

# 2017 Tax Guide



# Find A Quality CPA

A certified public accountant (CPA) can be your best friend when it comes to filing your taxes. Given the numerous changes to tax guidelines and provisions that are announced every year, it's in your best interest to put your accounting needs into the hands of a certified professional.

Doing so will give you the confidence that you have met all of the Internal Revenue Service's requirements and compliance specifications.

## WHAT IS A CPA?

Certified public accountants undergo various intensive, multi-step trainings to ensure their total understanding of the various portions of the tax code and how they impact your return. They also are required to partake in ongoing professional development engagements to make sure they remain current on the aforementioned annual IRS updates.

Finding a credible CPA who has the bandwidth to take on your project isn't difficult. Start by asking your friends and family members who they use. Any public accountant will tell you that referrals play a big role in the growth of their practice, so take these recommendations seriously.

## WHY DO YOU NEED ONE?

Take a look at your individual financial situation this year. Are you a small business owner dealing with the complexities of the Affordable Care Act requirements? Are you a freelance professional with a long list of clients sending you 1099 forms? These are just two examples of profes-



sionals facing complicated tax situations that would be better handled by a CPA this tax season.

When looking into hiring a CPA for your tax needs, The American Institute of Certified Public Accountants recommends asking these questions:

- Does the individual hold

an active CPA license?

- Are your needs compatible with the CPA's personality and communication style?
- Does the CPA have the experience you need?

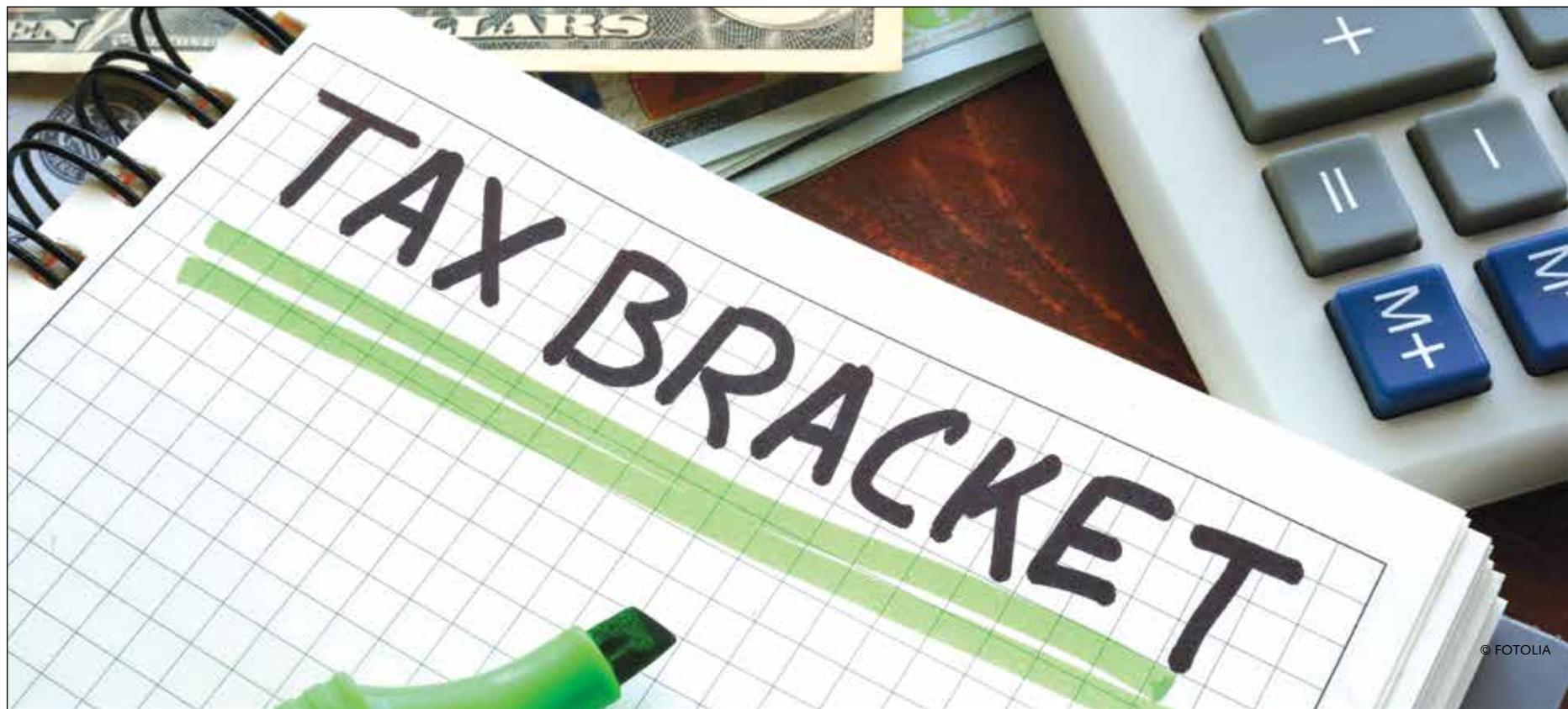
## OTHER WAYS TO FIND A CPA

Check out your local newspaper's classified and business

sections for local CPAs posting any new advertisements. This is a busy time of year for CPAs with tax season right around the corner, so you should find plenty of newspaper ads, billboards and television commercials announcing services from CPA offices in your neck of the woods.

You also can use the

American Institute of Certified Public Accountants' website tool "Find a CPA" to find the professional who fits your specific situation. Some accountants specialize in business clients, while others primarily handle individuals. Make sure the CPAs you are considering meet your needs and expectations.



# 2017 Tax Rates

Every year, the Internal Revenue Service announces the annual inflation adjustments for a number of provisions for the year, including tax rate schedules, tax tables and cost-of-living adjustments for certain tax items.

The following facts and figures are applicable for the tax year 2017, which means they are effective Jan. 1, 2017 (not the numbers and rates you need to know to prepare your 2016 tax returns in 2017).

## STANDARD DEDUCTIONS

Here is information on standard deductions for the 2017 tax year, according to the IRS:

- The standard deduction for single taxpayers and married couples filing separately is \$6,350 in 2017, up from \$6,300 in 2016.
- For married couples filing

jointly, the standard deduction is \$12,700, up \$100 from the prior year.

- For heads of household, the standard deduction is \$9,350 for 2017, up from \$9,300.
- For 2017, the additional standard deduction amount for the aged or the blind is \$1,250.
- The additional standard deduction amount is increased to \$1,550 if the individual is also unmarried and not a surviving spouse.
- For 2017, the standard deduction for a taxpayer who can be claimed as a depen-

dent by another taxpayer cannot exceed the greater of (a) \$1,050 or (b) \$350 + the dependent's earned income.

## OTHER CREDITS

There are a host of changes to credits affected by your life situation. Here are a few of the most notable from the IRS:

### EARNED INCOME TAX CREDIT (EITC)

- For 2017, the maximum EITC amount available is \$6,318 for taxpayers filing jointly who have three or more qualifying children.

## CHILD AND DEPENDENT CARE CREDIT

• For 2017, the value used to determine the amount of credit that may be refundable is \$3,000 (the credit amount has not changed). This is the value of the expenses used to determine the credit and not the actual amount of the credit.

## ADOPTION CREDIT

For 2017, the credit allowed for an adoption of a child with special needs is \$13,570, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,570.

## STUDENT LOAN INTEREST DEDUCTION

For 2017, the maximum deduction for interest paid on student loans remains at \$2,500.

## MEDICAL SAVINGS ACCOUNTS

For 2017, the term "high deductible health plan" means, for participants who have self-only coverage in a Medical Savings Account, an annual deductible that is not less than \$2,250 but not more than \$3,350. For self-only coverage, the maximum out-of-pocket expense amount is \$4,500.

# Armed Forces Tax Breaks

According to the Internal Revenue Service, members of the military and their families can benefit from special tax breaks that include miscellaneous provisions and larger refunds.

Most military bases offer free tax preparation and filing assistance during the tax filing season, while some even offer free tax help after the April deadline. If you're leaving the military and looking for work in the civilian sector, you may be able to deduct job search expenses, such as travel costs, resume preparation and job placement agency fees.

If you're interested in finding out about these types of benefits, check out IRS Publication 3, Armed Forces Tax Guide. The free booklet is packed with valuable information and tips designed to help service members and their families receive the tax benefits allowed by law.

Here are a few of these benefits, as outlined by the IRS:

- Combat pay is partially or fully tax-free. Service members serving in support of a combat zone may also qualify for this exclusion.

- Reservists whose reserve-related duties take them more than 100 miles from home can deduct their unreimbursed travel expenses.

- The Earned Income Tax Credit may be worth up to \$6,269 for low- and moderate-income service members.

A special computation method is available for those who receive nontaxable combat pay.

- Service members who con-



tribute to a retirement or savings plan, such as the Thrift Savings Plan, may also be able to claim the Retirement Savings Contributions Credit.

- U.S. service members stationed abroad are automatically eligible for an automatic extension to file a federal income tax return.

- If one spouse is absent due to certain military duty or conditions, the other spouse may be able to sign for him or her, whereas both spouses normal-

ly must sign a joint income tax return. Ask your military installation's legal office for any help or clarification on this potential benefit.

# Avoid a Refund Delay

There are many steps you can take to ensure an on-time bank deposit or check. The first is to avoid common mistakes that can get in the way of getting your money.

According to the Indiana Department of Revenue, these pitfalls include:

- **Missing schedules.** Be aware of all of the schedules required to submit your tax return. There are different schedules for different forms, and if you forget to submit specific documentation, your refund could be delayed by several weeks.

- **Wrong address.** Forget to update your address after your last move? This may delay the receipt of your refund.

Fortunately, updating your address is easy and can be done on some states' government websites.

- **Missing info.** Many tax payer simply forget to include their W-2s. Missing documents means a drawn-out refund process because the government has to contact you to request them.

## PREPARATION IS KEY

Being prepared come tax time is simple and can pay off in the end. Remember to reach out to your accountant before meeting with him if you have any questions.

For example, there may be a new schedule or document required for your specific needs. Knowing this ahead of time can help keep your tax preparation process on track and your refund on schedule.

## CHANGES TO REFUND SCHEDULE

If you claim the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) on your tax return, the IRS must hold your refund until Feb. 15, according to the IRS.

This is an updated specification with your security in mind. The change is designed to ensure that you receive the refund you are owed by giving the IRS more time to help detect and prevent any potential fraud related to your return.



Receiving a robust refund is the best part of tax season. How do you make sure you're getting your money on time without a lengthy delay?

# Charitable Contributions

**W**ere you charitable in 2016? If so, there are many ways you can deduct your contributions to lighten your tax burden. How and why you decide to do so depends on your goals and financial situation.

Regardless of the amount you have contributed, the Internal Revenue Service requires you to maintain a bank record, payroll deduction record or written communication from the charitable organization receiving your donation. Keeping these materials is necessary should you deduct a contribution of cash, check or other monetary gift.

Here are four quick tips to keep in mind when it comes time to deduct your charitable contribution:

## KNOW YOUR FORM

There are specific steps to an official deduction, but they are relatively simple to perform. To deduct a charitable contribution, you must file Form 1040 and itemize deductions on Schedule A. If your goal is a legitimate tax deduction, then you must be giving to a qualified organization, according to the IRS.

## KNOW THE RULES

If you're looking to make a legitimate charitable contribution that can lead to a deduction, there are a few rules to keep in mind. The IRS prohibits you from deducting contributions made to specific individuals, political organizations and candidates. See IRS Publication 526, Charitable Contributions, for



rules on what constitutes a qualified organization.

## MERCHANDISE & FAIR MARKET VALUE

If you receive a benefit because of your contribution, such as merchandise, tickets or other goods and services,

you can deduct only the amount that exceeds the fair market value of the benefit received, according to the IRS. Fair market value is defined as the price at which property would change hands between a willing buyer and seller.

## CONSIDER YOUR TOTAL

There are figures to keep in mind when claiming deductions for contributions of cash or property. For contributions equaling \$250 or more, the IRS requires a bank record, payroll deduction records or written acknowledgment from the

qualified organization showing the amount of cash and description of property contributed. If your total deduction for all noncash contributions for the year is over \$500, you must attach IRS Form 8283, Noncash Charitable Contributions, to your return.



# The Taxpayer Bill of Rights

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The Internal Revenue Service takes the security of United States taxpayers seriously. Even though there are many safety nets in place to make sure you're not the victim of identity theft or fraud, it is still up to you to make sure you're fully protected.

With this responsibility comes understanding your rights as a U.S. citizen and taxpayer.

The following are the Taxpayer Bill of Rights, as defined by the IRS:

- The right to be informed.
- The right to quality service
- The right to pay no more than the correct amount of tax

- The right to challenge the IRS's position and be heard
- The right to appeal an IRS decision in an independent forum
- The right to finality
- The right to privacy
- The right to confidentiality
- The right to retain representation
- The right to a fair and just tax system.

## BREAKING DOWN THE BILL

The concept behind each of the rights on the Bill of Rights is simple to understand and follow. Here are some of the basic tenets you need to know. (For the full descriptions and more information, visit [www.irs.gov/taxpayer-bill-of-rights](http://www.irs.gov/taxpayer-bill-of-rights).)

**The right to be informed:** This bill explains that taxpay-

ers are entitled to clear explanations of the laws and IRS procedures. This right spans all tax forms, instructions, publications, notices and correspondence. Reach out to the IRS if you feel you have not received clear explanations of any tax outcome or situation.

**The right to challenge the IRS's position and be heard:** Taxpayers can object to for-

mal IRS actions or proposed actions and expect that the IRS will consider their timely requests in a fair, prompt manner.

**The right to finality:** This is the right to know the maximum amount of time a taxpayer has to challenge the IRS's position, as well as the maximum amount of time the IRS has to audit a particular tax year.

# Bundled Services

**W**hen it comes time to manage your finances, many people wait until tax time to rely on the services of a certified public accountant. But did you know that accountants can help you stay on top of your income and expenses throughout the year?

Many accounting firms offer bundled services that afford you the breadth of their expertise and services for one monthly fixed fee. This can be an especially valuable service for small business owners, work-from-home professionals and everyday American workers with moderately complex tax situations.

These bundled services can include tax, bookkeeping, consulting and payroll services that can make managing your money and expenses easier. In the end, having these types of services at your disposal also can result in more seamless processes come tax time.

## REDUCED EXPENSES

When using a certified public accountant, you are paying for their services and expertise, but you also are paying for their time. Bundled services can help lessen your overall expenses depending on how often you need advice and counsel from your CPA.

These types of monthly arrangements eliminate billing by the hour for tax, bookkeeping, consulting and accounting services, or even receiving a bill for hundreds of dollars for a relatively simple tax question.

## BUSINESS SERVICES

Running a business is more



complicated today than ever before. Changes to tax laws and requirements can leave business owners in the dark when it comes to confidently handling their own tax situations.

Bundled services take the complexities out of managing payroll, tax planning,

accounting, bookkeeping, financial reporting and tracking. You can leave this all to your accounting firm and be secure in the knowledge that you're getting your money's worth.

## CONSULTING

Where bundled services

really come in handy is in the area of consulting. Have you had a tax question in the past but were hesitant to set up an appointment due to the potential costs of engaging with your accountant?

Bundled services can help you feel more comfortable in reaching out with your payroll

or accounting issues. That's because you'll know exactly what you're paying before you even reach out.

Check with local accounting firms to see if they offer bundled service packages. Even if it's not on their services list, this is something they may consider adding to help you.