentage of the amount of work-related expenses you paid to a care provider for the care of a qualifying individual. The percentage depends on your adjusted gross income. Work-related expenses qualifying for the credit are those paid for the care of a qualifying individual to enable you to work or actively look for work.

In addition, expenses you paid for the care of a disabled dependent may also qualify for a medical deduction (see next section). If this is the case, you must choose to take either the itemized deduction or the dependent care credit. You cannot take both.

Claiming the Medical Deduction

If you claim the deduction for medical expenses, you still must provide more than half your parent's support; however, your parent doesn't have to meet the income test.

The deduction is limited to medical expenses that exceed 10 percent of your adjusted gross income (For tax years 2013-2106, this amount is 7.5 percent if either you or your spouse was born before January 2, 1949), and you can include your own unreimbursed medical expenses when calculating the total amount. If, for example, your parent is in a nursing home or assisted-living facility. Any medical expenses you paid on behalf of your parent are counted toward the 10 percent figure. Food or other amenities, however, are not considered medical expenses.

What if you share caregiving responsibilities?

If you share caregiving responsibilities with a sibling or other relative, only one of you--the one proving more than 50 percent of the support--can claim the dependent. Be sure to discuss who is going to claim the dependent in advance to avoid running into trouble with the IRS if both of you claim the dependent on your respective tax returns.

Sometimes, however, neither caregiver pays more than 50 percent. In that case, you'll need to fill out IRS Form 2120, *Multiple Support Declaration*, as long as you and your sibling both provide at least 10 percent of the support towards taking care of your parent.

The tax rules for claiming an elderly parent or relative are complex. If you have any questions, help is just a phone call away.

Five Tax Breaks that Expired in 2016

Many tax provisions were made permanent with the passage of the PATH Act in late 2015, but more than 36 others expired at the end of 2016. Here are the five that are most likely to affect taxpayers like you.

1. Mortgage Insurance Premiums
Mortgage insurance premiums (PMI) are paid by homeowners with less than 20 percent equity in their homes. These premiums were deductible in tax years 2013, 2014, 2015, and once again in 2016. Mortgage interest deductions for taxpayers who itemize are not affected.

2. Exclusion of Discharge of Principal Residence Indebtedness
Typically, forgiven debt is considered taxable income in the eyes of the IRS; however, this tax provision was extended through 2016, allowing homeowners whose homes have been foreclosed on or subjected to short sale to exclude up to $2 million of canceled mortgage debt. Also included are taxpayers seeking debt modification on their home.

3. Energy Efficient Improvements
This tax break has been around for a while, but if you made your home more energy efficient in 2016, now is your last chance to take advantage of this tax credit on your tax return. The credit reduces your taxes as opposed to a deduction that reduces your taxable income and is 10 percent of the cost of building materials for items such as insulation, new water heaters, geothermal heat pumps, or a wood pellet stove.

Note: This tax is cumulative, so if you've taken the credit in any tax year since 2006, you will not be able to take the full $500 tax credit this year. If, for example, you took a credit of $300 in 2015, the maximum credit you could take this year is $200.

4. Qualified Tuition and Expenses

The deduction for qualified tuition and fees, extended through 2016, is an above-the-line tax deduction, which means that you don't have to itemize your deductions to claim the expense. Taxpayers with income of up to $130,000 (joint) or $65,000 (single) can claim a deduction for up to $4,000 in expenses. Taxpayers with income over $130,000 but under $160,000 (joint) and over $65,000 but under $80,000 (single) can take a deduction up to $2,000; however, taxpayers with income over those amounts are not eligible for the deduction.

Qualified education expenses are defined as tuition and related expenses required for enrollment or attendance at an eligible educational institution. Related expenses include student-activity fees and expenses for books, supplies, and equipment as required by the institution.

5. Exemption from Increase in Medical Expense Threshold Amounts

Starting in 2013, threshold amounts for medical expense deductions increased from 7.5 percent to 10 percent of AGI. Seniors (age 65 during or before the tax year) were temporarily exempt from the 10 percent threshold of adjusted gross income (AGI), which applied to tax years starting after December 31, 2012 and and ending before January 1, 2017.

Don't miss out on the tax breaks you are entitled to.

If you're wondering whether you should be taking advantage of these and other tax credits and deductions, please call today.

2017 Tax Filing Season; Tax Returns due April 18

The IRS began accepting electronic and paper tax returns on Monday, Jan. 23, 2017. More than 153 million individual tax returns are expected to be filed in 2017, according to the IRS.

Taxpayers are reminded that a new law (more details, below) requires the IRS to hold refunds claiming the Additional Child Tax Credit (ACTC) and the Earned Income Tax Credit (EITC) until February 15, although due to weekends and the President's Day holiday, many affected taxpayers may not have access to their refunds until the week of February 27. Taxpayers should file as usual, and tax return preparers should also submit returns as they normally do--including returns claiming EITC and ACTC.

April 18 Filing Deadline

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, which is 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.

The IRS also has been working with the tax industry and state revenue departments as part of the Security Summit, a joint initiative between the IRS and representatives of the software industry, tax preparation firms, payroll and tax financial product processors and state tax administrators to combat identity theft refund fraud and protect the nation's taxpayers. A number of new provisions are being added in 2017 to expand progress made during the past year.

Refunds in 2017

The IRS anticipates issuing more than nine out of 10 refunds in less than 21 days, but there are some important factors to keep in mind for taxpayers.

Beginning in 2017, a new law requires the IRS to hold refunds on tax returns claiming the Earned Income Tax Credit or the Additional Child Tax Credit until mid-February. Under the change required by Congress in the Protecting Americans from Tax Hikes (PATH) Act, the IRS must hold the entire refund (even the portion not associated with the EITC and ACTC) until at least February 15. This change helps ensure that taxpayers get the refund they are owed by giving the IRS more time to help detect and prevent fraud.

The IRS will begin releasing EITC and ACTC refunds starting February 15. However, the IRS cautions taxpayers that these refunds likely won't arrive in bank accounts or on debit cards until the week of February 27 (assuming there are no processing issues with the tax return and the taxpayer chose direct deposit). This additional period is due to several factors, including banking and financial systems needing time to process deposits.

After refunds leave the IRS, it takes additional time for them to be processed and for financial institutions to accept and deposit the refunds to bank accounts and products. Many financial institutions do not process payments on weekends or holidays, which can affect when refunds reach taxpayers. For EITC and ACTC filers, the three-day holiday weekend involving President's Day may affect their refund timing.

Need Help?

Don't hesitate to call the office if you have any questions or need assistance filing your tax return this year.

Missing your Form W-2?

You should receive a Form W-2, *Wage and Tax Statement*, from each of your employers for use in preparing your federal tax return. Employers must furnish this record of 2016 earnings and withheld taxes no later than January 31, 2017 (if mailed, allow a few days for delivery).

If you do not receive your Form W-2, contact your employer to find out if and when the W-2 was mailed. If it was mailed, it may have been returned to your employer because of an incorrect address.

After contacting your employer, allow a reasonable amount of time for your employer to resend or to issue the W-2.

If you still do not receive your W-2 by mid-February, contact the IRS for assistance at 1-800-829-1040. When you call, have the following information handy:

- the employer's name and complete address, including zip code, and the employer's telephone number;
- the employer's identification number (if known);
- your name and address, including zip code, Social Security number, and telephone number; and
- an estimate of the wages you earned, the federal income tax withheld, and the dates you began and ended employment. You can use your final pay stub for these amounts.

If you misplaced your W-2, contact your employer. Your employer can replace the lost form with a "reissued statement." Be aware that your employer is allowed to charge you a fee for providing you with a new W-2.

You still must file your tax return on time even if you do not receive your Form W-2. If you cannot get a W-2 by the tax filing deadline, you may use Form 4852, *Substitute for Form W-2, Wage and Tax Statement*, but it will delay any refund due while the information is verified.

If you receive a corrected W-2 after your return is filed and the information it contains does not match the income or withheld tax that you reported on your return, you must file an amended return on Form 1040X, *Amended U.S. Individual Income Tax Return*.

Important: 2016 Health Insurance Forms

Starting in 2016, most taxpayers received one or more forms relating to health care coverage they had during the previous year.

If you enrolled in 2016 coverage through the Health Insurance Marketplace, you should receive Form 1095-A, *Health Insurance Marketplace Statement* by early February.

If you were enrolled in other health coverage for 2016, you should receive a Form 1095-B, *Health Coverage*, or Form 1095-C, *Employer-Provided Health insurance Offer and Coverage* by the end of March. Contact the issuer of the form (either the Marketplace, your coverage provider or your employer) if you think you should have received a form but did not get one.

If you are expecting to receive a Form 1095-A, you should wait to file your 2016 income tax return until you receive that form. However, it is not necessary to wait for Forms 1095-B or 1095-C in order to file.

If you have questions about your Forms W-2 or 1099 or any other tax-related materials, please call or email the office.

Updated Withholding Tables for 2017

Updated income-tax withholding tables for 2017 have been released. The newly revised version contains percentage method income-tax withholding tables and related information that employers need to implement these changes.

In addition, employers should continue withholding Social Security tax at the rate of 6.2 percent of wages paid. The Social Security wage base limit increases to $127,200 ($118,500 in 2016). The Medicare tax rate remains at 1.45 percent each for the employee and employer.

The additional Medicare tax of 0.9 percent for employees (not employers) remains in effect and should be withheld from employee wages that exceed $200,000 in a calendar year, at the beginning in the pay period in which the employee's wages exceed $200,000.

In 2017 the amount for one withholding allowance on an annual basis is $4,050 (same as 2016). Employers should start using the revised withholding tables and correct the amount of Social Security tax withheld as soon as possible in 2017, but not later than February 16, 2017. For any Social Security tax under-withheld before that date, employers should make the appropriate adjustment in workers' pay as soon as possible, but not later than March 31, 2017.

Employers and payroll companies handle the withholding changes, so workers typically won't need to take any additional action, such as filling out a new W-4 withholding form. Individuals and couples with multiple jobs, people who are having children, getting married, getting divorced or buying a home, and those who typically wind up with a balance due or large refund at the end of the year may want to consider submitting revised W-4 forms.

As always, it's prudent for workers to review their withholding every year and, if necessary, fill out a new W-4 to give to their employer. For example, individuals and couples with multiple jobs, people who are having children, getting married, getting divorced or buying a home, and those who typically wind up with a balance due or large refund at the end of the year may want to consider submitting revised W-4 forms.

Please call the office if you have any questions about income tax withholding in 2017.

Kids' Day Camp Expenses May Qualify for a Tax Credit

Day camps are common during school vacations and the summer months. Many parents enroll their children in a day camp or pay for day care so they can work or look for work. If this applies to you, your costs may qualify for a federal tax credit. Here are 10 things to know about the Child and Dependent Care Credit:

1. Care for Qualifying Persons. Your expenses must be for the care of one or more qualifying persons. Your dependent child or children under age 13 generally qualify.

2. Work-related Expenses. Your expenses for care must be work-related. In other words, you must pay for the care so you can work or look for work. This rule also applies to your spouse if you file a joint return. Your spouse meets this rule during any month they are a full-time student. They also meet it if they are physically or mentally incapable of self-care.

3. Earned Income Required. You must have earned income. Earned income includes wages, salaries and tips. It also includes net earnings from self-employment. Your spouse must also have earned income if you file jointly. Your spouse is treated as having earned income for any month that they are a full-time student or incapable of self-care.

4. Joint Return if Married. Generally, married couples must file a joint return. You can still take the credit, however, if you are legally separated or living apart from your spouse.

5. Type of Care. You may qualify for the credit whether you pay for care at home, at a daycare facility or at a day camp.

6. Credit Amount. The credit is worth between 20 and 35 percent of your allowable expenses. The percentage depends on your income.

7. Expense Limits. The total expense that you can use in a year is limited. The limit is $3,000 for one qualifying person or $6,000 for two or more.

8. Certain Care Does Not Qualify. You may not include the cost of certain types of care for the tax credit, including:

- Overnight camps or summer school tutoring costs.
- Care provided by your spouse or your child who is under age 19 at the end of the year.
- Care given by a person you can claim as your dependent.

9. Keep Records and Receipts. Keep all your receipts and records for when you file taxes next year. You will need the name, address and taxpayer identification number of the care provider. You must report this information when you claim the credit on Form 2441, *Child and Dependent Care Expenses*.

10. Dependent Care Benefits. Special rules apply if you get dependent care benefits from your employer.

Keep in mind this credit is not just a school vacation or summer tax benefit. You may be able to claim it at any time during the year for qualifying care. For more information, please call the office.

Qualifying for a Health Coverage Exemption

With the 2017 tax filing season in full swing, it's not too early to think about how the health care law affects your taxes. The Affordable Care Act requires you and each member of your family to do at least one of the following:

- Have qualifying health coverage called minimum essential coverage
- Qualify for a health coverage exemption
- Make a shared responsibility payment with your federal income tax return for the months that you did not have coverage or an exemption

If you meet certain criteria for the tax year, you may be exempt from the requirement to have minimum essential coverage. You will not have to make a shared responsibility payment for any month that you are exempt. Instead, you'll file Form 8965, *Health Coverage Exemptions*, with your federal income tax return. For any month that you do not qualify for a coverage exemption, you will need to have minimum essential coverage or make a shared responsibility payment. You may be exempt if you meet one of the following:

- The lowest-cost coverage available to you is considered unaffordable
- You have a gap in coverage that is less than three (3) consecutive months
- You qualify for an exemption for one of several other reasons, including having a hardship that prevents you from obtaining coverage or belonging to a group specifically exempt from the coverage requirement

The Federally-facilitated Marketplace is no longer granting exemptions for members of a health care sharing ministry, members of Indian Tribes, and incarceration. Eligible individuals can still claim these exemptions on a tax return. For a full list of exemptions and how to claim them, please call.

Federal tax returns that do not reflect at least one of these options--reporting health care coverage, claiming a coverage exemption or reporting a shared responsibility payment--will be rejected if the return is filed electronically. If filed on paper, tax returns that do not reflect at least one of these options will take longer to process and any refunds will be delayed. You should respond promptly to IRS correspondence about your health care coverage.

Questions?

To find out if you're eligible for a coverage exemption or must make a payment, don't hesitate to contact the office. Help is just a phone call away.

Tax Due Dates for February 2017

February 10

Employees - who work for tips. If you received $20 or more in tips during January, report them to your employer. You can use Form 4070.

Employers - Social Security, Medicare, and withheld income tax. File Form 941 for the fourth quarter of 2016. This due date applies only if you deposited the tax for the quarter in full and on time.

Farm Employers - File Form 943 to report Social Security and Medicare taxes and withheld income tax for 2016. This due date applies only if you deposited the tax for the year in full and on time.

Certain Small Employers - File Form 944 to report Social Security and Medicare taxes and withheld income tax for 2016. This tax due date applies only if you deposited the tax for the year in full and on time.

Employers - Nonpayroll taxes. File Form 945 to report income tax withheld for 2016 on all nonpayroll items. This due date applies only if you deposited the tax for the year in full and on time.

Employers - Federal unemployment tax. File Form 940 for 2016. This due date applies only if you deposited the tax for the year in full and on time.

February 15

Employers - Social Security, Medicare, and withheld income tax. If the monthly deposit rule applies, deposit the tax for payments in January.

Employers - Nonpayroll withholding. If the monthly deposit rule applies, deposit the tax for payments in January.

Individuals - If you claimed exemption from income tax withholding last year on the Form W-4 you gave your employer, you must file a new Form W-4 by this date to continue your exemption for another year.

All businesses. Give annual information statements to recipients of certain payments you made during 2016. You can use the appropriate version of Form 1099 or other information return.

February 16

Employers - Begin withholding income tax from the pay of any employee who claimed exemption from withholding in 2016, but did not give you a new Form W-4 to continue the exemption this year.

February 28

Businesses - File information returns (Form 1099) for certain payments you made during 2016. These payments are described under *January 31*. There are different forms for different types of payments. Use a separate Form 1096 to summarize and transmit the forms for each type of payment. See the 2016 Instructions for Forms 1099, 1098, 5498, and W-2G for information on what payments are covered, how much the payment must be before a return is required, what form to use, and extensions of time to file.

If you file Forms 1097, 1098, 1099, 3921, 3922, or W-2G electronically (except Form 1099-MISC reporting nonemployee compensation), your due date for filing them with the IRS will be extended to March 31. The due date for giving the recipient these forms is still January 31.

Payers of Gambling Winnings - File Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*, along with Copy A of all the Forms W-2G you issued for 2016. If you file Forms W-2G electronically (not by magnetic tape), your due date for filing them with the IRS will be extended to March 31. The due date for giving the recipient these forms remains January 31.

Large Food and Beverage Establishment Employers - with employees who work for tips. File Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*. Use Form 8027-T, *Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips*, to summarize and transmit Forms 8027 if you have more than one establishment. If you file Forms 8027 electronically (not by magnetic tape), your due date for filing them with the IRS will be extended to March 31.

Health Coverage Reporting - If you're an Applicable Large Employer, file paper Forms 1094-Â-C, *Transmittal of Employer--Provided Health Insurance Offer and Coverage Information Returns*, and 1095-ÂC with the IRS. For all other providers of minimum essential coverage, file paper Forms 1094-ÂB, *Transmittal of Health Coverage Information Returns*, and 1095-ÂB with the IRS. If you're filing any of these forms with the IRS electronically, your due date for filing them will be extended to March 31.

March 1

Farmers and Fishermen - Farmers and fishermen. File your 2016 income tax return (Form 1040) and pay any tax due. However, you have until April 18 to file if you paid your 2016 estimated tax by January 17, 2017.

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Any accounting, business or tax advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, we would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.