

Earn It! Keep It! Save It!

Annual Regional Conference



November 8, 2016

Thank you!

You Make a Difference!



Protecting Americans from Tax Hikes Act of 2015 (PATH Act)



PATH Act Legislation Changes

- Earned Income Tax Credit (EITC) expanded modifications made permanent
- Additional Child Tax Credit (ACTC) - the reduced earned income threshold for CTC made permanent at \$3,000
- American Opportunity Tax Credit (AOTC) made permanent
 - Employer Identification Number (EIN) of educational institution required for taxpayers claiming the AOTC
 - Educational institutions required to report tuition & expenses **actually paid** on Form 1098-T (2016-no penalty)
 - 2015 law requires 1098-T to take education credits/deduction

PATH Act Legislation Changes

- Educator expenses made permanent
 - Indexed to inflation after 2016 – still \$250
 - Expanded expenses to include professional development expenses
- State sales tax deduction made permanent
- Charitable deduction for IRA distributions made permanent
 - For taxpayers Over 70 ½
 - Distributions made directly to charitable organization
- Wrongly incarcerated individuals can exclude certain amounts from income

PATH Act Legislation Changes

Extended through 2016:

- Exclusion from gross income of qualified principal residence indebtedness
- Mortgage insurance premiums deductible as qualified residence interest
- Deduction for qualified tuition & fees
- Credit for nonbusiness energy property (residential energy credit)

PATH Act Legislation Changes

Program Integrity

- Various changes to refundable credits - EITC, Child Tax Credit and American Opportunity Credit
 - Revised due dates
 - Refund holds
 - Enhanced penalties
 - Increased due diligence
- Update to ITIN processes

PATH Act Legislation Changes

- Mandates IRS hold ALL refunds with Earned Income Tax Credit and Additional Child Tax Credit until February 15th
 - Entire refund will be held
 - Returns will be processed as normal – urge clients to file as they have in past
 - Impacts all preparers and filing processes
- Additional screening for improper payments and income verification
 - W-2's and 1099-MISC (Box 7) due by January 31st

PATH Act Legislation Changes

No Retroactive Claims of EIC, CTC and AOTC

- Earned Income Credit
 - Taxpayer must have SSN by due date of return
 - Qualifying child must have SSN by due date of return
- Child Tax Credit/American Opportunity Credit
 - Taxpayer must have SSN or ITIN by due date of return
 - Child claimed/student must have SSN, ITIN or ATIN by due date of return

PATH Act Legislation Changes

- Paid preparers must meet new due diligence requirements on returns with CTC and AOTC
 - Similar to EITC – new Form 8867
 - Does not apply to volunteer program
- Allows IRS to assess accuracy and fraud penalties on taxpayers who erroneously claim refundable credits
- Extends “math error” authority to CTC and AOTC
 - Establishes credit disallowance period
 - Requires taxpayers to demonstrate eligibility after credit disallowed

PATH Act Changes ITIN Program



PATH Act changes ITIN program

- Changes require some taxpayers to renew their ITINs beginning October 2016
- IRS putting in place a rolling renewal schedule
- No action needed by ITIN holders if they don't need to file a tax return in 2017
- Taxpayers with expired ITINs not renewed before the 2017 filing season could face refund delays and be ineligible for certain tax credits, such as Child Tax Credit and American Opportunity Credit



Who has to renew ITINs?

Unused ITINs

- ITINs not used on a federal income tax return in the last three years (tax years 2013, 2014 and 2015) won't be valid to use on returns as of Jan. 1, 2017
- ITIN holders in this group who need to file a tax return in 2017 need to renew
- Renewal period began Oct.1, 2016
- ITINs will expire each year if not used for 3 consecutive tax years



Who has to renew ITINs?

Expiring ITINs

- ITINs issued before 2013 will begin expiring December 31, 2016
- Renew ITINs on a rolling schedule; more info on this schedule to come
- First ITINs expiring have middle digits of 78 or 79 (example: 9XX-78-XXXX)
- The renewal period began Oct. 1, 2016
- IRS letters starting August 2016 explaining renewal steps

Options to renew ITINs

Option 1

- Complete and mail Form *W-7, Application of IRS ITIN*, to the IRS in Austin
- Use Rev 9-2016
- Follow form instructions and include all information and original or certified copies of required documentation
- Don't need to attach tax return to W-7
- Documents returned within 60 days

Options to renew ITINs

Option 2

- Avoid mailing original proof of identity and foreign status documents by:
 - Completing Form W-7 and applying for an ITIN in person using the services of an IRS-authorized Certified Acceptance Agent
 - Call and make an appointment to visit an IRS Taxpayer Assistance Center - 844-545-5640
- After processing, ITINs issued by mail in about seven weeks for both options



Dependents' passports lacking entry date into U.S.

- Beginning Oct. 1, 2016, IRS won't accept dependents' passports lacking a date of entry into U.S. as stand-alone document
 - Exceptions: dependents from Canada, Mexico or dependents of overseas military personnel
- Submit with passports:
 - U.S. medical records for dependents under six or U.S. school records for dependents under 18
 - Dependents 18 or over submit school records, rental/bank statement or a utility bill listing name and U.S. address

Family options for ITIN renewals

- Individuals in first wave of renewals can choose to renew the ITINs of all their family members at the same time rather than doing them separately over several years
- Family members include the tax filer, spouse and any dependents claimed on their tax returns

Filing Returns with Expired ITINs

- IRS encourages taxpayers to submit tax returns after ITINs have been renewed
- Waiting for confirmation will prevent delays in processing the tax return
- Return will be processed, but exemptions and/or credits claimed applicable to the expired ITIN will not be allowed until the ITIN is renewed
- Options should be discussed with taxpayer

Filing Options with Expired ITINs

Taxpayer or spouse's ITIN expired

- E-file return
 - Advise taxpayers they will get letter
 - Taxpayer will need completed Form W-7 and submit documentation
 - Can mail or use CAA or TAC
- Submit paper return
 - Submit with completed Form W-7 and documentation
 - Can mail or use CAA or TAC

Filing Options with Expired ITINs

Dependent's ITIN expired

- E-file return – advise taxpayer of procedures
- Submit paper return – advise taxpayer of procedures
- File return without dependent
 - Submit amended return with Form W-7 later
 - Is dependent beneficial?
 - Is this person still your dependent?

Who to call for help?

- Check if ITIN expired - 800-908-9982
- Check on the status of an ITIN application after 7 weeks - 800-829-1040
- Taxpayer must pass disclosure check

Affordable Care Act (ACA)



ACA Updates

- Individual Shared Responsibility Payment Increases to greater of:
 - \$695 for TY 16 and beyond (was \$325)
 - 2.5% for TY 16 and beyond (was 2%)
- Open enrollment for 2017/2018 benefit years
 - November 1st – January 31st
 - Nov 1st to Dec 15th for future years

ACA Updates – IRS Letters

- Failure to reconcile Advance Premium Tax Credit
 - Received APTC from Marketplace
 - No Form 8962 on tax return
- Shared policy allocation needed
 - Received 1095-A for person not claimed on return
 - Another tax family received 1095-A for person you claimed on return
 - Did not complete Part IV of Form 8962
 - Out of scope – stress during training
- Respond to letter – not Amended Return

ACA Intake/Interview Questions

- If 3a is “yes”, 8962 must be completed
- If 3b is “no”, return is out of scope

Check appropriate box for each question in each section

Yes	No	Unsure	Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Have health care coverage?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3a. (A) If yes, were advance credit payments made to help you pay your health care premiums?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Have an exemption granted by the Marketplace?

ACA Affordability Calculator

Not an IRS product

ACA Affordability Calculator

(Version 4.07, 10/10/2016)

Clear and reset calculator

Print a taxpayer copy

Basic Filing Information:

Taxpayer's Name:

Tax Year: 2015

Filing Status: Single

TP 65 or older

SP 65 or older

Dependents claimed for exemptions:

Not eligible for Medicaid

48 states Alaska Hawaii
State expanded Medicaid? Yes No

Filing Threshold: 10300
100% Fed Poverty Line: 11670
138% Fed Poverty Line: 16105
400% Fed Poverty Line: 46680

Household Income Information:

Enter amounts from tax returns only for those dependents who must file other than to obtain a refund of withholding or estimated payments.

Amount	Location	TP & SP	Depend 1	Depend 2	Depend 3	Depend 4	Depend 5
AGI	Form 1040 line 37	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Tax-exempt interest	Form 1040 line 8b	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Social Security Income	Form 1040 line 20a	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Taxable Social Security	Form 1040 line 20b	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Foreign Income	Form 2555 line 45 & 50	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

		Total
Household Income (MAGI)	Form 8965 part II line 7	<input type="text"/>
Household Income (MAGI)	Form 8962 line 3:	<input type="text"/>

Comments
Used for affordability test
Used for PTC/APTC calc

Total dependent MAGI
For use in Tax Slayer:

Click to test

Did You Know?

- Due date for filing 2016 return: Tuesday, April 18, 2017
- Taxpayers can pay IRS bills in cash at participating 7-Eleven locations.
- The volunteer hotline, 1-800-829-8482 (TAX-VITA), is available to answer tax-related questions Monday through Friday, 7 a.m. to 7 p.m. local time, from January 17 through April 18, 2017.
- Calif. Dept. of Social Services will begin self-certification program for live-in care providers in January 2017. IHSS/Medicaid Waiver providers may have 2016 Form W-2 income that needs to be excluded from wages.

Questions?

