

Virgin Consulting LLC

Tyler A. Virgin CPA, MBA, CGMA

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Dear Clients and Friends,

Although you can't avoid taxes, you can take steps to minimize them. This requires proactive tax planning — estimating your tax liability, looking for ways to reduce it and taking timely action. To help you identify strategies that might work for you, we're pleased to present this brief tax-planning guide.

Individual Tax Returns (Form 1040) are due on **April 17, 2017** with the final extension date of **October 16, 2017**. Please submit the attached tax preparation checklist and applicable forms by March 15, 2017 for timely tax filings. The invites for the secure Intuit Proconnect Link Portal will be sent to your emails. If you have not participated in the past, the Portal allows for secure online answering of the checklist, uploading of all tax documents, and communication.

Items of Interest

Protecting Americans From Tax Hikes Act of 2015 (PATH Act)

- American Opportunity Tax Credit for an eligible student for qualified educational expenses has been made permanent and increased to \$2,500.
- Teacher Classroom Expense Deduction is now permanent and the \$250 limit will be adjusted for inflation starting in 2016.
- Charitable Distributions from IRAs has been permanently extended for individuals age 70 ½ and older to qualified charitable organizations.
- Qualified Tuition and Related Expense Deduction has been extended through 2016 as an above-the-line tax adjustment for post-secondary education.
- Itemized Deduction for state and local sales taxes were made permanent and may be claimed in lieu of a deduction for state and local income taxes.
- Mortgage Insurance Premium Deduction has been extended through 2016 as an itemized deduction.
- The rule permitting an exclusion from gross income for a discharge of qualified principle residence indebtedness is extended through 2016.
- Residential Energy Credits have been extended through 2016, of up to 10% capped at \$500, to include adding insulation. Energy efficient exterior windows, energy efficient heating and air systems. The 30% tax credit for qualified solar, wind, or geothermal expenditures have been extended through 2021.
- The Child Tax Credit of \$1,000 per child is now permanent.
- Mass transit and parking benefits now have a monthly cap of \$255 per month.
- College Savings 529 Plans now include computer equipment and technology as qualified expenses. 529 Plans now allow the redeposit of funds without penalty in certain circumstances when tuition is refunded.
- For businesses Code Sec. 1479 Expensing has been permanently set at a limit of \$500,000 with a \$2 million overall investment limit.
- For businesses Bonus Depreciation is expended under a phase-down schedule through 2019 for only new property.

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2016 Tax Year Quick Guide

2016 Tax Brackets

Tax Rate	Single	Married/Joint & Widow(er)	Married/Separate	Head of Household
10%	\$1 - \$9,275	\$1 - \$18,550	\$0—\$9,275	\$0—\$13,250
15%	\$9,275 to \$37,650	\$18,550 to \$75,300	\$9,276—\$37,650	\$13,251—\$50,400
25%	\$37,650 to \$91,150	\$75,300 to \$151,900	\$37,651—\$75,950	\$50,401—\$130,150
28%	\$91,150 to \$190,150	\$151,900 to \$231,450	\$75,951—\$115,725	\$130,151—\$210,800
33%	\$190,150 to \$413,350	\$231,450 to \$413,350	\$115,726—\$206,675	\$210,801—\$413,350
35%	\$413,350 to \$415,050	\$413,350 to \$466,950	\$206,676—\$233,475	\$413,351—\$441,000
39.60%	over \$415,050	over \$466,950	over \$233,476	over \$441,001

Net Investment Income Tax

3.8% of the lesser of net investment income or the amount of modified adjusted gross income over \$200,000 (Single) and \$250,000 (Married Filing Joint).

Long-Term Capital Gain Rates

Zero tax rate for gains that would otherwise be taxed at the 10% or 15% rates; 15% for gains that would be taxed at the 25%, 28%, 33%, or 35% rates; and 20% for gains that would be taxed at the 39.6% rate.

2016 Tax Deadline Changes (2016 tax returns prepared during the 2017 tax filing season)

Form	Current Due Date	NEW Due Date
Form 1065 – Partnerships	April 15th	March 15th
C Corporations	March 15th	April 15th
Form 1065 – Partnerships Extension	September 15th	September 15th
Form 1041 – Estates and Trust Extension	September 15th	September 30th

- Partnership and S Corporation tax returns will be due the 15th day of the third month after the end of their tax year. The filing date for S Corporations is unchanged.
- C Corporation tax returns will be due the 15th day of the fourth month after year end.

The Home Office Safe Harbor Deduction

The optional home office safe harbor deduction is limited to \$1,500 per year based on \$5 per square foot for up to 300 square feet and is in lieu of actual expenses.

The Affordable Care Act Penalties

Imposed penalties for those not having qualifying health care coverage for 2016 will be \$695 per adult, or 2.5% of income. A family maximum will apply to the per-person amount, but the \$2,085 amount will be substantially higher than the \$975 in 2015, and the \$285 in 2014.

STANDARD DEDUCTION

Married filing jointly/surviving spouse	\$12,600
Single	\$6,300
Head of household	\$9,300
Married filing separately	\$6,300
Dependent taxpayers	\$1,050

ADDITIONAL STANDARD DEDUCTION

	65+ or blind	65+ and blind
Married/surviving spouse	\$1,250	\$2,500
Unmarried	\$1,550	\$3,100

PERSONAL EXEMPTIONS

Personal exemption amount	\$4,050
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Phaseout range

Married filing jointly/surviving spouse	\$311,300-\$433,800
Head of household	\$285,350-\$407,850
Unmarried	\$259,400-\$381,900
Married filing separately	\$155,650-\$216,900

KIDDIE TAX

Amount taxed at child's rate	\$1,050
AMT exemption	earned income + 7,400

ADOPTION CREDIT

Maximum credit	\$13,460
Phaseout range	\$201,920-\$241,920

EDUCATION CREDITS

American Opportunity-max. credit	\$2,500
Phaseout threshold-joint filers	\$160,000-\$180,000
Phaseout threshold-all other filers	\$80,000-\$90,000
Lifetime Learning-max. credit	\$2,000
Phaseout threshold-joint filers	\$110,000-\$131,000
Phaseout threshold-all other filers	\$55,000-\$65,000

EDUCATION SAVINGS BOND EXCLUSION

Phaseout range-joint filers	\$116,300-\$146,300
Phaseout range-all other filers	\$77,550-\$92,550

STUDENT LOAN INTEREST DEDUCTION

Phaseout range-joint filers	\$130,000-\$160,000
Phaseout range-all other filers	\$65,000-\$80,000

LONG-TERM CARE INSURANCE DEDUCTION

Age at close of year	Premiums eligible for medical expense deduction
40 or younger	\$390
Older than 40 but not more than 50	\$730
Older than 50 but not more than 60	\$1,460
Older than 60 but not more than 70	\$3,900
Older than 70	\$4,870

FOREIGN INCOME

Foreign earned income exclusion	\$101,300
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HEALTH FLEXIBLE SPENDING ACCOUNTS

Max. salary reduction contribution	\$2,550
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HEALTH SAVINGS ACCOUNTS

Type of coverage	Self-only	Family
HDHP deductible	\$1,300	\$2,600
Out-of-pocket expense cap	\$6,550	\$13,100
Maximum contribution	\$3,350	\$6,750

MEDICAL SAVINGS ACCOUNTS

	Self-only	Family
HDHP deductible	\$2,250-\$3,350	\$4,450-\$6,700
Out-of-pocket expense cap	\$4,450	\$8,150

TRANSPORTATION FRINGE BENEFITS

Vanpool/transit pass monthly exclusion	\$255
Qualified parking monthly exclusion	\$255

INDIVIDUAL RETIREMENT ACCOUNT DEDUCTION

Maximum deduction	\$5,500
Phaseout range-joint filers	\$98,000-\$118,000
Phaseout range-single/head of household	\$61,000-\$71,000
Phaseout range-married filing separately	\$0-\$10,000
Phaseout range-joint filer/active participant spouse	\$184,000-\$194,000
Catch-up contribution age 50 or older	\$1,000

ROTH IRA CONTRIBUTION

Maximum contribution	\$5,500
Phaseout range-joint filers	\$184,000-\$194,000
Phaseout range-single/head of household	\$117,000-\$132,000
Phaseout range-married filing separately	\$0-\$10,000
Catch-up contribution age 50 or older	\$1,000

RETIREMENT SAVINGS CONTRIBUTION CREDIT

Credit percentage	50%	20%	10%
AGI limit-joint filers	\$0-\$37,000	\$37,001-\$40,000	\$40,001-\$61,500
AGI limit-head of household	\$0-\$27,750	\$27,751-\$30,000	\$30,001-\$46,125
AGI limit-other filers	\$0-\$18,500	\$18,501-\$20,000	\$20,001-\$30,750

SOCIAL SECURITY TAXES

Maximum net taxable self-employment earnings	\$118,500
"Nanny tax" threshold	\$2,000

ANNUAL EXCLUSION FOR GIFTS

Gift tax exclusion	\$14,000
Exclusion for gifts to a non-citizen spouse	\$148,000

MILEAGE ALLOWANCES

Standard business mileage allowance	54¢
Medical and moving allowance	19¢
Charitable mileage allowance	14¢

ITEMIZED DEDUCTION PHASEOUT THRESHOLD

Married filing jointly/surviving spouse	\$311,300
Head of household	\$285,350
Unmarried	\$259,400
Married filing separately	\$155,650

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Thank you for allowing me to serve your tax filing needs. Our firm is deliberately small because we specialize in small town values with a personal touch accessible anywhere through the cloud. I am passionate about providing quality accounting and financial services for you and your family. I care about the growth of small businesses and personal finance and strive to build meaningful relationships. My goal is to help you save money and become more efficient so you can concentrate on what makes you great.

If you have any additional questions or would like to discuss this subject further do not hesitate to contact me at tyler@virginconsultingllc.com or 740-646-8850.

Best Regards,

A handwritten signature in black ink that reads "Tyler A. Virgin". The signature is written in a cursive, flowing style.

Tyler A. Virgin CPA, MBA, CGMA

Please provide the following Tax documents needed to prepare your return

W2	1099-INT
1099-DIV (or 1099-Comp)	1099R
W2G	Taxpayer's SSA-1099
Spouse's SSA-1099	1099-Misc
1099-Misc	1099-Misc
1099-Misc	1099-Misc
1099-Q	1099-B
K-1 Partnership	K-1 Scorp
K-1 Trusts	1098 Home Mortgage
1099-G Unemployment Compensation	

Please provide the following information needed to prepare your tax return

NEW CLIENTS: Please Provide a copy of last years tax return. _____

Has your address changed in 2014? _____

Did your marital status change before 12/31/2014? _____

Could you be claimed as a dependent on another person's tax return? _____

Were there any changes in dependents? _____

Please provide legal name, date of birth, and social security number of new dependent. _____

Did you have any child or dependency care expenses? Please include care provider's name, address, SSN, and amount. _____

What is your occupation? _____

Did you change jobs or receive unemployment? _____

Did you work as a consultant, contractor, or own a business? If so, please provide all business expenses and vehicle miles. _____

Are you required to travel between job sites (either primary job or second job)? _____

Did you receive any other income not listed above? _____

Did you earn interest on savings, checking, CDs, or money markets? _____

Did you buy or sell stocks, mutual funds, bonds, or other investment properties? _____

Did you buy, sell, or refinance your home? _____

Was your home rented out or used for business? _____

Did you buy or sell rental property? _____

Did you incur a loss because of damaged or stolen property? _____

Did you donate money, clothes, cars, or stock? _____

Did you pay interest on a student loan? _____

Did you, your spouse, or a dependent incur any tuition expenses that are required to attend a college, university, or vocational school? _____

Did you incur any tuition or continuing education expenses? _____

Please provide the following information needed to prepare your tax return

Did you receive a distribution from or make a contribution to a retirement plan (401(k), IRA, etc.)? _____

Did you transfer or rollover any amount from one retirement plan to another retirement plan? _____

Did you convert part or all of your traditional, SEP, or SIMPLE IRA to a Roth IRA in 2013? _____

Did you make or do you plan on making an IRA or Roth IRA contribution for 2014? _____

Health Savings Account contributions, distributions, and unreimbursed qualified medical expenses. _____

Did you incur any significant out of pocket medical and dental expenses? _____

Did you drive long distances for medical care? _____

Would you like to use the same direct deposit information provided last year? _____

For direct deposit, please provide your bank name, routing number, and account number? _____

Do you want to electronically file your tax return? _____

May the IRS discuss your tax return with me as your preparer? _____

Please list any questions or other concerns you might have. _____