# 2017 Tax Planning Tips

2017 tax season has arrived; are you ready. Soon, you'll be getting information needed to settle up your 2016 tax return with Internal Revenue Service. It's important that you, the tax payer (John Q. Public), take advantage of available tax benefits throughout the year.

Getting organized should be your #1 priority. It's recommended that you use a large envelope or a file folder, where you can accumulate tax information as you receive it. This process will help prepare you for when it's time to file.

## Tips

### Adjust your withholding

It goes without saying that a refund generally results from an overpayment. Don't wait until year end to consider changing the taxes withheld if you are expecting a large refund. This is essential if you are claiming the earned income tax credit, or EITC, or the additional child tax credit. Why? The IRS is now required by law to hold all refunds on those returns until Feb. 15. The new law was put into place to allow the agency additional time to detect and prevent tax fraud. It's a personal choice, according to IRS Commissioner; "if you want to have extra money withheld to get bigger tax refund, but you have options available if you prefer to have a smaller refund next year and more take-home money now." To achieve this, simply complete Form W-4, Employee's Withholding Allowance Certificate, to adjust the amount of taxes withheld and submit it to your employer.

### Protect your identity

In respect to tax fraud, if you received an Identity Protection PIN, or IP PIN, in the past, then you must provide this number on your tax return not only this year but on all future tax returns. An IP PIN is a six-digit number assigned to eligible taxpayers that helps prevent fraudulent returns from being filed under your Social Security number. Remember, the IP PIN is your friend in getting the IRS to accept your tax return. However, this is no ordinary IP PIN, as it changes every year. If you do not receive the notification in the mail, you can obtain one by visiting IRS.gov.

### Get what's yours

One out of every five workers fails to claim the very valuable earned income tax credit, according to the IRS. If you worked and earned less than $53,505 in 2016 (the limit will be $53,930 in 2017), then use the EITC Assistant tool to determine if you qualify for the credit. You must file a return in order to receive the credit. Be sure not to miss out on this credit!

**Donate and reap a tax break**

You could possibly benefit by donating all of those things you no longer need or want in your life. As you already know, there are many charitable organizations that accept items other than cash such as clothing, books, electronics and other household items. Of course, the deduction is limited to the item's fair market value, and the items must be in good condition or better to be deductible. Remember, if the value of the noncash items is more than $500, then you must file Form 8283, Noncash Charitable Conditions, and fill in some details. It could well worth the effort.

**Cash in on scholarly tax breaks**

If you, your spouse or dependents had higher education costs in 2016, there may be some tax savings for you. As a matter of fact, there are multiple benefits available. The only difficult part is figuring out which one works best for your particular situation. Basically, there are 3 different benefits: the American opportunity credit, the lifetime learning credit and the tuition and fees deduction. It's important to note, there are various requirements that may limit the benefit. The IRS offers a useful tool: the Interactive Tax Assistant tool to help you find your way through this process. You should receive Form 1098-T, Tuition Statement, from your school with the information required by the IRS to complete Form 8863, Education Credits.

**Get health coverage in order**

Here, make sure you know what need to report to IRS on your health insurance. The shared responsibility provision requires that you and your family have minimum essential coverage or quality for a health coverage exemption. Otherwise, you must make an individual shared responsibility payment for all months that you didn't have coverage or an exemption. In most cases, taxpayers needs to do just one thing. Check the box that indicates you had health care coverage for all of 2016. If that is not the case or you received advance payments of the premium tax credit on the marketplace, then you may need to fill out Form 8965, Health Coverage Exemptions, and Form 8962, Premium Tax Credit, in order to complete your tax return. Visit irs.gov for more information on ACA-Affordable Care Act.

**Maximize retirement plan contributions**

If your employer offers a 401 (k) or other type of deferred pension plan, make every effort to contribute the maximum amount allowable. This is especially true if your employer matches your contribution. Otherwise, you are leaving money on the table that could benefit you in your retirement. Think of the employer match as an immediate 100 percent on your money. Even if there is no match, all of the funds are tax-deferred and grow tax free. If your employer does not offer a retirement plan, then consider making a contribution preferably to a non-modified endowment account. Other contribution options would include a traditional individual retirement account or a Roth IRA.

**Gifting without tax repercussions**

Every so many years, the IRS changes the annual exclusion for gifts that you can give without having to file a gift tax return. For an example, if you gave more than $14,000 in cash, property or gifts to anyone, you must report the gift on Form 709. Married couples can give a combined $28,000 and remain under the radar. Note here that this applies to the person giving the gift; if you are receiving a gift you don't have to do anything. This is, unless you receive a gift from a non-U.S. person. If you happen to receive such a gift that is greater than $100,000, you will have to report this on the IRS Form 3520.

**Know the rules about foreign accounts**

If you a foreign bank account, was the balance in account(s) greater than $10,000 total? If yes to both, you will need to file what's commonly referred to as an "FBAR," a foreign bank account reporting form. The new name is FinCEN Report 114, FinCEN being an acronym for Financial Crimes Enforcement Network. As the name has the word "crime" in it, that should create an alarm to ensure that you're in compliance. The penalties for failure to report are very high. In addition, if you maintain very high balances in your foreign accounts, you'll have to file IRS Form 8938, Statement of Specified Foreign Financial Assets. And, if you meet certain thresholds of ownership in any foreign corporations or partnerships, or if you are the beneficiary of a foreign trust, you should be aware of the complex reporting requirements in those instances. The reporting forms includes: Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations; Form 3520, Annual Return to Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. All are available at irs.gov.

**Be smart, consult a professional**

Finally, be smart and consult a competent Tax Advisor and Preparer if you need more understanding of how certain tax laws pertains to your particular situation or if you need assistance in preparing your returns for filing.

**2017 Spirit Financial/Contact**

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