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Mr. Bill will search everywhere for tax deductions that will benefit you!

November 2016

Happy Holidays to you and your family!

We are all in the thick of the holiday season! The office will soon be in the thick of Tax Season!!! In about a month we will send out our "preparation guide" letter and tax organizers, to those who request one. We do our best to minimize your tax liability and maximize your refund. As licensed tax professionals, we must follow all the federal and state tax laws when preparing your return. We appreciate your business and the opportunity to assist you with this basic "life task"! Please remember, we gear up for tax season and prefer to get your return done on time rather than wait until next fall. In order to better serve our current clients, we have made the difficult decision not to take on new clients this next tax season. We are ***not*** retiring ***nor*** selling our business and will continue to be here for you!

Security of your personal information is a top priority for us. We are required to use secure procedures when emailing and mailing sensitive documents. When you send something to us electronically, it is a good idea to also call the office to let us know. We get many scammy emails and are reluctant to open attachments unless we know they are real.

Our tax prep fees will increase approximately 10-15% over last year, when the return is substantially the same. Our costs for rent, staff salaries, utilities, supplies and our tax program continue to rise each year. Finally, a new administration is poised to take office next year. Many tax proposals have been bandied about. We can't predict what will stick and what won't. What we do know for sure is that Congress will have to pass new tax laws for anything to change.

Medical and Miscellaneous Deductions

Both of these categories are potentially available to taxpayers who itemize and each uses a "percent of Adjusted Gross Income (AGI)" to calculate the deduction the taxpayer is entitled to take.

For taxpayers under 65, medical deductions must exceed 10% of AGI (all of your taxable income minus certain adjustments). Only the amount over the 10% figure is deductible. That means if your AGI is $60,000, you will be able to deduct out-of-pocket medical expenses that ***exceed*** $6,000.00. Unless you are paying for your own insurance or had extremely high medical bills, it is probably not worth your time to gather this information. For taxpayers over 65, 2016 is the last year for the 7.5% of AGI threshold. Beginning with 2017 returns, all medical expenses will need to exceed 10% of AGI (under current tax law).

Oregon, however, allows a special medical subtraction for taxpayers age 64 (as of 31 December 2016) and older. If you are in this age group, it might "pay" to gather all of your qualified medical expenses such as co-pays, prescriptions, insurance premiums, etc.

Miscellaneous Itemized Deductions include union dues, unreimbursed business expenses, safe deposit box rent, tax preparation fees, investment account fees, etc. **Taxpayers can only deduct these expenses after they exceed 2% of AGI.** So our taxpayer with $60,000 of adjusted gross income would be able to deduct expenses after they exceed $1,200.00. Again, think about whether it is worth your time to gather these expenses.

The office will be closed 16-25 December 2016.

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Direct Giving to Charity from IRA's

Taxpayers 70 ½ or older qualify to give to charity directly from their IRA. The tax benefit is two-fold. You satisfy the annual Required Minimum Distribution and the amount given to charity does not count as income to the taxpayer (nor can you take a charitable contribution). For example, if your RMD is $10,000, you can opt to designate $3,000 to your church and $2,000 to your favorite non-profit cause. You report $5,000 of income on your taxes (the remainder of the RMD that comes to you). You need to speak to your IRA custodian to arrange this option.

Earned Income Credit

Refunds on tax returns claiming the Earned Income Credit will be held up for processing until mid-February. The IRS is trying to reduce fraudulent refunds from being paid out.

Health Savings Accounts

If you have signed up for a High Deductible Health Plan that qualifies for Health Savings Account (HSA), please note the **benefit actually comes from putting money into your HSA**, which is an investment account dedicated to medical expenses. If this is a workplace health plan, your employer may put in some money every month. You can add to it and possibly get a tax deduction. HSA funds can be used to pay for "qualified" medical expenses like deductibles, co-pays and co-insurance amounts, prescriptions, etc. You have no spending requirements during the course of a year, so the funds stay in your HSA and can grow. You can continue to put money into your HSA until the year you turn 65, but can use the funds for medical expenses even after you turn 65. There are tax penalties for non-qualified distributions from an HSA if you are under 65.

Inventory Time!

Businesses that maintain an inventory of products to sell and/or supplies, parts, etc. to make product are *REQUIRED* to take a physical count of inventory on hand at year-end. Use physical-count inventory sheets that can remain in your records in case of an audit. For tax purposes, we need a single inventory figure of the product you have on hand as of 31 December and your cost to acquire that product (not the selling cost). The inventory rules apply to sole proprietorships, LLCs, partnerships and corporations.