

Larry's Income Tax & Bookkeeping Service, Inc.
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August 20, 2016

Re: Mid-year Tax Information and Reminders; Please Read

Dear Client:

We hope 2016 is turning out to be a good year for you. Although we wish everyone remained unaffected by the recent floods, some of you may not have escaped its waters. Know that you're in our thoughts and prayers and call us to give us an update on your situation. If you need them, we'll give you free PDF copies of your tax returns on a CD and forms to help you record your losses. We only ask that you please pick them up in person.

Every year, tax laws and procedures change. We want to update you on these changes so that you're not scrambling in December trying to figure out what can be done to impact your tax situation. The time for tax planning is now—while there is still plenty of time for you to act. To that end, please remember that I am available for tax consultations every Tuesday, between 9am and 5pm. I only come in once a week, as I study tax laws, develop our company plans and policies, meet with our staff, work toward attaining my PhD; continue to monitor my health, and even dare to enjoy some time off with my wife, who like me, has earned it by putting in a grueling amount of hours during tax season.

I would recommend you schedule a tax consultation if you're about to make an important financial decision with an amount that exceeds \$5,000. That kind of extra income could easily push you into a new tax bracket, make you ineligible for some tax credits; subject you to excise taxes, etc. if you don't plan accordingly. Most consultations range between \$25-\$100. It's a sad time when I learn about your transactions during the tax interview, when, almost always, there's very little that can be done. Common issues arise with: early/improper withdrawal from retirement accounts, leasing vs. buying business property, withholding due to life-changing events; new business setup; kid's nanny deductions, recordkeeping for donations; classifying hired workers, retirement plans for self-employed, gift taxes; business deductions do's and don'ts, etc.

As always, we welcome your calls or visits asking simple questions, free of charge. However, those of you with "quick questions" requiring over five minutes will either need to schedule an actual consultation, or pay for a phone consult via credit card. Carlos and Michelle can answer questions, but remember that I am only in the office on Tuesdays.

This year, we're trying a different format for the letter. Rather than force everything in one long letter, we've enclosed two separate sheets: business and individual "UPDATES AND REMINDERS." We hope it serves as a quick reference for what pertains to your situation. Another way to stay informed is to visit our website and like our facebook pages. We have two—an "individual" one that you can "friend" and a "business" one that you can "like". We try to post tax-related articles at least once a day (not much else). You can also visit our website; it includes blogs, articles, and downloadable forms.

The one thing that I will address on this cover letter is form 1095-A. This form is mailed to you at the end of the year if you had health insurance at any time of the year—even a partial month—with the Louisiana Marketplace (aka "Obamacare"). The big problem last year was that people didn't bring the form and the IRS froze their refunds until the information on that form was sent to them. Even now, there are a few of you who haven't received your refunds filed back in February! We must ask you to get that form before making your appointment. If you don't receive it, call 1-800-318-2596 to get it (see the enclosed sample form). Last year, we fixed this for you for just \$50, but this year, we'll charge the full \$250 to amend the return.

Finally, IRS is cracking down on preparers. There are fraudulent preparers out there that really are "wolves in sheep's clothing". We ask you to be a good friend or relative to your loved ones. Tell them about us to help eliminate their chances of becoming victims to unscrupulous preparers. Our relationship with you is based on mutual trust and respect, and we sincerely thank you for your continued patronage—don't keep us a secret!

Sincerely,

Larry R. Jaubert, E.A., M.B.A.
President

“INDIVIDUAL UPDATES AND REMINDERS”

- IRS and Louisiana have extended the 2015 income tax filing deadlines of all flood victims until 01/17/17.
- All refunds that include any Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) will not be mailed until after February 15, 2017. No partial refunds issued. Sorry—this is part of the new law (PATH Act).
- **If you have health insurance through the Marketplace (aka “Obamacare”), you MUST BRING IN FORM 1095A. If you don’t get one, call 1-800-318-2596 or log in to your healthcare.gov account to print it.**
- If you don’t have insurance, penalty is \$695 per adult or 2.5% of income (\$2085 maximum per family). “Open season” to get insurance (whether privately or through the Marketplace) is: 11/1/16-1/31/17. You can not enroll at any other time unless you have a life-changing event.
- **In order to claim college education credits, you MUST GIVE US FORM 1098-T. If you don’t get it, log in through the school’s portal. Only tuition, fees, books and supplies qualify (no dorm/food/clothes/etc.).**
- If you suffered a loss during the recent floods, we designed an Excel spreadsheet after Katrina that you can complete while everything is still fresh in your memory. **Download our Casualty Spreadsheet at: www.larrysincometax.com/forms/folder/as-seen-in-our-blognewsletter-most-recent-listed-first**
- Student loan interest can only be deducted by persons legally obligated for the student loan. This means that your name must be on the loan paperwork as an applicant, co-applicant, or guarantor.
- 2016 mileage rates are: 54 cents for business; 23 cents for medical, and 14 cents for charitable.
- Remember that commuting miles are not deductible. Only work-related miles driven after you reach your work location are deductible. Mileage between multiple jobs is also deductible. We’ll need to subtract gas reimbursements from your mileage total, so please let us know of any reimbursements you receive (maybe a flat amount or per mile).
- The maximum Earned Income Tax Credit is \$6,269 for three or more children. Single folks over 25 may also qualify.
- It’s always a shock losing your \$1000 child tax credit. This happens the year the child turns 17.
- A non-custodial parent needs to have a signed form 8332 from the custodial parent to claim a child as dependent.
- Let us know if you’re repaying the Homebuyer’s Tax Credit (that \$500/yr for 15 yrs).
- An ABLE account is available for folks who were disabled prior to their 26th birthday. Similar to Roth IRA’s, it’s funded with after-tax dollars and distributions are nontaxable as long as they’re used to pay for the beneficiary’s expenses (housing, medical, education, etc.). **Read more at: www.ablenrc.org**
- For those of you with foreign checking accounts: FBAR nonfiling, nonwillful penalty is currently \$10K. For willful nonfilers, the fine is the greater of \$100K or 50% of the foreign account balance, plus possible criminal prosecution. The FBAR filing deadline has been changed from June 30th to April 15th. **Filing is free online at: www.fincen.gov**
- Fees charged by IRS and Louisiana for copies of tax returns are \$50 and \$15, respectively. We only charge \$35 for a full paper copy or \$25 for a full PDF copy—quite a bargain! We are waiving this fee for all flood victims.
- **Remember to bring in your 2016 homeowner’s declaration page. Let’s be clear on what we mean by “2016”: It’s a policy starting in 2016. Even one for 12/28/16 thru 12/28/17 is considered a 2016 policy for this credit.**
- Louisiana has said there are no more funds for solar credits. For all practical purposes, it’s over, folks.
- Louisiana is very much involved in a “Vendor Payment Offset Program,” meaning they’ll take your refund to pay for things like: past due taxes, child support, student loans, court costs—even unpaid tickets!
- The topic of fraudulent tax filings, identity theft, and overall online fraud continues to be at the forefront in all IRS and Louisiana seminars this year.
 - IRS reminds you that they’ll never contact you by email and/or demand immediate payment—especially via wire transfers or credit card. If you think you may owe, don’t curse them out just yet and call IRS directly at 1-800-820-1040 to verify.
 - IRS will assign you an IP PIN each year to use when e-filing. Your return will reject without it. **You MUST BRING US THE IRS LETTER ASSIGNING YOU THE IP PIN.**
 - Louisiana says to never give out personal information via email or phone—unless you are the one who made the call. Never click on links or give your passwords, SSN’s, account info, etc.
 - Both recommend a paid tax preparer who is licensed, informed, professional, honest, and willing to sign their own name as the person who prepared that return—someone like us!
- Teachers: if you spend >\$250 in school supplies, you may be able to itemize the amount >\$250. Bring the total spent.
- If you buy a large-ticket item for which you paid sales tax—you may be able to itemize the sales tax you paid.
- Major life changes (marriage, divorce; children being born/leaving home, losing your job; retired, etc.) may require withholding adjustments. Definitely contact the Marketplace if covered under “Obamacare”
- Many people could qualify for a Saver’s Tax Credit. It’s a percentage of what you contribute into IRA’s or company retirement plans—in some cases the credit can be up to \$2000! **Read more: www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit**
- **If you do Uber or Lyft, you will very likely receive a form 1099 at the end of the year, meaning you’re self-employed.** You need to report the income on schedule C and keep track of your expenses (mileage especially) so we can discuss at your tax appointment. You should read the “BUSINESS UPDATES AND REMINDERS” enclosed.

“BUSINESS UPDATES AND REMINDERS”

- IRS has extended the 2015 tax filing deadlines of all flood victims until January 17, 2017.
- Louisiana has given extensions to file sales taxes until 11/15/16, withholding until 11/30/16, and income taxes until 01/17/17. Read more at: <http://revenue.louisiana.gov/LawsPolicies/RIB16-047.pdf>
- Louisiana sales tax is now 5%. Also, many exemptions changed. If your business collects sales taxes, make sure you **check out the state site:** <http://www.revenue.louisiana.gov/SalesTax/SalesTaxRates>
- Starting a business? Louisiana has a site to streamline the registration process: www.geuaxbiz.com
- Louisiana’s R & D credit is now non-refundable with a five-year carryforward period.
- **Businesses also qualify for the Citizen’s Assessment tax credit.** If your fire and casualty or contents insurance includes the assessment, the state will refund a portion to you. **Bring us the 2016 declaration page (begins in 2016).**
- If “inventory” is on your parish personal property tax bill, you may get a LA tax credit. Bring us the bill.
- Section 179 deduction limit is now “permanently” set at \$500,000 (until they change it again!).
- All LLC’s and Corporations are created and registered with the Secretary of State office (SOS). Many forget there is an annual renewal form and \$35 fee that needs to be submitted to SOS. **Check to see if you’re in “good standing”:** <https://coraweb.sos.la.gov/CommercialSearch/CommercialSearch.aspx>
- Bonus depreciation—extended through 2019 with a decreasing percentage allowed each year.
- If you are a small business (< \$10M gross sales), certain leasehold improvements of up to \$10,000 can be deducted immediately, rather than being depreciated over 15 years
- If you are a small landlord (property cost <\$1M), you may also be able to use the \$10,000 safe harbor for improvements made to your rental property instead of depreciating over 27.5 or 39 years
- Businesses now have a \$2500 “de minimis safe harbor” in respect to “acquiring, producing, and improving tangible property”. The old rule was that anything that cost over \$500 had to be depreciated This is a special election that you need to make—not an automatic thing—so you must tell us if you had those types of expenses during the year.
- Work Opportunity Credit for hiring targeted groups continues through 2019. For more info, visit IRS website: <https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit-1>
- C Corporations (form 1120) have new filing deadline of April 15th—no longer March 15th
- Partnerships (form 1065) have a new filing deadline of March 15th—no longer April 15th
- If you have issue W-2’s and/or 1099’s, January 31st is now the deadline to give those forms to the employees AND to mail them to the respective SSA and IRS offices.
- LA Workforce Commission (LWC) audited many businesses to see whether they were correctly classifying workers. We have brochures to help you determine the proper classification, or **use the LWC assessment tool:** <http://www.laworks.net/UnemploymentInsurance/MisclassEmployer.asp>
- Business mileage for 2016 is 54 cents per mile. Make sure you keep a mileage log. As mentioned above, commuting miles aren’t deductible. FYI, several clients are enthused with an app called MileIQ. It tracks mileage using GPS and you swipe left or right to denote whether miles are business or personal. It costs around \$6/mo. I’m sure there are others (maybe even free?). You can also **print our log sheet:** [www.larrysincometax.com/upload/files/general-business-grab-bag-of-miscellaneous-business-forms/Mileage Log.pdf](http://www.larrysincometax.com/upload/files/general-business-grab-bag-of-miscellaneous-business-forms/Mileage%20Log.pdf)
- For those of you who are a sole proprietors (or LLC filing on schedule C), remember that you can hire your children under 18 and their salary is exempt from FICA tax. This is a great way to get them “to pay” for things like school tuition, car insurance; clothes, entertainment, etc. that you’d normally be subsidizing for them. The first \$6300 they get is totally tax-free due to their standard deduction.
- Those of you with “S Corporations” are required to take a “reasonable” salary. “Reasonableness” is not defined anywhere and depends on things like business profitability and the actual work you perform. At the seminars, we often hear this informal definition at seminars: “What you’d pay someone else to do what you do!”
- There have been tax cases where taxpayer deductions have been disallowed—even when receipts are present—because of a taxpayer’s lack of “recordkeeping.” IRS doesn’t dictate how you do it, but they want you to have a consistent method of recording income and expenses. IRS can also reclassify your business as a “hobby”—especially if you keep accumulating losses year after year. Usually, showing losses 3/5 years means they’ll start looking at you. Among other factors, “running the business like a business” is a major one. This includes things like: having an LLC, a business license; keeping a set of books, keeping separate business accounts; having business liability insurance, etc. If you’re interested, we offer year-round bookkeeping services (either monthly or quarterly) at very reasonable prices.
- Check us out at our web site, www.larrysincometax.com, on facebook, twitter, and even yelp! We post tax related articles that will keep you abreast of changes as we learn about them. A nice review wouldn’t hurt either...
- Here are a few other sites that, as a business owner, you may want to check out every now and then: www.irs.gov www.revenue.louisiana.gov www.sba.gov www.laworks.net www.business2community.com www.entrepreneur.com www.nola.com/business and www.score.org/browse-library

RANDOM TIDBITS

- We're trying to get everyone's email addresses and to double-check your contact information. One of the biggest reasons we're trying to get your email is to be able to send you this letter electronically instead of via "snail mail". Believe it or not, it takes weeks to compose, print, assemble, and mail these letters, and we're hoping we get as close to 100% return on our e-mail requests. FYI, we'll try to gather all email addresses throughout the rest of the year and during next tax season so that we can start e-mailing them to you next summer. To that end, please mail, call, fax, or e-mail us the following information. Our fax is (504) 443-3558 and our e-mail is larrysincometax@live.com:

We'll need the following:

- Your name—please be specific...especially if you're Jr's, Sr's, II's, IV's, etc.
 - Your current mailing address
 - Your current phone number(s)—three maximum
 - Your current e-mail address—two maximum
 - Please do not send us your SSN, dob, bank account, credit card, or any other type of account numbers. We will never ask you to send us this type of information via e-mail or fax without first speaking to you
 - We do not sell, trade, or otherwise share your information with anyone else
 - If you don't have an e-mail address, or if you prefer to receive the letter in its paper version, let us know so we can make note of it and mail it to you.
 - There's no rush on this...if we don't hear back from you, we'll be asking you next year, anyway.
- If you have any suggestions for a blog article, send us a note...we'll definitely take it into consideration—especially if we feel that it is a topic that would interest lots of folks. We always welcome your input.
 - Our "after tax season" hours are 9AM-5PM, Monday-Friday. We're not open late or on Saturdays. We're like Fred Flintstone come 5PM, so the last appointment we schedule is at 4PM to ensure everyone can go home at 5PM.
 - For those of you who are bookkeeping clients, pay attention to that new 1099 deadline—the forms will now be due to the subcontractors and to the IRS by January 31st. Our bookkeepers will start contacting you really soon regarding any missing SSN's or addresses for any of your subs.
 - In regard to the Louisiana Citizen's Credit (the one for which we need your insurance declaration page), about 60% of those who qualify for the credit give us the declaration form. It's even worse on the business policies. We have less than ten business clients who give us their business insurance policies. You can go back three years to file for any that you missed. Check out our website to download the forms you need for each year (540INS are for individual filers and 620INS forms are for business filers): <http://www.larrysincometax.com/forms/folder/tax-forms-la>
 - Regarding scams. We noticed that at first, these scams were being directed at folks with foreign-sounding last names. Slowly, it seemed that there were some elderly folks calling in, too. Now, it's gotten to where anyone is a target. I know it's easy to think that you're "not going to fall for that," and, "how can those people give their information out like that?" but the I've read and been told that some of those callers "transfer" you to other departments, have office chatter in the background, and sound very official...especially to someone who owes a legitimate balance to IRS.

The scam e-mails are also very convincing. Some of them have logos, "800" numbers, privacy disclaimers, etc...even though they're bogus. **IF YOU ONLY REMEMBER ONE THING FROM THIS WHOLE PACKET IS TO NEVER GIVE ANY PERSONAL OR FINANCIAL INFORMATION TO ANYONE WHO CONTACTS YOU OUT OF THE BLUE.**

- As always, thank you for your continued patronage, loyalty, and your referrals. Remember that if you send us a new, paying client, we will apply a \$25 credit to your account. Please make sure that they give us your name at the time of their appointment so that we can give you the credit. We do not give credits "after the fact."