Tax Tips

Keeping you informed summer 2017

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Are You Withholding the Right Amount?

Receiving a tax bill or huge refund?

In some years you may owe the IRS money; in other years you may receive a huge refund. If this happened to you recently, it might be a good time to reassess whether you're withholding the right amount from your paycheck. For returns filed in 2016, the average federal tax refund was $2,860. Sounds great, right? But instead of giving the government an interest-free loan, you could have been using that money throughout the year.

Examine the amount of federal and state withholding that's being deducted from your paycheck.

I can help you determine whether the amount withheld is too low, resulting in tax due (with possible penalties), or too high, resulting in a larger than necessary tax refund. Together, we can fine-tune your withholding to ensure that you get the best result for your situation next year.

Contributing to a Retirement Plan Can Save You Money

Reduce your taxable income while building a nest egg

Investing the maximum allowable contribution per year to a retirement account is a great way to reduce your taxable income. Below, are several types of accounts that are available to taxpayers.

Traditional 401(k) Plans

401(k) plans are a common way for businesses to help employees save for retirement. Traditional 401(k) contributions are not considered taxable income, so investing in a 401(k) is a great way to invest in your retirement while also cutting your taxable income for the year. Amounts invested in this type of account are not taxed until they are distributed.

If your employer matches your 401(k) contributions, you may want to consider investing the maximum amount allowed for 2017, which is $18,000 for those under the age of 50 and $24,000 for those 50 and over. Keep in mind, these amounts are per individual. There is no such thing as a spousal 401(k).

Roth 401(k) Plans

If your employer allows you to put some or all of your 401(k) contribution in a Roth 401(k) account, you may want to consider doing so. Although there is no tax deferral with this type of contribution, it does grow tax free. Generally, distributions from a Roth 401(k) plan are not taxed. The contribution limits for a Roth 401(k) are the same as the limits for a traditional 401(k).

Traditional IRA Plans

Contributions made to a traditional IRA may be fully or partially deductible. Generally, amounts in your traditional IRA, including earnings and gains, are not taxed until distributed. If you'd like to potentially reduce your taxable income through this type of account, the contribution limits for 2017 are $5,500 if you are under age 50 and $6,500 if you are age 50 or older.

Roth IRA Plans

A Roth IRA is an IRA that is mostly subject to the same rules that apply to a traditional IRA. The main difference is that you cannot deduct contributions to a Roth IRA. The same yearly contribution limit applies to all of your Roth and traditional IRAs, but note that your Roth IRA contribution might be limited based on your filing status and income. The contribution limits for a Roth IRA account for 2017 are the same as the limits for a traditional IRA.

If you need help determining which account is right for you, I would be happy to assist you.

Other Tax-Saving Options

There are many ways to save

Like retirement plans, there are additional education and healthcare related plans that may help you lower your taxable income.

529 Education Savings Plans

529 plans are operated by a state or educational institution and offer tax advantages and potential incentives. These plans make it easier to save for college for a designated beneficiary, such as a child or grandchild. When used for qualified education expenses, earnings are not subject to federal tax and are generally not subject to state tax. Your contributions are limited to the amount necessary to provide for the qualified education expenses of the beneficiary. This will be different based on the circumstances of your family. Be aware, though, that contributions to 529 plans are considered gifts. If you give more than $14,000 to any one beneficiary, you may have to file a gift tax return.

Health Savings Accounts (HSAs)

Is your health insurance a High Deductible Health Plan (HDHP)? If so, you are likely able to contribute to an HSA. An HSA is a tax-exempt trust or custodial account that is set up with a qualified HSA trustee to pay or reimburse certain medical expenses you incur. There are several tax benefits to contributing to this type of plan. For example, you can claim a tax deduction for contributions you or someone other than your employer make to your HSA, even if you don't itemize your deductions. Additionally, contributions to your HSA made by your employer may be excluded from your gross income. The account grows tax free, and distributions for qualified medical expenses are exempt from income taxes as well.

There are certain qualifications you must meet to open one of these accounts, as well as yearly contribution limits.

There Are Countless Ways to Save!

Making contributions to the accounts above are just a few ways to lower your taxable income. Other methods that may potentially lower the income that's reported on your return include giving to a charity, paying your property tax bill early and making energy-efficient upgrades to your house. If you need help in determining the best way to reduce your income, I'm more than happy to help!

Protect Yourself From Identity Theft

Tips for keeping yourself safe from threats

There is no shortage of scams targeting both tax professionals and taxpayers. Due to the recent rise in identity theft cases, it's important to be proactive about protecting yourself from these threats. The information below details some steps you can take to keep your sensitive data safe from identity theft.

Quick Protection Tips

Here are some tips to protect yourself from becoming a victim:

- Don't carry your social security card or any documents that include your social security number (SSN) or individual taxpayer identification number (ITIN).
- Don't give a business your SSN or ITIN just because they ask. Give it only when required.
- Protect your financial information.
- Check your credit report every 12 months.
- Annually review your Social Security Administration earnings statement.
- Secure personal information in your home.
- Protect your personal computers by using firewalls and anti-spam/virus software, updating security patches and changing passwords for Internet accounts.
- Don't give personal information over the phone, through the mail or on the Internet unless you have initiated the contact or you are sure you know with whom you are dealing.

Identity Theft

Steps to take if you become a victim

If your tax return is rejected because of a duplicate filing under your SSN and you haven't filed already, you may be a victim of tax identity theft. If this occurs, you need to report this to the IRS by following these steps:

- Download IRS Form 14039, *Identity Theft Affidavit*.
- Complete the form for each taxpayer that has been rejected. Note: In Section B, you'll be checking Box 1.
- Print the form and attach your correct tax return and form of identification.
- Mail or fax according to the instructions.

It may take several weeks for the IRS to process Form 14039, but once it's been processed, you'll receive an acknowledgment letter.

If a fraudulent return is already present on your account, the IRS will send your case to the Identity Theft Victim Assistance (IDTVA) organization where it will be handled by employees who have specialized training.

Generally, you'll receive notification that your case has been resolved within 120 days. Complex cases may take 180 days or longer.

Most tax-related identity theft victims will be placed into the Identity Protection PIN program and annually receive a new, six-digit IP PIN that must be entered on the tax return. The IP PIN adds an extra layer of identity protection.

Also note, the Federal Trade Commission (FTC) recommends that all victims of identity theft take the following steps:

- File a complaint with the FTC at identitytheft.gov.
- Contact one of the three major credit bureaus to place a fraud alert on your credit records:
  (1) Equifax, Equifax.com, 800.766.0008;
  (2) Experian, Experian.com, 888.397.3742; or
  (3) TransUnion, TransUnion.com, 800.680.7289
- Contact your financial institutions and close any financial or credit accounts opened without your permission or tampered with by identity thieves.

I'm here to advise you through this process. Please give me a call if you become a victim.

Reasons to Stick With a Tax Pro

Having a tax pro saves you time and money

Like it or not, tax season comes around each and every year. And with it comes annual changes to the tax law, making it more and more complicated. Therefore, it's important to rely on a tax professional to guide you through filing your taxes. This not only saves you time, but also money.

I welcome the opportunity to serve you year after year. Below, I've detailed some of the reasons why it's important to stick with a tax professional rather than self-preparing your return.

You Save Money

Tax professionals are educated on the various deductions that you can take on your return.

Spotting even the tiniest deduction can save you big money on your return and get you the largest refund possible.

You Save Time

It goes without saying—time is money. Some returns can take countless hours to calculate. Save yourself the hassle of preparing your own return by turning to an expert.

The Tax Code is Tricky

The tax law is in a state of flux. With more changes on the horizon, it's important to rely on the services of a tax professional whose job it is to stay current and informed on all the changes.

Mistakes Can Be Costly

Ensuring that your return has the proper deductions and is calculated accurately is your tax professional's job. Incorrect reporting of deductions or income can create substantial financial and legal implications. Avoid your chances of audit by using a tax professional.

I Can Help You Make Tax-Saving Decisions

By turning to the services of a tax professional, you're able to receive tax-saving advice throughout the year. I'm here to work with you through tax season and beyond.

Protection From Audits

If you receive a letter from the IRS or find out that you're being audited, you can always turn to your tax professional for expert advice on how to resolve the issue. This keeps you secure and properly represented.

As always, I'm here to help, and look forward to serving you.