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2016 Year End Letter

With a new President coming to office early this year we can expect a number of tax changes to occur. This is a good time to get your income tax "house" in order for 2016.

I have attached your 2016 Tax Questionnaire. These questions are the foundation for the preparation of your tax return. By you filling out the Tax Questionnaire, this will help us to comply with the new tax laws and prepare the most accurate tax return possible for you.

Please understand that we are required by the IRS to have your responses and documents to many of these items.

DO NOT RETURN A BLANK QUESTIONNAIRE WHEN SUBMITTING YOUR TAX INFORMATION

If you have any questions, please note them within the questionnaire, so we can discuss them with you when your tax return is prepared. If you cannot complete your Tax Questionnaire on your own, we will be happy to assist you, please call for an appointment.

A client interview will be required if you cannot complete your Tax Questionnaire. You will need to call our office for an appointment, so we can determine how to help you before your tax return is prepared.

SPECIFIC QUESTIONNAIRE INSTRUCTIONS

(A) We must have all copies of Forms W-2, 1099, K-1 & SSA, and 1095.
Enter the number of items (not amounts) on the first page.

(B) You must complete the page of our tax questionnaire "2016 Affordable Care Act Questions" - For Individuals" and include all Form 1095 forms with your other tax materials, in order for us to complete your tax return.

(C) In the Tax Planning section, the Direct Deposit information must be completed each year. We are now required to verify this information each year. Your tax refunds will be received faster with less problems by choosing Direct Deposit and supplying us with your bank information.

(D) In order to complete the eSignature process we now need two email addresses for Married filing Joint tax returns. Please provide both your email address, and your spouse's email address, if applicable.

The following are some Items I want to bring to your attention:

Security and Identity Theft

The IRS has determined that one of the prime targets of data theft is tax preparation companies. This year we attended courses designed to improve the protection of our firm and your confidential data.

One of the mandatory changes we are implementing immediately is our new “no-click” policy combined with a new information transfer policy. Because so many electronic intruders get in via email attachments, our firm has instituted our national tax professional security advisor’s recommendations and implemented a “no-click” e-mail policy. This means we will not open any documents that you have sent us via email-a mandatory solution, which when combined with our latest security software and other steps makes it extremely difficult for electronic intruders to get through our defenses.

This brings the question about how you will transfer data to us, and vice versa. We now will accept data from you in 5 ways: mail (via US Mail), Fed-ex, drop-off, fax, or upload to your Client Portal using File Exchange. We know these changes will cause some hassle on your (and our part) but it is the best way to protect your and our confidentiality.

Client Portal Passwords

You already use NetClient CS® — our secure, personalized client portals — to access your information and provide information to us. We're pleased to announce the following enhanced portal security features for your NetClient CS account:

After 30 minutes of inactivity, your NetClient CS sessions will time out. You will need to re-enter your login credentials to continue working. Note that processes such as long print jobs will continue during the timeout.

Your password will now expire after 90 days. In addition, your password must contain at least eight characters, including at least one uppercase character, one lowercase character, one numeric character, and one special character (such as @, #, or $). You can make your NetClient CS accounts even more secure by creating a password that's longer than eight characters.

If your current password doesn't meet the enhanced requirements, NetClient CS will prompt you to update it the first time you log in after Thursday, November 17, 2016.

Affordable Care Act

All Americans will be affected in some manner by the Affordable Care Act from 2010 (Some people call it Obamacare). One of the requirement is that all taxpayers must be covered by health insurance or pay a penalty, and this is proven through the release of Form 1095. ***If you received a Form 1095 from any issuer or agency we MUST have all copies to prepare your tax return.***

Health Care Deductions

2013’s tax bill reduced your deduction for medical costs, including health insurance, for 2016. We will see very few deductions available for medical costs now unless you have substantial bills. The amount of your medical expenses in most cases must now be more than 10% of your income before we can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed we still need to know how much you paid for health insurance.

Charity
ALL deductions of any amount must have a receipt. Any individual contribution over $250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over $250, and should also state that no goods or services were received in return for the contribution. *Remember if you charge a charitable contribution to a credit card by 12/31/2016 we are able to deduct it in 2016!*

Foreign Accounts
If you have read any news in the last year you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value over $10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mortgage Interest
We must obtain Form 1098 from you when you pay mortgage interest. Additionally, we must obtain refinancing closing statements, and if you drew money out on a home mortgage or refinancing we must have general information on the use of the money according to the IRS.

Rental Property
If you own rental property, this year the IRS has demanded substantially more information. We now need, ***FOR EACH PROPERTY SEPARATELY***, the physical location, the type of property (single-family, duplex, etc), and Forms 1099-K received, and a record, by property of the number of days rented and the number of days used for personal purposes.

Roth IRA Conversions
You will continue to hear from lots of “experts” this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2016 without coming in to see us for an appointment to discuss both the positives and negatives. ***All conversions for 2016 must be completed by December 31, 2016.***

Other Income
If you have any income from AirBNB, Turo, Etsy, EBay or similar consumer to consumer programs, please let us know because many income tax rules are affected and few of these sites provide you with adequate tax information. Our engagement letter also discusses this concern.

Filing Timetable
Our normal turnaround time from the date we receive your tax information to the date the returns are sent back to you is less than 3 weeks during early and mid-tax season. As the filing due date approaches, the turnaround time will be longer. Please submit your tax information by March 1, 2017 to allow us the appropriate amount of time to properly complete your returns and send them to you by the tax filing due date.

If you have a more complex tax return (such as rental property sale, like-kind exchange, multiple states or a large number of investment transactions), please allow additional time to properly prepare your returns.

Rest assured that any tax information packets that include your completed and signed Tax Questionnaire, received after the point where we can complete the returns by the due date, will be placed on an automatic 6-month extension of time.

We will do our best to complete any returns placed on extension promptly, and will continue to work on returns in the order they were received. Due to our work load, changes in deadline scheduling, and the quality and care necessary to prepare your returns, you should expect to receive the completed returns during the month of May or early June. Thank you for your understanding.

Tax Preparation Cost

This year our minimum tax preparation fee for a basic 1040, resident state, and local will be $275. Per form charges will be incurred beyond the basic return.

Due to the Affordable Care Act requirements that affect most clients (under age 65), we can no longer provide tax services for less than our minimum charge.

We understand that this may cause a burden for some of you, but we feel that the minimum fee must be maintained in order to provide you with the additional services and skills needed to comply with the new laws.

Our fees are still in line or lower than the national chain tax preparation services.

Tax Return Filing Extension

This extension will alleviate the IRS and state penalty for late filing. If you have a balance due, late payment penalty and interest will still apply.

Tax Interview

We recommend a meeting if you have had any major changes during 2016, or are expecting major financial changes in 2017 such as retirement, inheritances, etc.

Client Portal Access

As part of our efforts to control costs, strengthen security, and provide better more efficient services to you, we will be providing you access to your completed tax return copies and other support documentation that you have submitted to us, through the “Client Portal Access” section of our website. For those of you who still want paper copies, we can provide those to you upon request.

“Client Portal Access” and “eSignature authorization” can only be provided if we have your email address. Please enter your email address (and your spouse’s email address if applicable) below your signature on the Tax Questionnaire and the Engagement Letter Summary Sheet.

Visit Our Website

Additionally, take advantage of the services included in your fees and visit our website www.mayolocpa.com. It has many helpful resources and information. Our website also includes a free monthly newsletter which you can subscribe to. Also, please check out the “News” section of our website to stay current with recent developments.

Use our “APP”

We also have a secure app called “Net Client CS” that can be downloaded from our website where you can review your tax returns and documentation in addition to many other features from your tablet or cell phone.

Tax Planning Services
In addition to our Tax Preparation Services, upon request, we can provide you with Tax Planning Services. We recommend that when you are getting your information to us for your 2016 Federal tax return that you set an appointment for an after tax season "Tax Tune Up" to examine tax, retirement, and estate planning strategies. If your income is over $200,000 it is essential that we meet for future tax planning services because of surtaxes.

As your team of tax advisors, we are there for your tax and financial needs all year long, not just during tax season. If your income or status changes in any way during 2017, such as; you got a new job, you retired, you cashed in a retirement plan, or sold investments, please call us for an appointment.

If you have any questions or problems at any time, please call us at 724-439-3455 or email pete@mayolocpa.com.

Thank you again for your continued support.

Peter J. Mayolo CPA
Your trusted tax advisor