

Tax Tips

Keeping You Informed • Winter 2016

The Rise of Identity Theft and Tax Scams

How to avoid being a victim

Each year, tax scams seem to run more and more rampant, making proper security and privacy protocols critically important. According to the Bureau of Justice statistics, approximately 1 in 18 Americans have their identities stolen each year. With such a consistent rise in identity theft and tax scams, it's imperative that you keep your information safe and secure from criminals, not only in a work setting but also in your personal life.

The most common form of identity theft is the use of personal information to fraudulently obtain government benefits and tax refunds. There are a variety of ways identities can be stolen, such as by accessing existing financial accounts, creating new accounts with stolen credentials, through internet services and by social impersonation.

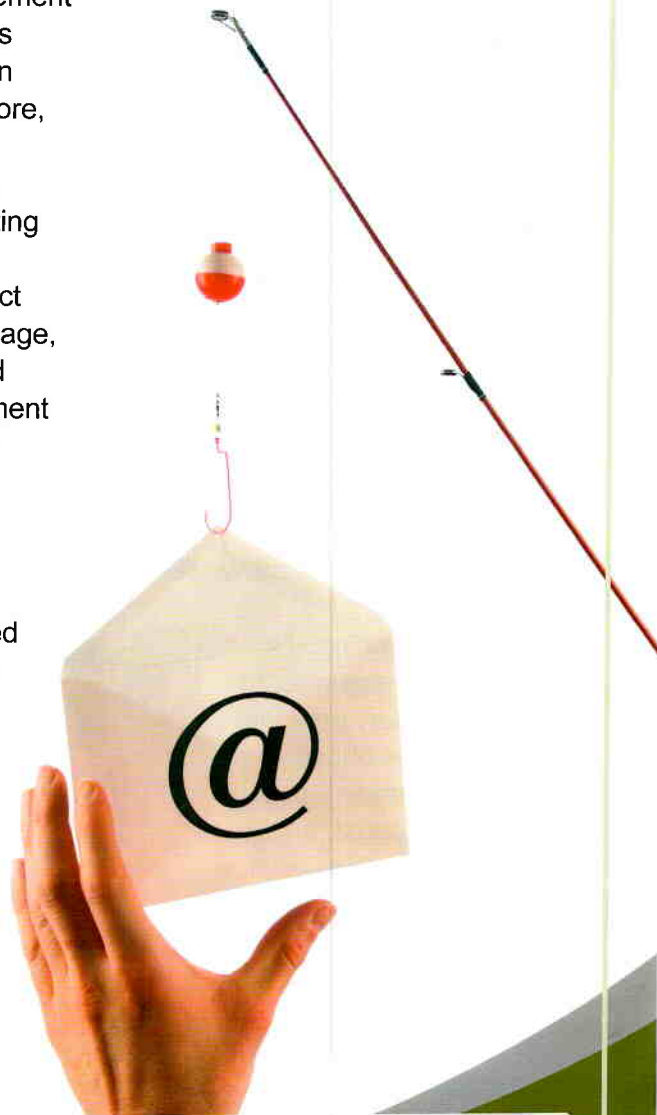
The consequences of identity theft can be devastating and can cause an array of financial losses. Scammers can gain access to accounts that access money,

including bank accounts, retirement accounts, investment accounts and PayPal accounts. This can ultimately affect your credit score, which can take years of hard work to restore. When dealing with credit score damage, getting financing for anything can be virtually impossible. It can affect major purchases (home mortgage, auto loans, college tuition) and lines of credit (home improvement or furniture, clothing or jewelry purchases).

Here are some methods often used by scammers:

- **Scare tactics.** Sophisticated hoaxers try to scare people into making immediate payments. They may threaten arrest, deportation or the revocation of your driver's license or professional license if you don't pay. Emails from scammers will often contain a fake IRS document with a phone number or email address to reply to.

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- **Caller ID spoofs.** Scammers are known to alter caller IDs to make it appear that the IRS is calling. Callers will use IRS titles and fake badge numbers to appear legitimate. They may use online resources to get your personal information to make the call sound official.
- **Fake IRS letterhead.** Scam artists will copy official IRS letterhead to use in email or regular mail sent to victims.

Keep in mind, the IRS will never:

- Call you about your tax bill without first sending you a bill in the mail.
- Demand that you pay taxes and not allow you to question or appeal the amount that you owe.
- Require that you pay your taxes a certain way. For instance, require that you pay with a prepaid debit card or any specific type of tender.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in police or other agencies to arrest you for not paying.
- Threaten you with a lawsuit.

More than anything, it's important to remember to never give away personal information by phone or email to an untrusted or suspicious source. If you have any questions on how you can protect yourself from identity theft, please let me know.

The Advance Premium Tax Credit

Be sure to report changes in circumstance to avoid receiving too much or too little

If you purchased 2016 health care coverage through the Health Insurance Marketplace, you may have chosen to have advance payments of the premium tax credit paid to your insurance company to lower the monthly premiums. If this is the case, it's important to let the Marketplace know about significant life events, also known as changes in circumstance.

These changes may affect the premium tax credit. Reporting the changes will help you avoid getting too much or too little advance payment of the premium tax credit.

Changes in circumstance that should be reported to the Marketplace include:

- An increase or decrease in income.
- Marriage or divorce.
- The birth or adoption of a child.
- Starting a job with an employer that offers health insurance.
- Gaining or losing eligibility for other health care coverage.
- Change of residence.

Please let me know if you have any questions regarding the premium tax credit.

IRS Relaunches IP PIN Tool

Things to keep in mind if you were a victim of identity theft

The IRS has relaunched the Get an Identity Protection Personal Identification Number (IP PIN) tool with a stronger authentication process to help protect taxpayers. An IP PIN is given to taxpayers who are confirmed identity theft victims and to certain taxpayers who opt into the program. The six-digit IP PIN adds an additional layer of protection for the social security number.

The relaunched tool uses a multi-factor authentication process that will help prevent automated attacks. If you are a confirmed identity theft victim or have opted into this program, keep an eye out for an IP PIN notice in the mail. Also, remember to provide me with this notice when you receive it.

In addition, if you were or believe you may have been a victim of identity theft in early 2016, here are some tips to help you prepare for the next tax season:

- Check credit reports.
- If you moved, be sure to file your change of address with the IRS using Form 8822.
- File early in 2017.



Eligibility Requirements for Two Popular Tax Credits

IRS requires me to ask you more questions

In an effort to prevent taxpayers from improperly claiming the Child Tax Credit (CTC) and American Opportunity Tax Credit (AOTC), the IRS is implementing additional preparer due diligence requirements and requesting preparers to verify more information from clients who may be eligible to claim these credits. Because of these new requirements, I'll be asking more questions to verify your eligibility. Following are some of the "tests" I'll use to determine whether you qualify.

The CTC is a tax credit that may be worth as much as \$1,000 per qualifying child, depending on your income. To qualify for this credit, a child must pass these six tests:

- **Age Test.** A child must have been under age 17 at the end of 2016.
- **Relationship Test.** The child must either be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendent of any of these individuals, which includes your grandchild, niece or nephew.

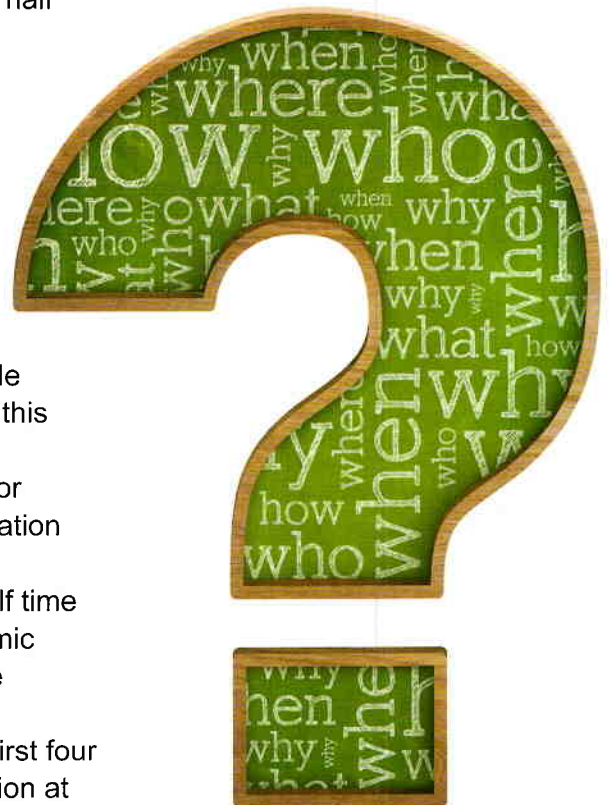
- **Support Test.** The child must not have provided more than half of his or her own support.
- **Dependent Test.** You must claim the child as a dependent on your federal tax return.
- **Citizenship Test.** The child must be a U.S. citizen or national, or a resident of the U.S., Canada or Mexico.
- **Residence Test.** Generally, the child must have lived with you for more than half of 2016.

The AOTC is a credit for qualified education expenses paid for an eligible student for the first four years of higher education. You can get a maximum annual credit of \$2,500 per eligible student. To be eligible for this credit, the student must:

- Be pursuing a degree or other recognized education credential.
- Be enrolled at least half time for at least one academic period beginning in the tax year.
- Not have finished the first four years of higher education at the beginning of the tax year.
- Not have claimed the AOTC or the former Hope credit for more than four tax years.

- Not have a felony drug conviction at the end of the tax year.

In addition to the eligibility requirements above, there are also income limits for claiming these credits. I can help you determine whether your income qualifies you for these credits.



Quick Tips

- 1 If you have self-only coverage in a Medical Savings Account for 2016, the plan must have 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 remains at \$4,450. The floor for the annual deductible remains at \$4,450 for participants with family coverage; however, the deductible cannot be more than \$6,700. For family coverage, the out-of-pocket expense limit remains at \$8,150 for tax year 2016.
- 2 For tax year 2016, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$111,000, up from \$110,000 for tax year 2015.
- 3 For tax year 2016, the foreign earned income exclusion is \$101,300, up from \$100,800 for tax year 2015.
- 4 Estates of decedents who die during 2016 have a basic exclusion amount of \$5,450,000.

IRS To Delay Certain Refunds *Important info for those claiming the Earned Income Tax Credit*

Per the recently enacted *PATH Act*, refunds for returns claiming the Earned Income Tax Credit (EITC) and Additional Child Tax Credit (CTC) will not be released from the IRS until February 15. This change will take effect this upcoming tax season.

The IRS will start processing tax returns once the filing season begins (no change from prior years); however, returns claiming the EITC or CTC may take up to four weeks to process.

If you claim either of these credits and usually file early, plan on a slight delay in receiving your refund next year.

If you are not claiming either of these credits and are entitled to a refund, you can expect it in the normal time frame. The IRS issues most refunds in less than 21 calendar days.

If you have questions, please give me a call.

Paying Your Taxes in Cash *IRS offers new cash payment plan*

The IRS announced a new payment option for individual taxpayers who need to pay their taxes with cash. In partnership with ACI Worldwide's OfficialPayments.com and the PayNearMe Company, individuals can now make payments at over 7,000 7-Eleven stores nationwide without needing a bank account or credit card.

Individuals wishing to take advantage of this payment option should visit the IRS.gov payments page, select the Cash option in the Other Ways You Can Pay section and follow the instructions. Here are a few things to keep in mind when using this feature:

- Taxpayers will receive an email from OfficialPayments.com confirming their information. This may take 2-3 days.
- Once the IRS has verified the information, PayNearMe sends the taxpayer an email with a link to the payment code and instructions.
- Individuals may print the payment code provided or send it to their smart phone, along with a list of the closest 7-Eleven stores.
- The retail store provides a receipt after accepting the cash, and the payment usually posts to the taxpayer's account within two business days.
- There is a \$1,000 payment limit per day and a \$3.99 fee per payment.

Because PayNearMe involves a three-step process, the IRS urges taxpayers choosing this option to start the process well ahead of the tax deadline to avoid interest and penalty charges.

If you owe taxes, here are a few additional tips and options you'll want to keep in mind:

- Pay your taxes in full. This will ensure that you avoid interest and potential penalties for late payments.
- The safest and easiest way to pay your taxes is through the IRS Direct Pay online option.
- If you owe more tax than you can pay, you may qualify for extra time (up to 120 days) to pay in full.
- An offer in compromise may allow you to settle your tax debt for less than the amount due. Certain restrictions apply, but it's worth checking out if paying your tax bill in full could cause financial hardship.
- Employees can avoid a tax bill by having more taxes withheld from their pay. To withhold more taxes, you'll need to file a new Form W-4 with your employer.

If you have any questions about your payment options, please let me know.

