

1 Tax

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Newsletter Winter 2015/16

I hope that 2015 brought happiness, health, and prosperity to you and yours. On the prosperity end, we saw a strengthening of the US economy, but with little or no inflation. One bonus was the drop in gasoline prices. Hopefully this enabled you to save more of your household income.

John Mann retired at the end of last year in order to take care of his mother. He will still be working behind-the-scenes with data entry and 1099 preparation. John, many thanks for doing such an outstanding job! Ted Richmond is the new Office Manager. Ted has thus far proven himself to be capable, flexible, and pleasant. I look forward to working with him and hope that all of you will welcome Ted to the 1TAX family.

Tax News

Tax Season – Tax Season starts on January 19th. Thus far, we have not been notified of any types of returns that will be delayed. I strongly urge you to make your appointment as early in the season as possible.

Tax Scams, Beware!

Unscrupulous people continue to attempt to scam you into revealing personal information. The IRS reports an exponential increase in both telephone and email tax scams. Please note – taxing authorities never initiate contact by telephone or email. They always send a letter before attempting to contact you any other way. If you have any doubts, please contact the office and never disclose any personal information by telephone or email.

Client Copy of Your Tax Returns

– I am asking everyone to keep these copies in a safe place. I received a very large number of requests for copies of tax returns. In a few cases, I provided copies to the same client on three separate occasions. I do not want to start charging for this service, but if I continue to receive numerous requests, I will have no choice. You

may request a digital copy at the time I complete your tax return, so you might want to consider this option if your skills are in areas other than paper file organization.

Identity Theft – This is another area that the IRS reports increased exponentially. Although no measures are being implemented for this tax season, be prepared for major changes starting with the 2016 tax season.

Please do not email unprotected confidential information to me – it is a very unsafe practice. If you cannot password-protect your data, please fax rather than email as a best practice. Identity theft is an extremely messy problem to resolve, so please either hand-deliver documents, send them password-protected, or fax them to the office.

Affordable Health Care

(Obamacare) – If you have insurance through the Affordable Health Care Act, you need to contact them for the following changes: increase/decrease to income, marriage/divorce, births/adoptions, or eligibility for other coverage (e.g., employer

health care).

If you received any premium subsidy, you must file a tax return even if your income is under the filing threshold in order to reconcile the premium subsidy with your Premium Tax Credit.

Form 1095-A – If you have health insurance through the Marketplace (i.e., Obamacare), I absolutely need your form 1095-A in order to prepare your tax return. Please wait until you have received this form before scheduling your tax appointment.

Forms 1095-B/1095-C – These are new forms you may receive from your employer relating to the Affordable Health Care Act. I've been informed that these forms may be issued as late as May, but are not essential to the preparation of your 2015 return. If you receive the form before your tax appointment, please provide it to me, but please do not put off making your tax appointment if this is the only form you are missing.

Health Care Shared

Responsibility Penalty Increase

– Those of you who have not yet

signed up for health care may be in for some major sticker-shock. The penalty is the higher of: \$325 per adult, \$162.50 per child (limited to \$975 per family); or 2 percent of your household income.

Example – in 2015, you made \$60,000 and are married with 3 children. No one in the household had health insurance. No one else in the household worked. Your penalty is computed as follows:

1. Two adults @ \$325 each, plus three children @ \$162.50 each equals \$1,137.50, but limited to \$975.
2. 2% of your household income of \$60,000, or \$1,200

The GREATER of these two amounts, or \$1,200, is your penalty.

The penalty is effectively doubled for most people from the 2014 penalty and will increase even more for 2016. Please sign up for health insurance if you have not already done so.

Charitable Contributions – The Excel spreadsheet to calculate your non-cash contributions is attached. If you need a PDF version (Apple users, you may need this), please contact Ted.

Mileage Rates Change – Because of recent the drop in gasoline prices, the 2016 mileage rates have dropped accordingly:

Business – 54 cents/mile (down from 57.5 cents/mile for 2015)
Medical/Moving – 19 cents/mile (down from 23 cents/mile for 2015)
Charitable – 14 cents/mile (unchanged)

As a reminder, there can be no mileage deduction without a timely kept mileage log. I will need to view your mileage log at the time of your tax preparation.

IRS Transcripts and FAFSA – Due to security issues with the IRS Online Transcript Request (OTR), the IRS has rolled out a new tool, the Get Transcript tool located on the www.irs.gov website. The major downside to the new system is that tax return transcripts are

now mailed; you can no longer receive an instant online tax return transcript.

Alternately, you can use the IRS Data Retrieval Tool on the FAFSA website in order to import your tax return information directly into the FAFSA application. I strongly recommend that you use this method.

Most importantly, you need to know that I cannot secure an IRS transcript any faster than you. I strongly suggest that you plan ahead to avoid an unfortunate outcome.

FBAR CinFed Forms – If you have more than \$10,000 in assets in a foreign country (e.g., bank accounts, retirement accounts, brokerage accounts, stock holdings), an information report must be filed. In the past, this report has been due on May 15th. This year, the due date has been moved up to April 15th. For those required to file these form, please make your tax appointment early enough for me to complete this form.

Business News

Extenders Bill – The tax extenders bill passed in December made a number of business deductions permanent. The most important items are:

Increased section 179 expensing 50% bonus depreciation (through 2017, smaller percentages in subsequent years) 15 year life for qualified leasehold property

Mileage Log Required – Most of you are already aware of this requirement. Please bring your

mileage log along with your other tax documents.

Capitalization Rules Change, Again – For last tax year, items or groups of items costing \$500 or more were required to be capitalized and depreciated. The dollar amount for this rule was increased to \$2,500. However, this does not necessarily mean that all improvements of less than \$2,500 can be currently deducted. There is still the 2% of the property's fair market value rule.

Ohio CAT Tax – Commercial Activity Tax must be filed and paid through your Ohio Business Gateway account. Since I do not have access to your OBG account, I will no longer be filing CAT tax returns.

As a reminder, all businesses with gross receipts of \$150,000 or more must file a CAT tax return and pay the CAT tax. CAT taxes are due on April 15th.



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