



*Greetings to Clients and Friends!*

January 2017

*Tax filing season is quickly approaching. This Tax Update newsletter provides information on the tax law changes and key exemptions and deductions. Please call, email or text to schedule your tax appointment. -Miriam Woods, Enrolled Agent*

**Key Exemptions and Deductions**

**Personal Exemptions:**

Personal Exemption for each qualifying dependent for 2016 is \$4,050—an increase of \$50 from last year.

**Standard Deductions:**

The standard deductions for those who do NOT itemize are as follows:

Married Filing Joint	\$12,600
Head of Household	\$9,300
Single	\$6,300

**Standard Mileage Rates**

The standard mileage rates for 2016 and 2017 are:

	<u>2016</u>	<u>2017</u>
Business	\$.54	\$.535
Medical/Moving	\$.19	\$.17
Charitable Work	\$.14	\$.14

**Social Security Earning Limits**

The maximum amount of income subject to social security tax is \$127,200 in 2017.

Individuals under 66 can earn up to \$16,920 without losing benefits.

Individuals who turn 66 in 2017 (or full retirement age) can earn up to \$44,880

**Earned Income Credit Amounts**

The 2017 maximum amount of earned income and qualify for the credit is

- \$48,340 with three children (\$53,930 if married filing joint)
- \$45,007 with two children (\$50,597 if married filing joint)
- \$39,617 with one child (\$45,207 if married filing joint)

**What's New for 2017 tax year?**

**Refunds May Be Delayed**

The 2017 tax filling season will begin on January 23, 2017 when electronic tax returns will be accepted. A new law requires IRS to hold refunds claiming the Earned Income Tax Credit and the Additional Child Tax Credit until February 15. The Protecting Americans from Tax Hikes Act of 2015 requires IRS to hold the entire refund 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.

IRS warns that since they have to wait to release the refund until February 15, the taxpayer may not actually have access to their refund up until the week of February 27 due to banking holidays, weekends and the volume of refunds being processed.

Individuals can check on their refund by visiting [IRS.gov/refunds](http://IRS.gov/refunds)

**Increased Late Filing Penalty**

Taxpayers are required to file a tax return by the due date. This year the filing deadline is April 18, 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.

There is NO penalty if you are getting a refund and you file your tax return within 3 years of April 18, 2017. After 3 years, your tax refunds are forfeited and become the property of the US Treasury.

There is NO penalty if you filed an extension and paid any additional taxes owed by April 18, 2017 as long as your tax return is filed by October 16, 2017.

A late filing penalty applies if you owe taxes and didn't file your return or extension by April 18, 2017. The late filing penalty is 5% of the additional taxes owed amount for every month your return is late. If you file more than 60 days after the due date, the minimum penalty is \$205 and increase of \$70.

**Due Dates Changed for Corporations and Partnerships**

In the past, Partnership Returns, Form 1065, had until April 15 to file their returns. For 2016 tax returns and beyond, Form 65, US Return of Partnership Income is due on March 15. Also S Corporation tax returns, Form 1120S, are due on March 15. K-1s from these returns are due to their partners and shareholders by March 15.

Corporation tax returns had a due date of March 15 but that is now changed to April 15 (April 18 in 2017).

## Checklist of what to bring to your tax appointment

The change in due dates will get K-1s to the partners and shareholders so they can file their personal tax return timely and accurately.

### Increased Due Diligence Requirements

Beginning with 2016 tax year, tax preparers will have to meet due diligence requirements for taxpayers claiming credits for the Earned Income Tax Credit, the Child Tax Credit and the American Opportunity Education Credit. Taxpayers that qualify for these credits will have to answer a series of questions to assure that they qualify for the credit.

### W2 Verification Code Fraud Alert

When you get your Form W-2, you may notice a new entry – a 16-digit verification code. This is part of an effort conducted by the Internal Revenue Service to protect taxpayers and strengthen anti-fraud efforts.

The expanded use of the W-2 Verification Code is a way to validate the wage and tax withholding information on the tax form. This code is entered when preparing your taxes and helps protect against identity theft and unnecessary refund delays.

### Fraud Alert

IRS wants to help the public recognize and avoid abusive tax schemes. If you receive a phone call, email or letter that makes you suspicious, contact Woods Tax & Accounting Service immediately. There are many fraudulent schemes that look very legitimate but are bogus.

### IRS Letter

If you receive a letter from IRS or State of Michigan, contact Woods Tax & Accounting Service. We are here to serve your tax needs. Miriam Woods is an Enrolled Agent and can represent you before IRS and assist in an IRS audit or



All returns will be electronically-filed FREE!

- All W-2 forms
- Social Security numbers and birthdays for taxpayer, spouse & children
- Amount of interest, dividends and capital gains received (income or losses)
- Amount of state & local refunds received last year
- All income and expenses related to your business
- All equipment purchases related to your business (date & cost of purchase)
- Mileage for business and total mileage on vehicle
- All 1099 forms received showing income from retirement, disability, gambling winnings
- Amount of Unemployment Compensation received
- Amount of Social Security Benefits received
- Amount of rental property income and expenses
- Amount of IRA contributions
- Amount of Student Loan interest paid
- Amount of teacher provided supplies for classroom
- Amount paid for child care including provider's SS# or Fed. ID# and address.
- Amount of higher education expenses (tuition, fee & required materials) paid in 2016
- Tuition Statement Form 1098-T showing tuition paid
- Amount of health insurance premiums paid (after taxes)
- Health Insurance Forms 1095-A, 1095-B or 1095-C received
- Real estate property tax bills showing amount assessed/paid for your property in 2016
- Amount of Michigan Sales Tax paid in 2016 if you purchased a car, boat or motorcycle
- 2016 Taxable value of your home (for MI Homestead Credit)
- Amount paid for auto license fees (autos, trailers, boats, etc)
- Year-end statement of mortgage interest (Form 1098) and escrow activity on mortgage
- Charitable contributions (cash, non-cash gifts, mileage)
- Sale of Home in 2016 - closing papers when bought & sold
- Amount of job related expenses & union dues
- Amount of energy efficient home improvements: windows, doors, insulation
- Amount of 2016 Estimated Tax Payments (Federal, State & City)
- Amount of purchases bought on Internet/ catalog (for MI Sales & Use Tax)
- Amount of rent paid in 2016, name and address of landowner
- 2015 income tax return (unless prepared by Woods Tax & Accounting Service)
- Direct Deposit information: bank account number & routing number

### 2017 Tax Rates

The following shows the 2017 income brackets for each tax rate.

<u>Tax Rate</u>	<u>Single</u>	<u>Married Filing Joint</u>	<u>Head of Household</u>
<b>10%</b>	\$0 to \$9,325	\$0 to \$18,650	\$0 to \$13,350
<b>15%</b>	\$9,326 to \$37,950	\$18,651 to \$75,900	\$13,351 to \$50,800
<b>25%</b>	\$37,951 to \$91,900	\$75,901 to \$153,100	\$50,801 to \$131,200
<b>28%</b>	\$91,901 to \$191,650	\$153,101 to \$233,350	\$131,201 to \$212,500
<b>33%</b>	\$191,651 to \$416,700	\$233,351 to \$416,700	\$212,501 to \$416,700
<b>35%</b>	\$416,701 to \$418,400	\$416,701 to \$470,700	\$416,701 to \$444,550
<b>39.60%</b>	\$418,401 and up	\$470,701 and up	\$444,551 and up



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