

## 2016 Year End 1040 Client Letter

Dear **Client**,

Tax season is here. There are several ways to get your taxes done.

- You can get your tax information to me in the following ways: mail, fax, drop-off, or electronic delivery, via web portal.
- Schedule a tax telephone interview.
- Schedule a tax meeting in person. (Monday from 11 am to 4 pm and Saturdays)

Keep in mind that a tax appointment is not always necessary. If you have had any major changes during 2016 or are expecting major financial changes in 2017 such as retirement, inheritances, etc. a tax planning meeting is recommended. Scheduling a phone interview after I have received your tax information and begin your tax preparation will allow me to have better questions and tax planning opportunities.

***I will be communicating with all clients who wish to send me electronic files via my secure web portal. I can get you setup for this at your request. Due to cyber security concerns, I will not open an email attachments. See below for additional information.***

### **Please provide the following for completion of your tax return:**

- Completed Engagement Letter
- Completed Questions –of Taxpayer Organizer
- Completed 2016 Health Care Information in Dependents section of Tax Organizer- Please attach all Forms 1095 A, B or C received.
- Completed Tax Organizer is optional. *This is sent to you to assist you in gathering the necessary information I will need to complete your tax return. Use the organizer as a guide to gathering your documents, it is not necessary for you to fill it in completely.*
- NEW CLIENTS: a copy of at least prior two tax years.
- Form(s) W-2 (wages, etc.), Form(s) 1099 (interest, dividends, etc.)
- Schedule(s) K-1 (income/loss from partnerships, S corporations, etc.)
- Form(s) 1098 (mortgage interest) and property tax statements
- Brokerage statements from stock, bond, or other investment transactions
- Closing statements pertaining to real estate transactions
- All other supporting documents (schedules, checkbooks, etc.)
- Any tax notices received from the IRS or other taxing authorities

### **What's New**

With a new President coming to office early next year we can expect several tax changes to occur. This is a good time to get your income tax “house” for 2016. We are once again making our tax organizers available. The tax organizer may not be enough however, and we wanted to bring some special items to your attention below.

### **Security and Identity Theft**

The IRS has determined that one of the prime targets of data theft is tax preparation companies. This year we attended courses designed to improve the protection of our firm and your confidential data. One of the mandatory changes we are implementing immediately is our new “no-click” policy combined with a new information transfer policy. Because so many electronic intruders get in via email attachments, our firm has instituted our national tax professional security advisor’s recommendations and implemented a “no-click” e-mail policy. This means we will not open any documents that you have sent us via email—a mandatory solution, which

when combined with our latest security software and other steps makes it extremely difficult for electronic intruders to get through our defenses. This brings the question about how you will transfer data to us, and vice versa. We now will accept data from you in 4 ways: surface mail; drop-off; fax; or mandatory upload to our web portal. We know these changes will cause some hassle on your (and our part) but it is the best way to protect your and our confidentiality.

### **Affordable Care Act**

All Americans will be affected in some manner by the Affordable Care Act from 2010 (Some people call it Obamacare). One of the requirements is that all taxpayers must be covered by health insurance or pay a penalty, and this is proven through the release of Form 1095. ***If you received a Form 1095 from any issuer or agency we MUST have all copies to prepare your tax return.***

### **Health Care Deductions**

2013's tax bill reduced your deduction for medical costs, including health insurance, for 2016. We will see very few deductions available for medical costs now unless you have substantial bills. The amount of your medical expenses in most cases must now be more than 10% of your income before we can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed we still need to know how much you paid for health insurance.

### **Charity**

ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250, and should 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 can deduct it in 2016!*

### **Foreign Accounts**

If you have read any news in the last year you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value(s) over \$10,000 (at any time during the year) in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

### **Mortgage Interest**

We must obtain Form 1098 from you when you pay mortgage interest. Additionally, we must obtain refinancing closing statements, and if you drew money out on a home mortgage or refinancing we must have general information on the use of the money according to the IRS.

### **Rental Property**

If you own rental property, this year the IRS has demanded substantially more information. We now need, ***FOR EACH PROPERTY SEPARATELY***, the physical location, the type of property (single family, duplex, etc.), and Forms 1099-K received, and a record, by property of the number of days rented and the number of days used for personal purposes.

### **Roth IRA Conversions**

You will be continuing to hear from lots of "experts" this year that you need to convert your retirement accounts to Roth IRAs. While there are several advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2016 without coming in to see us for an appointment to discuss both the positives and negatives. ***All conversions for 2016 must be completed by December 31, 2016.***

### **Retirement & Tax Planning**

The simplest and most effective tax planning tool for all Americans of all income levels is full participation in retirement plans. Make sure you maximize your 401-k deferral if available, contribute to tax-deductible IRAs, and if over 70 and ½ pay all charitable contributions through direct transfer from your IRA to the charity. Check your employee handbook and see what other fringe benefits are available at work and call us if you aren't sure if it will benefit you. Some of the best fringe benefits provided by employers include cafeteria (or 125) plans, as well as child care plans and wellness programs.

**Future Income Tax Rates & Other**

We highly recommend that when you are getting your information to us for your 2016 Federal tax return that you set an appointment for an after-tax season "Tax Tune Up" to examine tax and estate planning strategies. If your income is over \$200,000 it is almost mandatory that we meet for future tax planning because of surtaxes.

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. Because of these changes we are requesting everyone to try to have their tax information in to us at least two weeks earlier than normal, and no later than March 21, 2017. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Sincerely,

A handwritten signature in black ink, appearing to read "Becky H Salsburg", written in a cursive style.

Becky H Salsburg