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Dear Client,

We all hope your holiday season was joyful. It's time to start getting ready for 2016 income taxes.

We are once again making our tax organizers available, for free, to anyone who requests one. Personalized organizers for prior clients are available from the office, please call or email [michelle@ttatax.com](mailto:michelle@ttatax.com) at your convenience. Several blank organizers for various activities are available on our website. [www.ttatax.com](http://www.ttatax.com) You will also find numerous other helpful forms, letters and handouts. We request that you provide us with the originals of official forms W-2, 1099s, etc., so we can know what the agencies have been told. Please summarize your deductions and expenses. Please be very clear about any estimated tax payments listing date, payment period and amount and/or enclosing copies of the cancelled checks. We are storing all client materials in locking files when we are not actively working on them. Please do not leave us large quantities of supporting documents we don't need. We want to bring some special items to your attention below.

#### **Affordable Care Act**

All Americans will be affected in some manner by the Affordable Care Act from 2010. IRS has again delayed the due date for issuance of Forms 1094 A, B & C. So to be able to serve you promptly we may request that you complete a form affirming you had the appropriate coverage. As you receive Forms 1095 A, B & C please provide them promptly. The forms which were added will also add significant time and additional tax preparation fees should they be applicable in your circumstance.

#### **Health Care Deductions**

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. Please list long term care insurance separately from other medical expenses and insurance. 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. We do not need to see these letters, but you should have them in your files. Please give us a summary.

#### **Foreign Accounts**

If you have read any news in recent years, 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. We do not file Form FinCen 114, or other forms or reports that may be required but you may be required to do so.

#### **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.

#### **Children/Student Tax Returns**

It will be best to carefully monitor the tax returns of your dependent children or college students. Due to the Affordable Care Act there can be lost opportunities and penalties if the tax returns are not prepared correctly. We will be happy to prepare their returns and/or review them before they are filed.

### **Rental Property**

If you own rental property, 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. You will also need to adopt the safe-harbor language for fixed assets purchased during 2015. If you are a **real estate professional** you are required to issue Forms 1099-MISC to contractors who worked on your property(ies) by **Jan 31, 2017**. There are significant new penalties for unfiled or inaccurate Forms 1099-MISC.

### **Businesses**

Whatever size, a business must have appropriate books and records. If you are unsure if your records are adequate, please consult with us. Additionally you must adopt the safe-harbor capitalization policy or risk the requirement to capitalize every tiny purchase of supplies and equipment. We can provide you the safe-harbor language to put in your business files and company records.

### **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 also disadvantages that carry some major tax consequences. Please do not convert your accounts in 2017 without coming in to see us for an appointment to discuss both the positives and negatives.

### **Gift Changes**

Effective 1/1/2013, the amount you may give to one person in one year without any return filing requirements was increased to \$14,000. Very, very few Americans need to worry about estate taxes because of changes in the estate tax limit for both Federal and MD.

### **Surtaxes**

When the surtaxes on higher income individuals were passed, Congress purposefully did not adjust the thresholds for inflation, and in a few years, over 50% of all Americans will pay these surtaxes based on estimated inflation rates. Begin planning now by -in order- maximizing 401-K contributions; utilizing employer-sponsored cafeteria plans to their fullest limit; investigating and using employer sponsored fringe benefits such as child care and education; turn in job expenses for reimbursement; and consider your marital status as your income increases because of the incredible marital penalty built in to the surtaxes.

If you receive any Form 1099-K please be sure to bring it to us, it may have a direct impact on your return.

Each year we look back and analyze the past year in our office. I hope you have found us to be responsive and helpful. If not, please let me know. We also consider time invested in training and keeping up to date with current tax law and regulation. We have tried to keep our fees in-line with other business costs from year to year. This year we find we will need to make a substantial increase to our fees of 10+ percent.

Due to the continuing complexity of tax law we are requesting everyone to try to have their tax information in to us no later than March 20, 2016. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Sincerely,

*Marion R. Thompson*

Marion R. Thompson, CPA

President

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