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Newsletter

We would like to share some important information you may find useful.

September Deadlines

9/15: Extended Corporate and Partnership Tax Returns

9/15: Estimated Tax Payments

9/20: New York State Quarterly Sales Tax for the quarter of June 1-August 31, 2016

Free Application for Federal Student Aid

The Free Application for Federal Student Aid (known as the FAFSA) is a form that current and prospective college students (undergraduate and graduate) use to determine their eligibility for student financial aid.

There are two major changes to this program:

1. The 2017-18 FAFSA will be available earlier. The 2017-18 FAFSA can be filed as early as October 1, 2016, rather than beginning on January 1, 2017. The earlier submission date will be a permanent change.
2. FAFSA will accept earlier income and tax information. Beginning with the 2017-18 FAFSA, the program will request the 2015 income and tax information, rather than the 2016 information.

More information and FAQ can be found on the U.S. Department of Education blog.

Hobby or Business?

If an individual, partnership, estate, trust, or an S corporation engages in an activity that is not conducted as a for-profit business, deductions are limited to the amount of income from the activity. This rule does not apply to corporations, other than S corporations. If an activity is considered a for-profit business, deductions can exceed income, allowing the resulting loss to offset other income.

IRS rules state that if an activity is profitable in three of the last five tax years, including the current year, the presumption is it is carried on for profit, and the hobby loss limitations do not apply. If the activity consists primarily of breeding, training, showing, or racing horses, the IRS will presume it is carried on for profit if a profit is produced in at least two of the last seven tax years, including the current year.

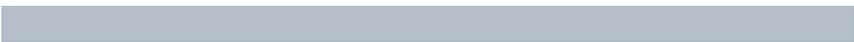
Reporting Hobby Income and Expenses:

Occasional profits from hobby activities are not subject to self-employment tax, and losses from hobby activities cannot be used to offset other income.

Hobby Income: Gross income for the purposes of the hobby loss rules equals gross receipts minus the cost of goods sold deduction. Hobby income may include capital gain, rent, and other income.

Hobby Expenses: Expenses related to hobby income are reported as itemized deductions on Schedule A.

Activities Not Engaged in for Profit: IRS examiners consider the following in their analysis to determine whether or not an activity is engaged in for profit:

- * Are there activities with large expenses and little or no income?
 - * Are losses offsetting other income on the tax return?
 - * Does the activity result in a large tax benefit to the taxpayer?
 - * Does the history of the activity show that it is generating any profit in any years?
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Expense Tracking Apps

We know that keeping track of business mileage and expenses can be time consuming. Thankfully, there are a new wave of expense tracking apps designed with the sole proprietor and independent contractor in mind. These apps help keep track of expenses, mileage and revenue right on your smart phone! Some apps use GPS to create incredibly accurate mileage logs and the data can be exported and emailed in an excel spreadsheet. Here are a few to consider:

Everlance (free)	https://www.everlance.com/#/
TaxPocket (free)	http://taxpocket.com/
MileIQ (free trial)	http://www.mileiq.com/

As always, if you have any questions, or need additional information, please contact our office.

Sincerely,

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Zulch Tax Consultants & Accountants