



Tax Law Updates for 2016

Several individual tax provisions have been passed in the last couple of years affecting the tax year of 2016.

Tax provisions – Form 1040:

- Tuition Deduction (Extended through 12/31/16)
- American Opportunity Tax Credit (permanent) (Beginning 2016, EIN of educational institution must be reported)
- \$250 teacher deduction for supplies and professional development expenses (permanent). (For 2016 and later, indexed for inflation (2017 remains at \$250))
- Enhanced child tax credit (permanent)
- Enhanced earned income tax credit (permanent)

Tax provisions – Schedule A: Deductions:

- Deduction for sales tax (in lieu of income tax) (permanent)
- Deduction for mortgage insurance premium as mortgage interest (Extended through 12/31/16)

Other tax provisions:

- IRA transfers to charity for 70 ½ or older (permanent) (Make sure receipts are properly worded)
- Expanded contributions of real property for qualified conservation charitable deduction (permanent)
- Exclusion for personal residence cancellation of debt income (Extended through 12/31/16)
- \$500 credit for non-business energy property (Extended through 12/31/16)

Estate Tax Value of Assets

- Heirs must use the estate tax value of assets received from an estate as their income tax basis
- Executors must report estate tax value (basis) of assets to IRS and heirs (on Form 8971 and Schedule A)
- 6 year (up from 3 years) statute of limitations (on assessment) expanded to apply where overstatement of asset basis is equivalent of omitting > 25% of gross income on income tax return

Identity Theft and Tax Fraud

Expect refunds to be dramatically slowed by IRS and states

Protect your computer against being hacked (see IRS Pub 4557)

Safeguarding Taxpayer Data (A Guide for Your Business)

Form 1040 Due Dates

Form 1040 due on April 15 annually – In 2017, April 18
June 15 – Expats - if out of country on April 15
Extended due date October 15 – In 2017, October 16

Foreign Bank and Financial Accounts

FBAR (FinCen114)

Due Dates Change - Tax years beginning after 2015 – Electronic filing required

	<u>2016 Law</u>	<u>2017 Law</u>
FBAR Return (FinCen114)	June 30	April 15
FBAR Extension - *NEW	None	October 15

<u>Foreign Earned Income Exclusion</u>	<u>Housing Exclusion</u>
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2015: \$100,800	\$16,128
2016: \$101,300	\$16,208
2017: \$102,100	\$16,336

FBAR filing requirements - Foreign Bank Accounts

- Persons with either of ownership of or signature authority over foreign bank account
- Authority over or ability to withdraw: Account(s) must exceed \$10,000 U.S. on any one day
- Use conversion rate as of last day of year
- Foreign account: Account physically located in foreign country even if the bank is a U.S. bank)
- U.S. bank account: Account physically located in U.S. even though the bank is a foreign bank is NOT a foreign account
- Hint: At what location (branch) is the account is set up? If “signature card” outside of U.S. soil, it is a foreign account
- Financial accounts: what is reported?
 - Bank (e.g., savings and checking) accounts, time deposit
 - Securities accounts (e.g., brokerage accts)
 - Commodities future or options accounts
 - Insurance policy with cash value
 - Mutual funds or similar pooled funds
 - Online poker accounts
 - Any other accounts maintained in a foreign financial institution (or person providing services of financial institution)

FATCA Reporting

IRS Form 8938 must be filed if:

- Financial accounts
- Stock or securities
- Contracts, interests (or other financial instruments)
- Aggregate balances exceed Form 8938 filing threshold

Form 8938 Filing Thresholds

Not Living Abroad		
	Unmarried (or MFS)	MFJ
Last day of year	Total value assets > \$50,000	Total value assets > \$75,000
Any time during year	Total value assets > \$100,000	Total value assets > \$150,000
Living Abroad		
	Unmarried (or MFS)	MFJ
Last day of year	Total value assets > \$200,000	Total value assets > \$300,000
Any time during year	Total value assets > \$400,000	Total value assets > \$600,000

Do not overlook:

- Employee ability to sign on foreign business account
- Foreign retirement savings accounts
- Inherited foreign accounts
- Accounts owned by recent immigrants to U.S.
- Investment account broker got client into

Federal Standard Mileage Rates

	<u>2015</u>	<u>2016</u>
Medical / Moving	23¢	19¢
Charitable	14¢	14¢
Business	57.5¢	54¢

Past due tax liabilities:

Passport will be revoked (or not issued) if taxpayer:

- Owes to IRS \$50,000 or more in tax, penalty, interest, etc.;
- Not under installment agreement

Installment agreements:

- User fee increases to \$120 for an installment agreement
- Reduced to \$52 for a direct debit installment agreement
- \$43 notwithstanding the method of payment if low-income taxpayer
- IRS plans to hire many new, aggressive outside (and inside) tax debt collectors

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