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Dear Client,

Once again a new year is behind us and income taxes are coming. In this most unusual tax season of 2016, all Americans will be seeing changes on their tax returns. Congress continues to discuss last minute income tax bills as of the date of this letter, and you can be assured we stay abreast of all the latest changes as they occur!

We are very excited about our new **WEBSITE** at www.chillicothetax.com, I am sure you will find it very informative in regard to tax and financial issues.

We have included the 2015 Client Questionnaire that will help you inform us of the many changes that can occur during the year. Please complete the form and return to our office **at the time of your appointment**. If you want a more detailed tax organizer, they are available for free, all you need to do is call our office and request yours.

\$\$Referral Program back by popular demand\$\$

We are offering to our clients a \$20 referral rebate for tax year 2015. If you refer a new client to our office for tax preparation, all they have to do is write your name down on the Client Questionnaire and you receive \$20. If you refer 5 new clients you get \$100, it is unlimited. In addition to this, the client that gets the most referrals for the period of January 1, 2016 thru April 18, 2016 **will receive a \$300 bonus!** We appreciate your referrals of family and friends, this helps us grow, and we want to reward you for your customer loyalty.

Affordable Care Act

All Americans will be affected in some manner by the Affordable Care Act from 2010 (some people call it Obamacare) 5 new tax forms were released by the IRS as a result of this act for 2014. **If you received a Form 1095 from any issuer or agency, we MUST have all copies to prepare your tax return.** If you did not receive a 1095, we must ask you a number of additional questions about insurance coverage so that we can help you avoid any penalties for failure to have health insurance. The new 5 forms may add additional fees to this year's tax preparation bill, courtesy of the Affordable Care Act and the estimated 1-3 hours of additional time on our part to get things right.

Health Care Deductions

2013's tax bill reduced your deduction for medical costs, including health insurance for 2015. We will see very few deductions available for medical costs now unless you have substantial bills. The amount of your medical expenses in most cases must now be more than 10% of your income before we can deduct anything, so weigh carefully whether to go to the trouble of summarizing these costs. If you are self-employed, we still need to know how much you paid for health insurance.

Charity

ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution.

Foreign Accounts

If you have read any news in the last year, you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Mortgage Interest

We must obtain Form 1098 from you when you pay mortgage interest. Additionally we must obtain refinancing closing statements, and if you drew money out on a home mortgage or refinancing we must have general information on the use of the money according to the IRS.

Children/Student Tax Returns

Under absolutely no circumstances can you allow your dependent children or college students to file their own returns this year. We must file their return because of the Affordable Care Act. Allowing a child to file their own return, particularly a student, can cost the child and parent literally thousands of dollars in Health Care penalties and/or credits. We typically prepare dependents tax returns for the discounted charge of \$30.00.

Rental Property

If you own rental property, this year the IRS has demanded substantially more information. We now need, ***FOR EACH PROPERTY SEPARATELY***, the physical location, the type of property (single-family, duplex, etc), and a record, by property, of the number of days rented and the number of days used for personal purposes. Please note that as a property owner, you must issue form 1099MISC to anyone you pay more than \$600.00 to during the year. These forms must be prepared by January 31, 2016. IRS penalties for not issuing these forms have been increased for the current year. We are happy to assist you with the preparation of these forms.

Roth IRA Conversions

You will be continue to hear from lots of “experts” this year that you need to convert your retirement accounts to Roth IRAs. While there are a number of advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2015 without coming in to see us for an appointment to discuss both the positives and negatives. ***All conversions for 2015 must be completed by December 31, 2015.***

Gift Changes

Effective 1/1/2013, the amount you may give to one person in one year without any return filing requirements was increased to \$14,000. Very, very few Americans need to worry about Federal estate taxes because of changes in the estate tax limit at the Federal level.

Surtaxes

If you are in what the press has called the 2% club, be aware that the rest of America will soon be joining you! When the surtaxes on this group of Americans were passed, Congress purposefully did not adjust the thresholds for inflation, and in 6 years, over 50% of all Americans will pay these surtaxes based on estimated inflation rates. Begin planning now whether you are a 2% club member or not by (in order) maximizing 401-k contributions, utilizing employer-sponsored cafeteria plans to their fullest limit, investigating and using employer sponsored fringe benefits such as child care and education, turn in job expenses for reimbursement, and consider your marital status as your income increases because of the incredible marital penalty built in to the surtaxes.

Tax Planning

There is still time to setup an appointment for year-end tax planning by December 31. We recommend a meeting if you have had any major changes during 2015 or are expecting major financial changes in 2015 or 2016, such as retirement, inheritances, etc.

Form 1099MISC

It is imperative that all farmers, business owner's and landlords issue form 1099MISC for any payments for services or rent that are \$600.00 or greater. These forms are due January 31, 2016. The IRS has increased the fines for non-compliance and are currently increasing enforcement. We are happy to assist you with their preparation.

Ohio Homestead Exemption Increased

For 2015, the homestead program is available for households with incomes not exceeding \$31,500. The state no longer includes social security income in this limit. In addition to the income limit, the taxpayer should be 65 years of age or older and own and occupy the property as your personal residence, or be a surviving spouse, or between the ages of 59 and 64 years old and was already receiving the credit at the time of death, or is totally and permanently disabled. In the year the taxpayer turns 65, he or she must file the homestead exemption application after the first Monday of January and before the first Monday in June.

Future Income Tax Rates & Other

We highly recommend that when you are getting your information to us for your 2015 Federal tax return, that you set an appointment for an after tax season "Tax Tune Up" to examine tax and estate planning strategies. If your income is over \$200,000, it is almost mandatory that we meet for future tax planning because of surtaxes.

If you receive any Form 1099-K, please be sure to bring it to us. It may have a direct impact on your return.

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. Because of these changes, we are requesting everyone to try to have their tax information in to us at least two weeks earlier than normal, and no later than April 5, 2015. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Sincerely,

Mark A. Frazier
Certified Public Accountant