

# January 2017 Newsletter

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Status Tax Year	Standard Deduction		If 65 or Older or Blind (Each)	
	2016	2017	2016	2017
Married Joint	\$12,600	\$12,700	+\$1,250	\$1,250
Single	6,300	6,350	+ 1,550	1,550
Head of HH	9,300	9,350	+ 1,550	1,550
Married Separate	6,300	6,350	+ 1,250	1,250
<b>Other Items</b>		<b>2016 Tax Year</b>		<b>2017 Tax Year</b>
Exemption		\$ 4,050		\$ 4,050
FICA Taxable Wages Max		\$ 118,500		\$ 127,200
Child Tax Credit		\$ 1,000		\$ 1,000
Estate Tax Exemption		\$5,450,000		\$5,490,000
Annual Gift Tax Exclusion		\$ 14,000		\$ 14,000
IRA Contribution Limit		\$ 5,500		\$ 5,500
Add'l if Age 50 or Over		\$ 1,000		\$ 1,000
SIMPLE-IRA Cont Limit		\$ 12,500		\$ 12,500
Add'l if Age 50 or Over		\$ 3,000		\$ 3,000
401(k),403(b), 457 Cont Limit		\$ 18,000		\$ 18,000
Add'l if Age 50 or Over		\$ 6,000		\$ 6,000
Mileage				
Charitable		14c/mile		14c/mile
Medical and Moving		19c/mile		17c/mile
Business		54c/mile		53.5c/mile

## ITEMS OF INTEREST:

### Securely Sending Us Tax Information via Portals

Many send us tax information through the mail or drop it off. We always welcome that. However, many send us information via fax or e-mail and would prefer a more secure way to send information electronically. You may upload any PDF files, QuickBooks files, etc. to your personal portal. Please phone or e-mail our office with any questions or for any assistance.

### Extensions

As in past years, we will automatically file an extension for you if we have not received most, if not all, of your data by **March 22, 2017**. If you pay estimates, we will send those to you by the end of the first week in April.

### Form 1095-A, 1095-B, and 1095-C

#### We need these forms to complete your tax return.

The Affordable Care Act continues to phase in progressive requirements that will affect the income tax return. Again, for tax year 2016 all Americans with Minimal Essential Coverage (with a few exceptions) will be receiving either a Form 1095-A (from Healthcare Exchanges such as Covered California), Form 1095-B (from 3<sup>rd</sup> party insurance companies and governmental agencies, such as Anthem or Kaiser) or Form 1095-C (issued by employers with over 250 employees). If you get Medicare, the Form 1099-SSA, your statement from Social Security, will suffice.

(OVER)

## **Medical Marijuana Is Legal, But is it Deductible?**

No!!! Medical marijuana, even if it is prescribed by a doctor legally, is not deductible as a medical expense since it is considered a controlled substance under federal law, even if you have a legal Rx.

## **We Need Your Form 1098 (Mortgage Interest Statement)**

Because of new IRS requirements, your lender on your home, rental, etc. must list not only the interest you paid to them on real estate you owned, but also the principal balance, the loan origination date, and the address securing the loan. Therefore, **PLEASE SEND US THE FORM 1098.**

## **No Form 1098-T, No Education Credits**

To qualify for either the American Opportunity Credit, The Lifetime Learning Credit, or the Tuition and Fee Deduction, you need to have been issued a Form 1098-T by the educating institution. Therefore, **PLEASE SEND US THE FORM 1098-T.**

## **Please Provide Us All 1099s, W-2s, 1095, 1098, etc. You Receive**

While you may list your income on the organizer, please provide all W-2, 1098-T, 1098-Mortgage, 1095-A, 1095-B, 1095-C, 1099-A, 1099-B, 1099-C, 1099-Div, 1099-G, 1099-Int, 1099-K, 1099-Misc, 1099-PATR, 1099-Q, 1099-R, 1099-SA, 1099-SSA, K-1s and all brokerage 1099s, and other tax forms that have letters or numbers you received. There are figures, codes, and boxes on many of those forms that alert us to tax saving opportunities.

## **Health Care---2016 and 2017 Penalty For Not Having “Minimal Essential Coverage”**

The penalty for not having minimal essential coverage is the greater of \$695 per person (\$347.50 per child under 18) or 2.5% of “household income” over the filing threshold. For parents, if your dependent child needs to file a tax return, their income is included in “household income”.

## **Did You Gift Cash, Property, Or Valuables of More Than \$14,000 To One Person?**

If you gift more than \$14,000 of value to any one person in a calendar year, you must file a Form 709-Gift Tax Return by April 15<sup>th</sup> of the following year. This includes gifts of cash, stock, jewelry, real estate, and other items of value. Generally, there is no tax due with this return, but it must be filed even if no tax is due. If you have gifted more than \$14,000 to one person, please e-mail or call the office and we can discuss what needs to be done.

## **Foreign Bank and Financial Accounts—FinCEN 114 Due Date Now April 15th**

Did you have an interest in or authority over at least \$10,000 at any one time in any combination of financial accounts in foreign countries in 2016? These might include bank accounts, brokerage accounts, or other financial accounts. If so, you may be required to file FinCEN Form 114, **Report of Foreign Bank and Financial Accounts. This form is due by the original due date of the return.** So, generally by April 15<sup>th</sup>. However, **if you file a separate extension**, the FinCEN is due by October 15<sup>th</sup>. Foreign Accounts would **not** include a mutual fund such as "Vanguard's Foreign Funds". If this applies to you or are unsure, please contact us. There are severe penalties and consequences for not filing timely. The penalty can be the **greater of \$100,000 or 50%** of the unreported account values. Ouch!!

## **5th Year for Form 8938—Reporting of Specified Foreign Financial Assets**

Starting with the 2011 tax year and continuing into the indefinite future, every individual who on the last day of the tax year has a foreign financial asset worth more than \$50,000 (\$100,000 if married filing joint-MFJ) or at any time during the year had a foreign financial asset worth more than \$100,000 (\$200,000 MFJ) must file a Form 8938. This is in addition to the FinCEN Form 114 mentioned above. While it may include the same accounts, Form 8938 may also include foreign hedge funds, any stock or security issued by a non-US person, and any interest in a foreign entity. You do not need to disclose any stock that is held in a US financial institution (such as Schwab, etc.). If you think this may apply to you, please contact the office. The penalty for not reporting foreign financial assets is **\$10,000.**

## **Medical Deduction Phase-Out Increased to 10%**

Since 2013 medical expenses must exceed 10% of AGI to be deductible (**unless you are 65 years of age or older, then only 7.5% of AGI**). But for 2017 and forward, all taxpayers, no matter what age, the threshold will be 10% of AGI. California still allows a deduction for medical expenses that exceed 7.5% of AGI.