

## 1040 Tax Tips for Preparation of 2016 return in 2017

- **Changes in Social Security – In May 2016, the “File and Suspend” strategy was eliminated.** Enacted in 2015, this law eliminated one spouse from filing for social security benefits and immediately suspending receiving the benefits to allow the other spouse to collect from the record of the spouse that suspended benefits. This strategy allowed one spouse to collect benefits from the other spouses record while continuing to work and letting their social security benefits grow 8% per year from full retirement age to age 70.
- **Affordable Care Act** –Every individual must carry medical insurance or pay a penalty. For 2016, the penalty is of \$695 per person in your household or 2.5% of household income, if you carry no health insurance. There are many exemptions please bring your health insurance cards and any 1095 forms issued to you as proof of insurance to avoid these penalties!
- **Due-Diligence Requirement for Tax Preparers** – For tax years after December 31, 2015, tax preparers are required to examine records and ask pertinent questions of any taxpayer that claims a credit for their child, including an earned income tax credit, a child tax credit or the American Opportunity tax credit. The fine for tax preparers is \$510 for each breach. Please make sure you bring a birth certificate and proof of residency for every dependent child.
- **Education Credits** –The American Opportunity Credit is a credit of up to \$2,500 per year for the first four years of post-secondary education. Please bring form 1098T issued by the qualifying school for each student along with a transcript of payments. The address and federal identification number of the college or university must be provided. In addition, Section 529 plans now allow expenditures for computers, etc., made permanent by PATH.
- **Kiddie Tax** – Full time students claimed by their parents may have a higher tax liability. IRS changed the age for student’s to claim interest, dividends and other investment income from 18 to 24 if a full time student several years ago. Qualifying students will be higher taxes on their investment income this year.
- **Estate and Gift Tax** – The Federal estate exemption for 2016 was \$5,450,000 and is \$5,490,000 in 2017. The annual gift exclusion amount remains the same at \$14,000 for 2016 and 2017. The lifetime gifting limit is equal to the same estate exemption. There are new portability rules that allow a married taxpayer to use part of their spouse’s limits. New Jersey raised their estate exemption for 2017 from \$675,000 to \$2 million.
- **Due Date** – The due date of the 2016 1040 return is extended until Tuesday April 17<sup>th</sup>! An automatic extension can be requested until October 15, 2017.
- **Business Mileage Rates** – For 2016, business rates are \$.54 per mile, medical and moving rates are \$.19 per mile and charity remains at .14 per mile. IRS announced that the rates decreased for 2017 to \$.535 per mile for business, \$.17 per mile for medical and moving and charity remains at \$.14 per mile. Logs must be maintained to substantiate your deductions. Please bring them with you to your tax appointment. I always have a supply, call me if you need one! I also have available a new APP for mileage tracker – ask me about it!

**These are just a few of the changes for 2016 tax returns!!**