

# Silver Creek Financial Services, Inc.

175 Hwy 82 ~ Lostine, OR 97857 OTB#00641

Phone: (541) 569-2272 Email: team@silvercreekteam.com

Toll Free Fax: 1(866) 569-0020 Fax: (541) 569-2269



## **DEAR VALUED CLIENT:**

2017 has arrived, and so has tax season! There are a few new laws, but we are mostly dealing with the implementation of The PATH Act of 2015, which was passed late in 2015. There is a review of these changes later in this newsletter.

We have our returning staff with one new team member. From the most seasoned member to the newest:

**Cissy (Shannon) Shelton** has been preparing tax returns and doing all aspects of accounting for 26 years. Silver Creek would not operate without her!

You probably won't see **Tracy Frei** in the office, but she is going to be hard at work in the background doing accounting to help us make it through this season.

**Melissa Wight** is entering her 16th tax season. Melissa starts the season by doing 1099s and organizers, then furiously prepares taxes the rest of the season.

**Linda Estes** (formerly Waters) is beginning her fifth tax season. Not only does Linda serve tax clients, she also does a ton of accounting work.

**Kristen Brockamp** is returning for her second tax season. She skillfully prepares all types of tax returns.

**Karen Wurdinger** is returning as our front office leader. She greets clients, copies returns, collects fees and keeps the front office running.

**Nickie Norman** is the newest team member. She will be assisting our clients with accounting and front office work. We are pleased she has decided to join our team.

I am humbled by these amazing women and thankful I get to work with each and every one of them. They are all hard workers who care deeply about serving people and getting the job done right.

We are ready to meet with you and help navigate the complicated world of tax law. I know much of tax law is confusing, so please feel free to ask us any questions you may have. We look forward to seeing you soon.

⇒ *Cathy & Crew*



*Back Row: Linda Estes, Melissa Wight and Cissy Shelton. Front Row: Kristen Brockamp, Karen Wurdinger, Cathy Johnson and Nickie Norman.*

## **WHAT IS ENCLOSED**

We are enclosing either an update form or an organizer with this letter as well as your engagement letter. Completing these forms will help us ensure the information on your tax return is correct. Please note the short list of items you will need to bring us if you have any of them. If you did not receive an organizer and would like to have one, please call us and we will get one to you right away.

## **WHAT IS NEW THIS YEAR**

We will be able to electronically file tax returns beginning January 23rd. This year's filing deadline for individual returns is April 18 due to the observance of Emancipation Day in Washington DC. Unfortunately, some taxpayers are going to have their refunds delayed. The IRS has to comply with new laws passed by Congress, which require delaying the issuance of refunds for **certain** returns until the week of February 27th. Returns with earned income tax credit and additional child tax credit are those which will be delayed. This delay will provide the IRS with needed time so they can double check wage information from employers with the filed income tax returns from individuals. This is one of the fraud prevention tools the IRS is using.

Since January 1, 2014, all taxpayers are required to have qualifying health insurance

coverage unless they meet an exception to these requirements. Taxpayers who did not have health insurance, and do not meet an exception, are required to pay a shared responsibility penalty.

This shared responsibility penalty has been increased for 2016 to a greater of (1) \$695 per person (to a maximum of \$2,085 per tax family) or (2) 2.5% of the household income minus a filing threshold, which varies by filing status and age.

These rules are COMPLICATED and VAST. Refinements are being made every year. With increasing health insurance premiums, and the increased shared responsibility penalty, we are going to see larger impacts on some tax returns.

If you have health insurance, you will be receiving one of the following forms: 1095-A, 1095-B or 1095-C. We will need these forms to accurately prepare your return.

Most Oregon counties have been declared drought areas eligible for assistance by the federal government. This means that any income from the sale of excess livestock because of drought is allowed to be reinvested into replacement livestock in a later tax year.

Educators are now allowed to include their professional development costs as part of their \$250 above-the-line deduction. This is in addition to the classroom supplies purchased.

Employers are required to file their W-2 forms with the IRS by January 31st. This applies to paper filings as well as electronic submissions. Taxpayers are required to file 1099 forms which have information in Box 7 (Miscellaneous Income) by January 31st as well. These are quicker filing dates than in previous years. **Penalties apply for late filings which begin at \$50 for those within 30 days to \$260 for those after August 1st.** Oregon also imposes late filing penalties. These filings are so important to your return, if you are required to file them. Deductions can be denied if the filing requirements are not followed.

Partnerships, S Corporations, and Fiduciaries now also face penalties for failure to file accurate and timely K-1 forms. These penalties begin at \$260 and can become \$520 for intentionally disregarding these filing rules.

The IRS is imposing more and more penalties. As their budget tightens, this is another source of funding for the IRS. They have been very lax in assessing penalties for late filings of 1099s. We expect this to change. We are always happy to help with the filing of these forms. To assist you, we need the information for them soon.

## **PROVISIONS OF THE PATH ACT OF 2015**

Many laws we will be using for 2016 returns come from the PATH Act of 2015, passed on December 18, 2015. Just as a reminder, here are some of the major provisions:

- ⇒ The Section 179 Expensing Deduction of up to \$500,000 of qualifying purchases
- ⇒ State and Local Sales Tax Deduction
- ⇒ American Opportunity Tax Credit for qualifying college tuition
- ⇒ Child Tax Credit expansion for three children
- ⇒ Teacher's Classroom Expense Deduction
- ⇒ Extended levels for the Earned Income Credit
- ⇒ Charitable Distributions for IRAs for taxpayers ages 70.5 and over
- ⇒ 15 year straight line depreciation for qualified leasehold improvements for restaurants & retailers
- ⇒ **Five year recognition period for built-in gains for corporations converting from C Corporation status to S Corporation status**

These provisions have been extended through 12/31/2019:

- ⇒ The Work Opportunity Tax Credit
- ⇒ Bonus Depreciation for new business property purchased, with reduced levels in 2018 and 2019

These provisions expire 12/31/2016:

- ⇒ **10% Residential Energy Credit** for windows, doors, insulation, qualifying furnaces and air conditioning systems. **This continues to carry the lifetime cap of a \$500 credit.**
- ⇒ **30% Residential Solar Property Energy Credit**
- ⇒ Credit for Energy-Efficient New Homes
- ⇒ Qualified Tuition and Fees Deduction
- ⇒ Mortgage Debt Exclusion for cancellation of debt related to the purchase of a home
- ⇒ Mortgage Insurance Premium Deduction

## **IRS FRAUD PREVENTION MEASURES**

In 2016, the IRS announced the number of taxpayers reporting stolen identities dropped by more than 50%, with nearly 275,000 fewer victims compared to 2015.

One tool given to us in 2015 continues into 2016: the ability to include the taxpayer's and spouse's driver's license number, the state of issue, the issue and expiration dates. This is going to give the IRS, and participating states, the ability to double check the driver's license information with other records to determine that it is not a criminal trying to file your tax return. This is voluntary, so let us know if you wish to participate.

The best prevention tool is to file as early as possible.

Telephone and email scams continue to

become more creative. The IRS will NEVER call or email asking for your debit or credit card. The first contact with the IRS will ALWAYS be through snail mail. **DO NOT FALL VICTIM TO THESE CRIMINALS THAT ARE CALLING OR EMAILING YOU FOR YOUR INFORMATION!**

### **MILEAGE DEDUCTION INFORMATION**

If you intend to claim the mileage deductions for business, medical or charitable expenses, please use the form included with this letter. The 2016 mileage rates are: business \$.54, charitable \$.14 and medical and moving \$.19. For 2017, the business rate decreases to \$.53.5 and the medical lowers to \$.17. The charitable rate remains the same.

As preparers, we continue to be required to verify that the taxpayer has written documentation for mileage expenses. These mileage logs are required. This is an audit focus with both the IRS and Oregon Dept of Revenue.

The mileage logs need to record (on a timely basis) the beginning and ending odometer readings for the year, as well as the number of business miles driven each day and the business purpose of these travels. We are happy to provide calendar books for your use. Just let us know if you would like one.

### **INCREASED DUE DILIGENCE REQUIREMENTS ON PREPARERS**

Oregon has the most stringent rules and requirements on professional income tax preparers in the nation. Because of Oregon's testing, supervision and training requirements, we have the best audit rates of all the states. However, because of preparation problems elsewhere, Congress has implemented additional due diligence requirements. This means we will be asking additional questions of clients who have Earned Income Tax Credit, Child Tax Credits, Advance Child Tax Credits and American Opportunity Tax Credits.

### **WHAT MAY BE AHEAD FOR 2017**

President-elect Trump and Congress have announced areas they plan to bring change to our current income tax laws:

- =>Reduce the number of tax rates to three
- =>Eliminate AMT
- =>Greatly reduce itemized deductions
- =>Increasing standard deductions
- =>Repeal the Affordable Care Act (Obamacare)
- =>Expand the use of health savings accounts
- =>Simplify tax benefits for higher education
- =>Look for ways to improve the Earned Income Credit
- =>And many more

While no one knows what changes are going to be made, we are fairly certain there will be vast changes in 2017.

### **REQUIRED TAX ADVICE DISCLOSURE**

Not for penalty protection: You should be aware that this communication is not intended to be used, and it cannot be used, for the purpose of avoiding penalties under United States federal tax laws.

The information in this newsletter is general in nature and is not intended as legal, tax or investment advice. It should not be used in any actual transaction without the advice and guidance of a professional tax advisor who is familiar with all the relevant facts.

### **PRIVACY ACT NOTICE**

Under the Gramm-Leach-Bliley Act of 1999, tax advisors and accountants (among others) are required to notify their individual customers of their privacy policies. We do not share nor disclose any information about any of our customer's nonpublic personal information to any non-affiliated third parties without prior consent. In other words, we do not sell any of your information to anyone. We collect only the information that is required to prepare a complete and accurate income tax return for our income tax clients, or a complete and accurate set of books for our accounting clients. We maintain appropriate physical, electronic, and procedural safeguards to protect the security and confidentiality of your nonpublic personal information. We educate our employees about the terms of this notice and the importance of customer privacy. We restrict access to nonpublic personal information about you to those employees who need to know that information to provide the service you have requested. **YOUR PRIVACY IS IMPORTANT TO US!**