Volume 1, Issue 1

January, 2017

FACTS-5

2017 Tax News

What's New for '17

As I predicted in our tax newsletter last winter, very little has changed for the 2017 tax filing season. The big news is the efforts the IRS is making to curb tax fraud and ID theft. But Congress did not give us any magic wand to help lower your taxes.

For Acadiana residents the big flood that hit our area is the big news. Back when the floods occurred we used our FACEBOOK page to provide tax guidance to flood victims. Knowing that many of you are not FACEBOOK users, we have added these aides to our FACTS-5 website. Visit http://facts-5.com/downloads/Flood%20Help%20Kit.pdf and download that document as you prepare to file your 2016 taxes. Those of you who suffered a flood loss will benefit from this helpful kit.

Another major change this year is the due date on all partnership tax returns. In the past these returns were due on 4/15. Your 2016 partnership return is now due on March 15. We do several partnership returns and if we are going to meet this new deadline, we will need your cooperation.

We will need your data by 2/28/2017 if we are going to meet the March 15 deadline. If that causes you problems, then you can expect us to get you an extension in order to protect you from penalties.

You should advise the members of your partnership that you will be getting an extension and they should get an extension for their respective personal returns.

So what surprises does the new congress and administration have in store for us this year? It's safe to say that if you are a married couple and you have more than $400,000 of taxable income you are in for some relief. The tax news service we subscribe to has suggested that home mortgage interest might be on the chopping block, and a portion of your health insurance premiums provided by your employer may become taxable.

Keep in mind that no one is certain about any of this, but these kind of news services generally have an insight into what Congress is thinking about. I personally don't like indecisions because it makes it very difficult to do important long term tax planning.

We generally avoid commentary on proposed legislation because by the time a proposal passes through Congress it seldom resembles the originally proposed legislation.

Pam and I intend to use our FACTS-5 FACEBOOK page to keep you informed about legislation once it is passed and signed by the President. I urge each of you to go to this page and like our page. If you do, you will be alerted to our posts and you can plan your tax future accordingly.

Inside this issue:

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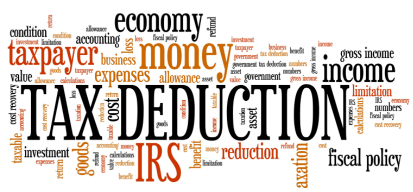
2017 Tax News

How to Nail Down Your Charitable Contributions

By: Pam Chauvin-Trahan

This past July, Dad, Jaimmie and I attended an IRS Seminar in New Orleans. While barely any new information was presented, the IRS made it a point to highlight hot issues that they will be looking for if your return was to be examined. One of these issues affects many of you. So many times I've been asked, "What can I do to get a bigger refund?" I often recommend donating to charity. I referred to charitable contributions as "Gravy $" on a tax return because that's just what it is – the good stuff that sits on top of rice! Many of us are already making generous and regular cash contributions to a favorite charitable organization, church, or worthy cause. Come spring and fall we clean out our closets or garage and fill up boxes and bags of stuff and just drop it off at Goodwill or the likes. Some of us just toss it! Understanding the positive effects of donating to charities is important: You join a cause; you set an example for your children, family and friends; you experience more pleasure in knowing that you are helping others and you may get a tax deduction! Although a tax deduction isn't the main reason I recommended donating to charities, it is a nice bonus- GRAVY$. However you might miss out on this tax deduction if you fail to keep the proper records for your donations. You should understand these six important facts about donating to charity.



You must donate to a qualified charity: Gifts to individuals, political organizations or candidates are not deductible. An exception to this rule is contributions under the Slain Officer Family Support Act of 2015. To check the status of a charity, use the IRS SelectCheck tool.

Must be able to itemize: To deduct your contributions, you must file Form 1040 and itemize deductions.

Benefit in Return: If you get something in return for your donation, you may have to reduce your deduction. You can only deduct the amount of your gift that is more than the value of what you got in return. Examples of benefits include merchandise, meals, tickets to an event or other goods and services.

Type of Donation: If you give property instead of cash, your deduction amount is normally limited to the item's fair market value. Fair market value is generally the price you would get if you sold the property on the open market. If you donate used clothing and household items, they generally must be in good condition, or better, to be deductible. Special rules apply to cars, boats and other types of property donations.

Donations of $250 or More: If you donated cash or goods of $250 or more, you **must have** a written contemporaneous acknowledgment from the charity. It must show the amount of the donation and a description of any property given. The **letter must be dated by the**

(Continued on page 3)

CHARITABLE CONTRIBUTION RECEIPT

Name of Charity: ______________
Address of Charity: ______________
City ___________ State ____ Zip___

Name of Donor ________________

Items Contributed ______________

Date Contributed ______________

Value of Contribution ____________

In accordance with IRS Regulations, we are providing you with our formal recognition that we gave you no goods or services in exchange for this gift. Federal tax law requires that you maintain this receipt to substantiate your charitable donation. This organization is a non-profit 501(c)(3) charitable organization. Our Federal ID# is XX-XXXXXXX

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(Continued from page 2)

date we file your return. The letter must show the date and amount of the contribution and also **state that no goods or services were received in return for the contribution**. Remember if you charge a charitable contribution to a credit card by 12/31/2016 we are able to deduct it in 2016!

Rules exist for non-cash donations: If you donate goods, the value of the deduction is normally the property's fair market value. This link is a helpful tool published by Goodwill to help you determine the FMV of commonly donated items: http://www.goodwill.org/wp-content/uploads/2010/12/Donation_Valuation_Guide.pdf . You should clearly contribute, rather than throw out, old clothes, furniture and equipment that you no longer use. However, bear in mind that the IRS only permits deductions for donations of clothing and household items that are in good condition or better. If you bring clothes or furniture to Goodwill or the Salvation Army, make sure that you get that all imporatant receipt. You must have a cotemporaneous written acknowledgment from the charity. It must show the amount of the donation and a description of any property given. The letter must be dated by the date we file your return. The letter should show the date and amount of the contribution and should also state that no goods or services were received in return for the contribution. Never throw such contributions into a bin where no receipt is available. If you are in the 25% bracket, that receipt may be worth $250 in tax savings to you. And remember that the IRS requires a qualified appraisal to be submitted with your tax return if you donate any single clothing or household item that is not in good used condition or better, and for which you deducted more than $500.

With the transition of political power, we can expect ongoing debates and lots of tax law changes in the coming year. Rest assured, we will stay abreast of all the important issues and will keep you informed with social media postings, so be sure to follow us on Facebook https://www.facebook.com/FACTS-5-162329380460764/.

I value your patronage and appreciate your confidence in **FACTS-5**. I hope you have a healthy, happy and prosperous year!

2017 Tax News

New Standard Mileage Rates Now Available Business Rate to be reduced in 2017

Once again, the standard mileage rate has been reduced for 2016 and again for 2017. The Standard Mileage Rate for your business miles is 54¢ for 2016. In 2017 your standard mileage rate will decrease to 53.5¢. You will use these rates for all business related auto miles.

Did you know that you can also deduct miles for medical purposes? You can take a 19¢ deduction for every mile you put on your car which was for medical purposes—all medical purposes. This is the 2016 rate. For 2017 that rate is reduced to 17¢ per mile.

To nail down this deduction, you need to make a contemporaneous log of all your miles driven. This means that you must log your miles as they occur. Yes, you should include odometer readings in your log.

We can provide you with a log book. Ask for one on your next visit.

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New: Claiming the Earned Income Tax Credit or the Additional Child Tax Credit

By: Jaimmie Adams

If a taxpayer is claiming the EITC or the ACTC, they can file their return any time after the filing season begins. However, because the PATH Act of 2015, approved by Congress, requires the IRS to hold the refund for tax returns that include the EITC or ACTC until Feb. 15, IRS will process your return, but it cannot issue your refund before Feb. 15.

The IRS will begin to release EITC/ACTC refunds starting Feb. 15. However, the IRS cautions taxpayers that these refunds likely won't arrive in bank accounts or debit cards until the week of February 27—if there are no processing issues and you chose a direct deposit.

Where's My Refund?

Use Where's My Refund? To check the status of your refund. This online service is fairly easy to use and you can use it to help keep track of the IRS' processing of your refund claim.

This IRS online service is the perfect way to check on your refund. To access it you will need your social security number, your filing status on your tax return and the EXACT amount of your anticipated refund. The web address is https://www.irs.gov/refunds.

You may also use the new https://www.irs.gov/uac/irs2goapp on your smart phone.

Either service is available online for your use 24 hours a day, 7 days a week.

Taxpayers can start checking on the status of their return within 24 hours after the IRS has received your e-filed return or 4 weeks after you mail a paper return.

Some Refunds take Longer to Process

The IRS works hard to issue refunds as quickly as possible, but some tax returns take longer to process than others for many reasons, including when a return:

- Includes errors, is incomplete, or needs further review
- Includes a claim for the EITC or the ACTC and is filed before February 15
- Is impacted by identity theft or fraud
- Includes Form 8379, *Injured Spouse Allocation*, which could take up to 14 weeks to process.

It is obvious that the IRS is determined to remove the loan sharks from the tax preparation industry. Those companies who offer to loan you money based on your refund and charge you a ridiculous rate of interest to broker that loan are history!

We at **FACTS-5** are happy to see this service go away. The fees associated with these loans were robbing the poorest of people who needed the money the most.

The IRS issues more that 9 out of 10 tax refunds in less than 21 days.

where's my refund?

>> CLICK HERE <<

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2017 Tax News

2017 Tax News

IRS CHANGES DEADLINES FOR W-2 AND 1099 FILING

By: Karmen Bodin

Beginning in 2017, all information returns including, but not limited to Forms W-2 and Forms 1099, reporting 2016 data either in paper form or electronically will be due to your employees, vendors and the Internal Revenue Service (IRS) by January 31, 2017. All forms must be post-marked by that date to be considered filed on time. **If we prepare your W-2s and/or your 1099s, please have your information to Karmen A. Bodin by January 10, 2017 at the latest.**

It is very important to watch these deadlines as penalties can be levied by the IRS and can become substantial. According to the Internal Revenue Code, Section 6721, the amount of the penalty is determined by the actual filing date. Should you file your Forms within 30 days after the due date or before February 28, 2017, the IRS can penalize you \$50.00 per correctly filed Form. For example, if you file 25 employee W-2 Forms on February 17th, your penalty will be \$1,250.00. The maximum penalty that can be imposed by the IRS for this failure to file is \$532,000 or \$186,000 for small businesses. If for any reason, you file these Forms after the 30-day period or after February 28, 2017 but before August 1, 2017, the penalty becomes \$100 per correctly filed Form. Using the previous example, the penalty will be \$2,500.00 with a maximum assessed penalty of \$1,596,500 or \$532,000 for small businesses. Any Forms filed after August 1, 2017, will be hit with a \$260 per correctly filed Form penalty.

There are some exceptions to these penalties but they must show that you were not willfully neglecting the duty or there must be a reasonable cause as to why the Forms were late. Failure to prepare these Forms in a timely fashion must have been due to an event beyond your control. If you foresee or experience an event that will delay the filing of any of these forms, for instance, a wide-spread flooding event that ruins records, computers, etc., then we will be happy to file a Form 8809, Application for Extension of Time to File Information Returns. If approved by the IRS, this extension will give you an additional 30 days to file these Forms without fear of penalties.

Is It Time to File a New Form W-4?

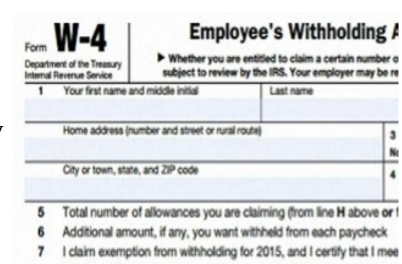
This is a good time to reevaluate your Federal and State tax withholdings. You should use Form W-4 for the purpose of directing your employer on the amount to withhold for 2017.

A copy of Form W-4 may be obtained by going to www.irs.gov. There are several reasons to update your withholdings:

- Some of your children may be married and on their own.
- Your taxable income has increased and you find yourself owing a large amount each year.
- You no longer have those large itemized deductions.
- Your marital status has changed.

It is best to modify your W-4 early in the year rather than wait until the end of the year.

If your son or daughter has a June wedding scheduled in 2017, then you should drop them as dependents now on your W-4.



Form W-4
Department of the Treasury
Internal Revenue Service
Employee's Withholding
▶ Whether you are entitled to claim a certain number
subject to review by the IRS. Your employer may be
1 Your first name and middle initial | Last name
Home address (number and street or rural route)
City or town, state, and ZIP code
5 Total number of allowances you are claiming (from line H above or
6 Additional amount, if any, you want withheld from each paycheck
7 I claim exemption from withholding for 2015, and I certify that I mee

2017 Tax News

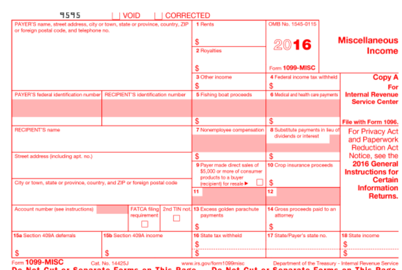
1099 – To prepare or not to prepare?
By: Karmen Bodin

I have heard this question multiple times throughout the month of January each year. Do we need to prepare any 1099s? Is there a monetary threshold for issuing 1099s? Do I need to issue a 1099 to an LLC?

If you make payments in the course of your trade or business, my answer is always "maybe." There are certain criteria for issuing 1099s that need to be met before a 1099 should be prepared. There are also different kinds of 1099s that can be issued such as 1099-MISC, 1099-INT and 1099-DIV to name a few. In my experience, I have found that these three forms are used the most.

The first criteria you should consider is the monetary threshold of $600. Any vendor/payee that was paid more than $600 during the year should be considered in this process. To narrow this list down, remove all vendors/payees that were paid for products such as supplies, resale items, parts, etc. With the remaining list, review each one to ascertain if rents, interest, dividends, contract labor, services such as repairs, legal, accounting, pest control, etc. were paid to these vendors. A completed W-9 Form should be requested from these vendors. If any of these vendors return the W-9 Form with the "Corporation/S-Corporation" box checked, they do NOT receive a 1099. There is an exception to this rule for Attorneys which means all Attorneys that were paid legal fees in the amount of $600 or more should receive a 1099 whether or not they are a Corporation.

Many of you have problems obtaining Form W-9s from your vendors/payees. My simple advice is "**Do not give them the check/payment until you have a completed Form W-9 in hand.**" The IRS requires you to withhold 28% of the payment if the vendor refuses to give you a Form W-9. If you have already issued payment to the vendor, this, of course, becomes impossible. The only other option to obtain a Form W-9 from an inflexible vendor is to advise them that a Form 1099 will be sent to the IRS with missing information which will then lead to penalties for the vendor and your business which can become costly. Any future payments that you need to make to that vendor will then need to be reduced by 28% backup withholding and remitted to the IRS. If you are having trouble collecting Form W-9s from your vendors or if you need assistance with preparing any 1099s, please contact me at ***FACTS-5*** and I will be glad to help you. For more information on Form 1099s, Form W-9s or the penalties regarding these forms, please go to www.irs.gov. Remember, Form 1099 must be submitted by January 31, 2017 to be free of penalty.


9595 VOID CORRECTED
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.
1 Rents $
2 Royalties $
OMB No. 1545-0115
2016
Form 1099-MISC
Miscellaneous Income
3 Other income $
4 Federal income tax withheld $
Copy A For Internal Revenue Service Center
PAYER'S federal identification number
RECIPIENT'S identification number
5 Fishing boat proceeds $
6 Medical and health care payments $
File with Form 1096.
RECIPIENT'S name
7 Nonemployee compensation $
8 Substitute payments in lieu of dividends or interest $
For Privacy Act and Paperwork Reduction Act Notice, see the 2016 General Instructions for Certain Information Returns.
Street address (including apt. no.)
9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ▶
10 Crop insurance proceeds $
City or town, state or province, country, and ZIP or foreign postal code
11
12
Account number (see instructions)
FATCA filing requirement
2nd TIN not.
13 Excess golden parachute payments $
14 Gross proceeds paid to an attorney $
15a Section 409A deferrals $
15b Section 409A income $
16 State tax withheld $ $
17 State/Payer's state no.
18 State income $ $
Form 1099-MISC Cat. No. 14425J www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

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Debt Forgiveness = Taxable Income

Generally, debt that is forgiven or canceled by a lender is considered taxable income by the IRS and must be included as income on your tax return. Examples include a debt for which you are personally liable such as mortgage debt, credit card debt, and in some instances student loan debt.

When the debt is forgiven you will receive Form 1099-C from your lending institution. The Form 1099-Cshows the amount of canceled or forgiven debt that was reported to the IRS.

Creditors who forgive $600 or more of debt are required to issue you this form. If you receive a Form 1099-C and the information is incorrect, you should contact the lender to have corrections made. Do this as quickly as possible.

If you receive a Form 1099-C, don't ignore it. You may not have to report that entire amount shown on the form as income.

Exceptions and Exclusions

If you had debt forgiven or canceled last year and you received a Form 1099-C, you may qualify for an exception. If your canceled debt meets the requirements for an exception, then you don't need to report your canceled debt on your tax return. The tax code provides five exceptions and four exclusions. Here are the five most commonly used:

1. The Mortgage Debt Relief Act of 2007 (has been extended through 2016) allowed taxpayers to exclude income from the discharge of debt on their principal residence.
2. Certain student loans provide that all or part of the debt incurred to attend a qualified educational institution will be canceled if the person who received the loan works for a certain period of time in certain professions for any of a broad class of employers.
3. If you use the cash method of accounting, then you do not realize income from the cancellation of debt if the payment of the debt would have been a deductible expense.
4. Debt canceled in a Title 11 bankruptcy case is not included in your income.
5. Do not include a canceled debt as income if you were insolvent immediately before the cancellation. In the eyes of the IRS, you would be considered insolvent if the total of all your liabilities was more that the fair market value (FMV) of all of your assets immediately before the cancellation.

If you exclude canceled debt from income under one of the exclusions listed above, you must reduce certain tax attributes (certain credits, losses, basis of assets, etc.) within limits, by the amount excluded. If this is the case, then you must file Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)*, to report the amount qualifying for exclusion and any corresponding reduction of those tax attributes.

2017 Tax News

Kiddie Tax News

For taxable years beginning in 2017, the amount that can be used to reduce the net unearned income reported on the child's tax return that is subject to the "Kiddie Tax," is $1,050 (same as 2016). The same $1,050 amount is used to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "Kiddie Tax." For example, one of the requirements for the parental election is that a child's gross income for 2017 must be more than $1,050, but less than $10,500.

For 2017, the net unearned income for a child under the age of 19 (or a full-time student under the age of 24) that is not subject to "Kiddie Tax" is $2,100.

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WE APPRECIATE YOUR BUSINESS AND WOULD WELCOME YOUR REFERRALS TO YOUR FRIENDS AND RELATIVES!

Security, Security, Security

By: Kalie Mullins

This year the IRS is cracking down on security requirements to promote safety and security for all taxpayers filing an income tax return in 2017. ***FACTS-5*** is required to have an up to date driver's license on all taxpayers. Also we will need to have a social security card on file for each taxpayer and any additional dependents listed on your tax return. Safety and security of personal information has always been a priority here at ***FACTS-5*** and we want all clients to feel secure about everyone here at ***FACTS-5*** handling their sensitive information.

Beginning in 2017, a new law approved by Congress requires the IRS to hold refunds on tax returns claiming the earned income tax credit until mid-February. The IRS must hold the entire refund — even the portion not associated with the credit — until at least Feb. 15. This change helps ensure that taxpayers get the refund they are owed by giving the agency more time to help detect and prevent fraud. This is a major change as some taxpayers are expecting an early refund as in the past. We want our clients to be aware of this important change so that no one will get caught by surprise if their refund arrives weeks later than in previous years. We can of course still file your tax return as soon as you are ready to do so but your refund may be slightly delayed due to this new tax law.

Lexi, our newest assistant, and I are very excited to have you come back this season and can't wait to help you with the arduous task of filing your tax returns. Feel free to give us a call with any questions or concerns you may have.

You may reach me at 337.893.6798 Ext 35 or email me at kalie@facts-5.com.

Lexi may be reached at 337.893.6798 Ext 22 or email her at lexi@facts-5.com.

THANK YOU

for being a great client!

As a convenience to you, we have added links to forms you will need to sign for us to prepare your 2016 tax returns. In addition, below are links to aides you might find useful. Please print out these signature forms and bring the completed forms with you when you come on your appointment date. By you completing the signature forms before you come in, you will not have to do this the day of your appointment.

We also want to invite you to tour our FACTS-5 website. You will find even more items to download that you may find very useful. Our website is located at: www.facts-5.com.

SIGNATURE FORMS NEEDED:

CONSENT FORM PACKAGE

PRIOR CLIENT INFO WORKSHEET

USEFUL WORKSHEETS AND INFO:

ITEMIZED DEDUCTIONS

TRAVEL LOG

MARY K EXPENSE SHEET

FLOOD HELP KIT

EMPLOYEE BUSINESS DEDUCTIONS CHECKLIST

HAIR SALON CHECKLIST

EXECUTIVE BUSINESS DEDUCTION CHECKLIST

OUTSIDE SALESPEOPLE CHECKLIST

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COPY OF THIS NEWSLETTER

QUALIFIED CHARITABLE ORGANIZATION LOOKUP

FACTS-5 WEB PORTAL

50th
1966 - 2016
Anniversary

FACTS-5

Is proud to have served the residents of Vermilion Parish for the past 50 years.

Thank You!