



THOMAS H. BILLETER

Certified Public Accountant

Thomas H. Billeter, CPA
Newsletter – Summer 2016

630.377.4635
527 Illinois Ave, Saint Charles, IL 60174

Welcome to the “We hope you had a great summer!” Newsletter

Well it finally happened-over the 20+ years I have been doing these newsletters the first summer newsletter has been coming out later and later. Last year I wrote the newsletter before summer had officially ended but didn't send it out until the sun pasted over the equator to bring about the start of autumn. Now I wasn't even close so that is why this is called the hope you has a great summer newsletter. I am going to go over some older items in this newsletter. There was a tax law passed last January which was done after my I wrote the last of the 2015 newsletter. Most of what was passed were what are called “extenders” but I still want to go over those.

Before I do that a couple of comments about last tax season that I do want to bring up again. I can't file your return electronically unless you authorize me to do so. You do that by signing a form for both federal and state. I did mention that last year but at the end of 2014 the law changed and I am now subject to very stiff penalties including losing my license if I e-file without your signature. Let's just say it is not even close to worth it for me to risk that. So unless you put your name to form the IRS want you to sign -your return will be paper filed. Also last year we started to have ALL out of state clients and we do have a bunch of those-to e-file. That has worked very well so we will continue to push that. Always remember if you don't want to e-file you can always opt out. The IRS wants you to e-file but you don't have to. There are several states that force you to file business/Corp return via e-file. One is them is our neighbor to the north. The only state I know of as of now that is forcing just about everyone to e-file is New York. So NY clients keep that in mind.

The Protecting Americans from tax hike Act (PATH) and who says the government doesn't have a sense of humor And the Consolidate Appropriations Act of 2016.

I am going to start with the latter because it contained one huge provision. In my tax appointments I have talked to many of you about the huge tax school districts would have to pay because of a excise tax on high cost employer health plans-the Cadillac tax. That tax has been delayed to 2020. This tax could have bankrupt many school districts because the health plan that was negotiated was a Cadillac plan. Someone really did look at this and said this is really stupid. Kinda exactly what we all said in my office.

Now for the extenders. The PATH act actually addresses a big problem. What the extenders were and why we called extenders over the last 10 years is these tax deductions would be extended by a very late passed bill and the extension would be for only a year of 2. The sunset date on most of the extenders was 12/31/14 which without this bill would have resulted in the loss of all of these in the last tax season. PATH has made some of these permanent or extended them for a longer period. What I am going to do is list the credit and then tell you for how long it is good.

- American Opportunity Credit-this is the credit for college tuition paid-permanent
- Earned Income tax credit-permanent
- \$250.00 deduction for teachers-permanent
- The 2million\$ exclusion for a foreclosure of your residence-extended thru 2016 but will allow the extension 2017 if there was a binding written agreement entered before 12/31/16
- Employer provided mass transit and parking- permanent
- Deduction for mortgage insurance premium (MIP)-12/31/16
- Those so called sales tax deduction on the schedule A-permanent
- Deduction for tuition and related expenses--this is the deduction not the credit listed above-12/31/16

Tax free distribution to a charity from an IRA up to 100K-permanent. I just had a client ask me about this. This is a great deal if you are at the point where you have to make a required minimum distribution (RMD) and you also like to give to charities. All you have to do is give it to the charity directly from your IRA. You don't get the charitable deduction which does require a schedule A to be filed to get that deduction and the older we get the less there is for us to deduct on the schedule A, but you also don't have to claim this as income. If you have any questions on this please call me.

A Couple of Business Tax Changes

- 15 year recovery (depreciation) for certain leasehold improvement, retail and restaurant building improvements-permanent.
- The so called 179 deduction is the ability to write off asset purchases currently at 500K- permanent with an inflation adjustment after 2015. This means that 500k will go up year after year.
- The final big issue of the PATH act is the bonus depreciation. What this did was to allow an additional write off of big assets you buy without having to use the 179 deduction mentioned above. Under this law you were allowed to write off 50% of the cost up front. It had to be qualifying property and the biggest restriction was it has to be new and it had to be tangible property which excluded real estate. However that qualified -restaurant/retail property I mentioned above also qualifies here. This new law goes on to qualify all interior improvement to buildings as long as the building is non-residential and the interior improvement was done after the building itself was placed in service. The downside is the % you are allowed to deduct drops to 40% in 2018 and 30% in 2019 and is gone for the most part after that.
- And this time I have the least for last-that silly \$500 lifetime credit (if you take it once you can never take it again) for energy improvements got extended to 12/31/16. What is even a greater joke is there is a \$200 limit on windows. I am pretty sure that won't even cover the sales tax of your window cost and \$50 for a central circulating fan. Really? \$50. Kinda makes you want to jump right up and put one of those in right away-don't it?

Just how long since Al Gore invented the internet?

I had to laugh when I read this but IRS came out last August that they have noticed people were making money over the internet. While it really didn't say it directly I think they were going after the EBay and Craigslist type of transactions. They wanted to be sure you know you had to pay taxes on the income and you may have to also pay estimated taxes as a result. This is true even if you don't get a 1099 or W-2. First let me tell you if you do make a profit on something you sell you should report the profit. But let's just say I am not going to get more for a 10 year old golf bag then what I paid for it. Also the IRS is just now realized we are buying and selling things over the internet? Very quick in the draw aren't they.

EVERYONE READ THIS

THE IRS NEVER initiates a tax action with a phone call. The IRS never (well almost never) issues you a warrant for your arrest. Why should they have to deal with such a mundane thing like a warrant? That would be like your boss's boss's boss asking you for permission to go play golf this afternoon. I would say you're CEO but I am not sure she plays golf. That is how far the IRS views our court system to be beneath them. If you get a call from those scammers-DO NOT give out any information and if you want to question their heritage go completely Trump on them-go ahead. This is nothing but an attempt to scare you so you will part with your hard earned money.

It is not only you they are after. The new battleground for the cyber thieves is now me. They are trying to get into my tax software. My tax software is one of the best out there and that includes how they protect my information. All software updates I get come directly from my provider thru encryption portal. It is the same type of portal I use for your e-files. This is the only way into my program. Also there is no Wi-Fi in my office. I realize that can be inconvenient for some of you but it also closes a possible door into my system. And don't ever try to send me something thru my website email link. High probability it will not get thru with all of the protection that is in that. Use the e-mail address on the bottom of my business card-that is for clients only.

What! The IRS made another mistake this year?

This year there has been a ridiculous increase in the IRS sending out notices that make no sense. I have a few clients that have received notices that a 5th grader would know better. So I guess the new little IRS agents running around would not do well on the show "Are you smarter than a 5th grader" Some of these are causing real problems for my clients. First, if you get a notice-send it to me. Second the IRS is now starting to issue apologies for erroneous notices. The latest published in August was for 2nd quarter payroll. If you get these DON'T PAY IT. I have talked to other CPA's because I do have to go to those personality free (or maybe lacking) zones to keep my license and they are all reporting the exact same thing. The IRS used to be rather well run-but not in 2016 they aren't. Also if you get a notice from the state don't pay it. They are even worse for getting things right. AND if you pay it- it no longer matters how right you were- you just flushed your money down that toilet.

We are Getting Better

The federal deficit is projected to 600 billion in 2016. But they projecting only 534 billion for 2017. Of course after a 450 billion deficit in 2015 they projected a 380 billion for 2016. Just a little off. Must be the same group that forecast our weather that projects budgets in the US. How do I get those jobs?

That's All For Now

Our Next letter will be out in a couple of weeks.

-Tom & Dorothy