



# Bill R. McCracken Accounting, Tax & Financial Services

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*I'm looking forward to seeing you in the New Year.  
Be sure to contact us if you have any questions!*

January 2017



## Happy New Year!

2017 is here already and it will soon be time to file your 2016 tax return. Use this letter as a guide when you gather and organize your tax materials and documents. **Contact us if you would like a detailed tax organizer.** If you mail your tax documents, please remember to use PO Box 2214 and not the street address. Please contact our office if you have any questions.

### Income Documents We Must Have

- ◆ **Original** W-2's – Wages/Sick Pay
- ◆ 1099-G – Unemployment
- ◆ 1099-MISC – Casual/Contract Jobs
- ◆ 1099-R – IRA/Roth/401(k)/Retirement
- ◆ 1099-SSA – Social Security
- ◆ W2-G – Gambling/Lottery Winnings
- ◆ Tip Income, if not on W-2
- ◆ Alimony Received (*don't include child support*)
- ◆ Barter/Trade "Income"/Value received
- ◆ 1099-INT and DIV – Investment Income
- ◆ 1099-B – Stock/Fund Sales (*may come in March*)  
**Include Original Cost and Purchase Date**
- ◆ K-1's – Partnerships, Corporations, Estates (*may come after 15 March*)
- ◆ 1099-G – State Income Tax Refunds
- ◆ 1099-K – Third Party Payments
- ◆ 1099-MISC – Prizes/Work Incentives
- ◆ Lawsuit/Settlement Proceeds
- ◆ Hobby Income

### Businesses/Rentals/Farms

**Provide Reports, Spreadsheets and Documents summarizing Income and Expenses**

- ◆ Report **ALL Revenue/Rents** received in 2016
- ◆ Report all non-employee labor totaling \$600 or more on a 1099-MISC; bring copies to us. Our office can prepare 1099s for you. 1099s must be issued by 31 January.
- ◆ Rental Properties – number of days rented out; number of days personal/friends/family use
- ◆ Mileage Log for business, rental or farm miles driven – **NO** personal or commuting miles

See our website for a checklist of deductible business and rental expenses:

[www.mrbilltaxman.com](http://www.mrbilltaxman.com)

### HIGHLIGHTS for 2016

- ◆ To ensure we have adequate time to prepare your return, we request you have all your tax documents to us by 31 March. Materials coming in after that date may mean your return will be put on extension.
- ◆ Include Proof of Health Insurance Coverage for 2016 (1095-B and C will be out by March); who was covered and for how many months. Penalties for no health insurance in 2016 start at \$695 per person on your tax return.
- ◆ We need **Beginning and Ending Odometer** miles on personal vehicles driven for business.
- ◆ To help protect your identity, tax returns emailed for review will be password-protected; the password will be sent in a separate email.
- ◆ We use Registered Mail to mail tax returns and there is a charge of \$15-\$20. You may still come to the office to pick up your return.

### Getting Your Tax Info to Us

If you prefer a "sit-down" meeting, call early to set up an appointment with Bill as he has limited availability. You may also drop off or mail us your tax documents. We will call when the return is ready for your review and signing. All personal tax returns are electronically filed **only** after you (and your spouse, if filing jointly) sign the necessary forms. We can begin preparing your return while you wait for that one last thing, so don't hold on to everything until the end of March! Please use the dropbox by our front door to leave envelopes when the office is closed.

### Your Dependents and Taxes

- ◆ In general, parents can claim their children as dependents up until the year the child turns 19
- ◆ Children attending college may be claimed as a dependent up until the year the child turns 24 as long as the child is at least a half-time student attending an accredited institution.
- ◆ Special rules apply to divorced parents, children who marry and live with parents, unemployed adult children who live in your home and unrelated children who live in your home and you support all tax year.
- ◆ Adult children living at home and not going to school, can be claimed as a dependent if their income is less than \$4,000 in 2016.

## Itemized Deductions – Paid in 2016

**We use the standard deduction unless itemized deductions exceed \$6,300 (single), \$12,600 (married) or \$9,250 (head of household).**

### Medical Expenses – Organize by Category

- ◆ **1095-A** Health Insurance Marketplace Credit
- ◆ Insurance Premiums paid with after-tax dollars
- ◆ Co-Pays – Doctor/Dentist/Chiropractor/Therapist/Eye Doctor/Naturopath/ etc.
- ◆ Prescriptions – **only those purchased in USA; no over-the-counter drugs/supplements**
- ◆ Hospital Stays/Nursing Home/Home Care
- ◆ Diagnostic Test/Labs/X-rays/Therapy Sessions
- ◆ Glasses/Contacts/Hearing Aids & Batteries
- ◆ Medical Supplies/Medical Equipment
- ◆ Long-Term Care Insurance
- ◆ Medical Miles driven to/from appointments
- ◆ Health Savings Account – 1099-SA, 5498-SA Contributions/Distributions/Expenses paid
- ◆ Other Medical Expenses
- ◆ Medical Marijuana **expenses are not** allowed.

**OREGON FILERS age 64 or older on 12/31/16 must list all medical expenses by person. Even if you don't itemize medical on your federal return, you may get a state tax benefit.**

### Taxes & Interest – Bring Proof of Payment

- ◆ Property Taxes paid on home(s) in 2016
- ◆ Property Taxes paid on RV/Trailer in 2016
- ◆ State Income Tax; Fed & State Quarterly Ests.
- ◆ Local Taxes including Portland Arts Tax
- ◆ Mortgage Interest – 1098 for **all** mortgages on personal and vacation home(s)
- ◆ Statement of interest paid on privately-financed mortgage contracts
- ◆ A deduction is still allowed for Sales Tax for states with no income tax

**NO INTEREST DEDUCTION** for Credit Card/Vehicle/Personal Loan/Late Paid Taxes

### Charitable Donations Made in 2016

- ◆ Bring Receipts/Letters/Cancelled Checks
- ◆ Houses of Worship/Payroll Deductions/501(c)(3) Groups/Oregon Cultural Trust/etc.
- ◆ Lotteries/Drawings for charity are **NOT ALLOWED** as a deduction
- ◆ Portion of Auction/Product Purchases that exceed value of item
- ◆ Cash contributions may be claimed **ONLY** if you have documented proof of the donation

### Non-Cash Donations Made in 2016

- ◆ **We must have an Itemized List with donation value and original cost of items given.** See our website for record-keeping sheets
- ◆ Goodwill/Salvation Army/Church/Library/etc
- ◆ 1098-C required for Vehicle donations
- ◆ Out-of-pocket Volunteer Expenses
- ◆ Volunteer Miles driven

## Unreimbursed Employee Expenses and Miscellaneous Expenses

- ◆ Must be **ordinary and necessary** business expenses that your employer won't cover; you must have proof and purpose for all expenses **AND** a copy of your company's reimbursement and expense account policies.
- ◆ Union/Professional Dues
- ◆ Professional Licenses/Job-related Education
- ◆ Safety Equipment/Tools/Supplies
- ◆ Trade/Professional Journals
- ◆ Out-of-town unreimbursed, overnight travel
- ◆ Business Phone/Business Long-Distance Calls
- ◆ Business Entertainment and Gifts
- ◆ Business Mileage to/from meetings, errands, job sites – **NO COMMUTING MILES**
- ◆ Employer reimbursements/advances received
- ◆ Job-seeking Expenses in your same career field
- ◆ Safe Deposit Box Rent
- ◆ Tax Preparation Fees
- ◆ Investment Account Fees

*Funeral costs and Will Preparation are not deductible.*

### Political Contributions/Oregon

- ◆ **Bring acknowledgment letter/receipt**

### SPECIAL – Include if They Apply

- ◆ 1099-C – Debt Cancellation
- ◆ 1099-A – Home Abandonment
- ◆ **HUD-1 FINAL** Settlement statement for **ALL** home & property purchases, sales, refinances
- ◆ Contributions/Conversions/Rollovers to IRA, Roth, Coverdell, 529 Plan – Form 5498
- ◆ **If FINAL in 2016** Divorce/Separation Decree
- ◆ Alimony Paid (*no child support*)
- ◆ 1098-E – Student Loan Interest
- ◆ 1098-T – required; College Tuition paid in 2016
- ◆ Educator Expenses paid with personal money
- ◆ Documented gambling losses
- ◆ NEW Spouse and/or dependents – Name, Birthdate, Social Security Number
- ◆ **ALL** correspondence regarding **Identity Theft**

### Pay your future self in 2017!

- ◆ If you have a 401(k) or similar program through your employer, up your contribution in this new year. It will reduce your taxable income and that money will come back to you.
- ◆ Wait to take Social Security until your full retirement age or later. Social Security benefits grow 6% - 8% each year you wait – better growth than nearly any other investment!

**If we receive your tax documents after 31 March, we will put your 2016 return on extension to finish after the 18 April deadline.**