

TaxTips

Keeping You Informed • Summer 2017

Tax On Wheels, LLC

“We Come To You”

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This newsletter is an informational supplement for our clients. It is not designed or intended to be tax, legal or investment advice. It is not intended or written to be used and cannot be used by the taxpayer for the purpose of avoiding tax penalties. We have made efforts to ensure that the information contained in this newsletter is accurate at the time of publishing. However, we do not warrant that the information contained herein is suitable for any purpose. Tax laws, and the interpretation of their meaning, may change over time. This material is written to appeal to the broadest possible range of interests and may not be applicable to your personal situation. Our intent is to stimulate thought and discussion of factors that may or may not impact you personally. If you feel that you need assistance with the issues raised within this publication, we are available to assist you on an individual basis. Please contact us at (803) 732-4288 to obtain assistance.

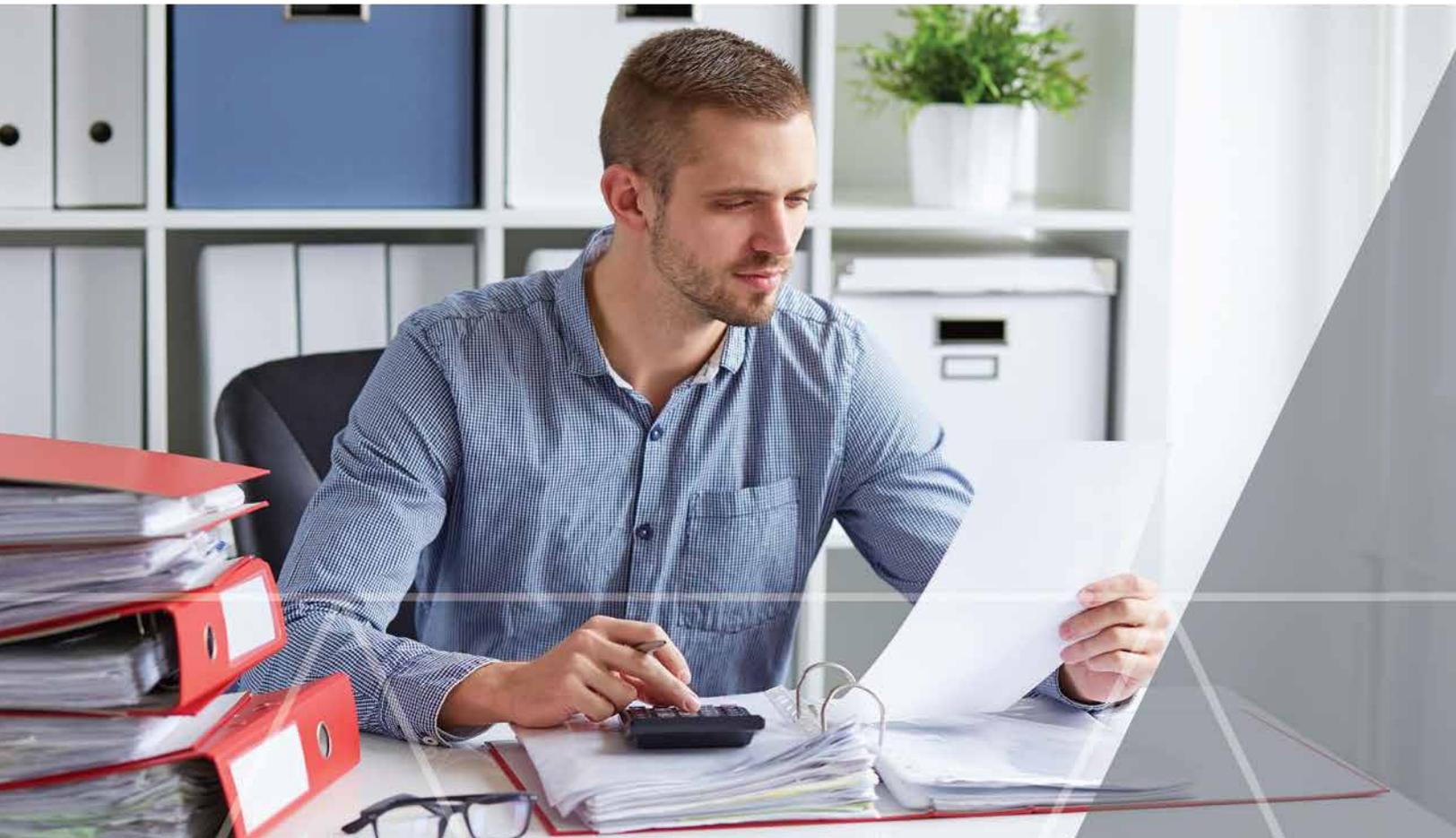
Are you withholding the right amount?

Receiving a tax bill or huge refund?

In some years you may owe the IRS money; in other years you may receive a huge refund. If this happened to you recently, it might be a good time to reassess whether you're withholding the right amount from your paycheck. For returns filed in 2016, the average federal tax refund was \$2,860. Sounds great, right? But instead of giving the government an interest-free loan, you could have been using that money throughout the year.

Examine the amount of federal and state withholding that's being deducted from your paycheck.

I can help you determine whether the amount withheld is too low, resulting in tax due (with possible penalties), or too high, resulting in a larger than necessary tax refund. Together, we can fine-tune your withholding to ensure that you get the best result for your situation next year.



Protect Yourself From Identity Theft

Tips for keeping yourself safe from threats

There is no shortage of scams targeting both tax professionals and taxpayers. Due to the recent rise in identity theft cases, it's important to be proactive about protecting yourself from these threats. The information below details some steps you can take to keep your sensitive data safe from identity theft.

Quick Protection Tips

Here are some tips to protect yourself from becoming a victim:

- Don't carry your social security card or any documents

that include your social security number (SSN) or individual taxpayer identification number (ITIN).

- Don't give a business your SSN or ITIN just because they ask. Give it only when required.
- Protect your financial information.
- Check your credit report every 12 months.
- Annually review your Social Security Administration earnings statement.
- Secure personal information in your home.
- Protect your personal computers by using firewalls and anti-spam/virus software, updating security patches and changing passwords for Internet accounts.
- Don't give personal information over the phone, through the mail or on the Internet unless you have initiated the contact or you are sure you know with whom you are dealing.

Identity Theft

Steps to take if you become a victim

If your tax return is rejected because of a duplicate filing under your SSN and you haven't filed already, you may be a victim of tax identity theft. If this occurs, you need to report this to the IRS by following these steps:

- Download IRS Form 14039, *Identity Theft Affidavit*.
- Complete the form for each taxpayer that has been rejected. Note: In Section B, you'll be checking Box 1.
- Print the form and attach your correct tax return and form of identification.
- Mail or fax according to the instructions.

It may take several weeks for the IRS to process Form 14039, but once it's been processed, you'll receive an acknowledgment letter.

If a fraudulent return is already present on your account, the IRS will send your case to the Identity Theft Victim Assistance (IDTVA) organization where it will be handled by employees who have specialized training.

Generally, you'll receive notification that your case has been resolved within 120 days. Complex cases may take 180 days or longer.

Most tax-related identity theft victims will be placed into the Identity Protection PIN program and annually receive a new, six-digit IP PIN that must be entered on the tax return. The IP PIN adds an extra layer of identity protection.

Also note, the Federal Trade Commission (FTC) recommends that all victims of identity theft take the following steps:

- File a complaint with the FTC at identitytheft.gov.
- Contact one of the three major credit bureaus to place a fraud alert on your credit records: (1) Equifax, Equifax.com, 800.766.0008; (2) Experian, Experian.com, 888.397.3742; or (3) TransUnion, TransUnion.com, 800.680.7289
- Contact your financial institutions and close any financial or credit accounts opened without your permission or tampered with by identity thieves.

I'm here to advise you through this process. Please give me a call if you become a victim.

Request Form W-9 Before Payment

The info you'll need to file Form 1099-MISC

When non-employees perform work for you in your trade or business, it's important to obtain a Form W-9, *Request for Taxpayer Identification Number (TIN) and Certification*, before paying them. Taxpayers use a Form W-9 to provide their correct TIN to the person who is required to file an information return with the IRS to report income paid to the taxpayer. If you pay someone who is not your employee \$600 or more, you are required to issue a Form 1099-MISC, *Miscellaneous Income*. You are not required to issue this form for payments made to a corporation. To accurately complete 1099-MISC, you'll need to collect the information contained on the taxpayer's W-9. It's best to obtain a W-9 before paying the individual. If you wait until after the fact, he or she might refuse to give you one, causing you to have to file an incomplete Form 1099-MISC to the IRS, which can result in you owing back-up withholding. If you plan to pay someone who is not an employee, you may want to consult me to ensure that you are taking proper precautions.

Milton Cooley, EA

Enrolled to practice before the IRS

Congratulations are in order for our very own Milton Cooley for attaining his **Enrolled Agent** credential from the IRS.

Enrolled Agents (EAs) are federally-licensed tax practitioners who may represent taxpayers before the IRS when it comes to collections, audits and appeals. As authorized by the Department of Treasury's Circular 230 regulations, EAs are granted unlimited practice rights to represent taxpayers before IRS and are authorized to advise, represent, and prepare tax returns for individuals, partnerships, corporations, estates, trusts, and any entities with tax-reporting requirements. Enrolled agents are the only federally-licensed tax practitioners who specialize in taxation and like attorneys and certified public accountants (CPAs), EAs have unlimited practice rights to represent taxpayers before the IRS. This means they are unrestricted as to which taxpayers they can represent, what types of tax matters they can handle, and which IRS offices they can represent clients before. Enrolled agent status is the highest credential the IRS awards. Individuals who obtain this elite status must adhere to specific ethical standards and



must meet substantial continuing education requirements in order to maintain this status. Only enrolled agents are required to demonstrate to the IRS their competence in all areas of taxation, representation and ethics before they are awarded unlimited practice rights to represent taxpayers before IRS. Unlike attorneys and CPAs, who are state-licensed and who may or may not choose to specialize in taxes, all enrolled agents specialize in taxation. When combined with his 30 years of experience in the tax industry, Milton now has all the tools necessary to serve your needs when it comes to taxation.

Reasons to Stick With a Tax Pro

Having a tax pro saves you time and money

Like it or not, tax season comes around each and every year. And with it comes annual changes to the tax law, making it more and more complicated. Therefore, it's important to rely on a tax professional to guide you through filing your taxes. This not only saves you time, but also money.

I welcome the opportunity to serve you year after year. Below, I've detailed some of the reasons why it's important to stick with a tax professional rather than self-preparing your return.

You Save Money

Tax professionals are educated on the various deductions that you can take on your return. Spotting even the tiniest deduction can save you big money on your return and get you the largest refund possible.

You Save Time

It goes without saying—time is money. Some returns can take countless hours to calculate. Save yourself the hassle of preparing your own return by turning to an expert.

The Tax Code is Tricky

The tax law is in a state of flux. With more changes on the horizon, it's important to rely on the services of a tax professional whose job it is to stay current and informed on all the changes.

Mistakes Can Be Costly

Ensuring that your return has the proper deductions and is calculated accurately is your tax professional's job. Incorrect reporting of deductions or income can create substantial financial and legal implications. Avoid your chances of audit by using a tax professional.

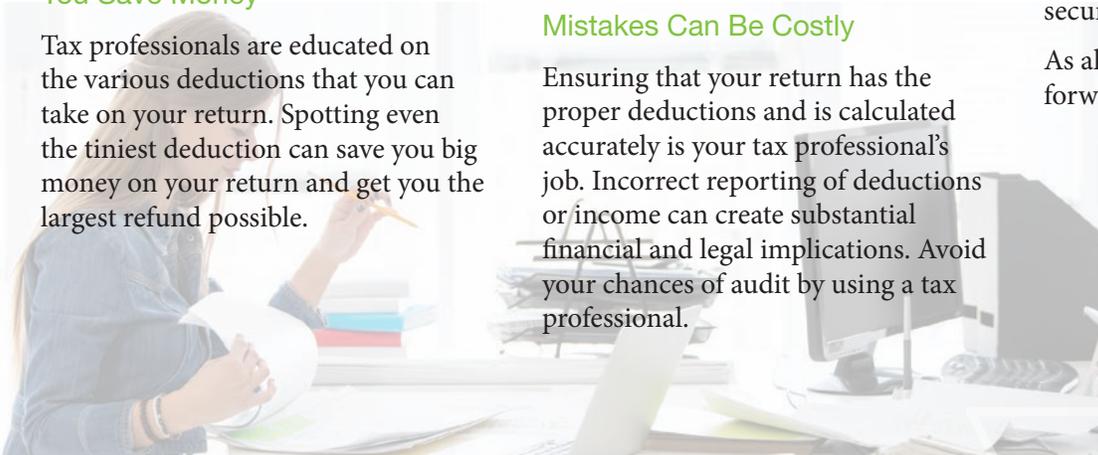
I Can Help You Make Tax-Saving Decisions

By turning to the services of a tax professional, you're able to receive tax-saving advice through-out the year. I'm here to work with you through tax season and beyond.

Protection From Audits

If you receive a letter from the IRS or find out that you're being audited, you can always turn to your tax professional for expert advice on how to resolve the issue. This keeps you secure and properly represented.

As always, I'm here to help, and look forward to serving you.



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Home Office Expenses

Are you taking all available deductions?

Having a home office may provide tax savings. To claim a deduction for the business use of your home, you must qualify under one of the following circumstances:

- You use a portion of your home regularly and exclusively (1) as the principal place of business for a trade or business; (2) as a place to meet with clients, patients or customers in the course of the trade or business; or (3) in connection with your trade or business, if the location is in a separate structure not attached to the home.
- Your employer requires that you maintain a home office for their convenience and you meet the regular and exclusive use requirement.
- Your home is used for the storage of inventory or product samples used in your trade or business of selling products at retail or wholesale, and there is not a fixed location for storage. (The regular and exclusive use requirements do not need to be met.)
- You operate a day care out of your home. (If you do not meet the regular and exclusive use requirements, you can still claim a home office deduction if you are complying with state and local laws in operating your home day care.)

Note: "Exclusive use" means a specific area of your home is used only for your trade or business. The term "principal place of business" includes a place that you use for administrative or management activities of any trade or business if there is no other fixed location where you are able to perform those activities.

Calculations

There are two ways to calculate your home office deduction. The simplified method uses a standard deduction. If you maintain a qualifying home office, you may elect to deduct annually \$5 per square foot of home office space up to 300

square feet, for a maximum deduction of \$1,500. If you choose this method, you cannot depreciate that portion of your home; however, you can claim allowable mortgage interest, real estate taxes and casualty losses on the home as itemized deductions on Schedule A. Business expenses unrelated to the home, such as advertising, supplies and wages paid to employees are still fully deductible.

Alternatively, you may calculate your deduction using the actual expense method. Consider direct and indirect expenses when making home office calculations. Direct expenses are those that pertain exclusively to the home office, such as painting the walls or installing new cabinets, shelving, carpeting, etc. Indirect expenses are those that pertain to the entire residence, such as rent, mortgage interest, taxes, insurance, repairs, casualty losses and depreciation. Allocate indirect expenses between the business and non-business portions of the home. This is done based on the business use percentage of your home.

Limitations

The amount of expenses you can deduct are subject to specific limitations and ordering rules. The overall limitation is based on your net income from your trade or business. For employees, this is your wage less other business expenses listed on Form 2106. For self-employed taxpayers, this is the net income shown on your Schedule C without the home office deduction.

Home office expenses can represent a significant dollar amount in reducing your tax liability. I've just provided you with a basic overview of this fairly complicated area of tax law. If you think your situation meets the requirements, give me a call and we can discuss how to qualify for home office deductions. As always, I'm here to help with these calculations.