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## 2016 Tax Year Update

**Tax Deadline: April 18, 2017**

### **Rates for 2016 Tax Returns**

Personal Exemption	\$4,050
Standard Deduction	\$6,300 (single) \$12,600 (married filing jointly)
Mileage Rates- Business	54 cents/mile (53.5 cents in 2017)
Charitable	14 cents/mile (14 cents in 2017)
Medical	19 cents/mile (17 cents in 2017)

### **Identification Required**

The IRS and state tax authorities are now requiring additional information to verify client identity. We are required to obtain a drivers license for all primary and secondary taxpayers (ie. taxpayer and spouse) and Social Security cards for all individuals listed on a tax return. Please be sure to send us **copies** of these documents when you send your tax information to us.

### **Possible Delayed Refunds**

The IRS and other tax authorities have been steadily increasing security safeguards in recent years in an effort to combat identity theft and refund fraud. To that end, the IRS has signaled that returns claiming the Earned Income Tax Credit and the Child Tax Credit may be delayed in processing to verify the reported information supporting the claims for the tax credits.

### **Foreign Bank Account Reporting – New Deadline to File is April 15, 2017**

The deadline to timely file the FBAR has changed this year to an earlier filing date of April 15<sup>th</sup>. (previously June 30<sup>th</sup>). All taxpayers that have a financial interest or signature authority in a financial account in a foreign country with an aggregate value of over \$10,000 on any calendar day in the tax year are required to file the Report of Foreign Bank Accounts (FBAR). Those required to file an FBAR who fail to properly file a complete and correct FBAR may be subject to a civil penalty not to exceed \$10,000 per violation for non-willful violations that are not due to reasonable cause. For willful violations, the penalty may be the greater of \$100,000 or 50 percent of the balance in the account at the time of the violation, for each violation. We can prepare this form for you, so please advise us if you think you are required to file.

### **NYS Residents – Sales and Use Tax**

Sales and use tax generally applies to products and services that you purchase within or outside New York that are delivered or used in the state and on which the seller does not collect sales tax. This can happen when you buy something through the Internet, by catalog, from television shopping channels, or on an Indian reservation. Individuals, estates, or trusts may report sales and use tax owed on personal income tax or fiduciary returns. Failure to report and pay sales and use tax may result in penalties and interest from the NYS tax authorities. Please let us know if you have purchases to report for the tax year 2016.

### **NYS Minimum Wage Increase**

From 12/31/2016 to 12/30/2017, the basic minimum wage is \$9.70 per hour in most of New York State. There are different minimum wage rates for: the fast food industry; Long Island; Westchester County; and large and small employers in New York City. Please contact us with any questions regarding minimum wages.

Effective December 31, 2016, the following minimum wage will be in effect:

- Workers in New York City, employed by large business (at least 11 employees) - \$11.00
- Workers in New York City employed by small business (10 employees or fewer) - \$10.50
- Workers in Long Island and Westchester Counties - \$10.00
- Workers in all other areas of the state - \$9.70

### **Important Annual reminders:**

#### **Foreign Source Income**

If you are a U.S. citizen with income from sources outside the United States (foreign income), you must report all such income on your tax return unless it is exempt by U.S. law. This is true whether you live inside or outside the United States and whether or not you receive a Form W-2 or Form 1099 from the foreign payer. This applies to earned income (such as wages and tips) as well as unearned income (such as interest, dividends, capital gains, pensions, rents and royalties). If you live outside the United States, you may be able to exclude part or all of your foreign source earned income.

#### **Update for Claiming Education Credits /Tuition Deductions**

This will be the second year that a payee statement (Form 1098-T) **must** be received before education credits or deductions can be claimed on your individual tax return. This is being mandated by the IRS. If you have paid tuition for yourself or your dependent in 2016, then we will need to see a copy of Form 1098-T, with a billing transcript if necessary, in order to complete your tax return. Many times Form 1098-T is only provided to the student online. Be sure to check the student's online account with the college if you do not receive this form in the mail.

#### **Dependent Children's Tax Returns**

Because of the provisions under the Affordable Care Act, we strongly advise that we prepare your dependent children's tax return, especially if that child is a student, to avoid any discrepancy that could cost hundreds to thousands of dollars in penalties or lost credits. This will insure that all information matches when the IRS electronically crosschecks returns.

Additionally, if your child(ren) choose to file their own tax returns and you take them as your dependents, they must indicate on their tax returns that they can be taken as a dependent on another taxpayer's tax return. Failure to do so will lead to unnecessary tax notices, with possible penalties and interest. Feel free to contact us with any questions.