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A Professional Corporation

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2016 INCOME TAX RETURN INFORMATION PACKAGE

Please complete this “2016 Income Tax Return Information Package” which includes both the required basic tax return data and the supplemental data required to identify whether special tax treatment may be required. It also includes a “**Financial Data**” summary schedule to assist you in organizing your income and expenses. The information which you provide to me in this document will reduce the time required for the preparation of your 2016 tax return for both of us.

Although you may have submitted this same information in prior years, I review every line item on every page every year to identify any changes that have occurred during the current tax year and errors that may have occurred in prior tax years that may require the filing of an amended tax return.

*******Beginning in Tax Year 2014 there are new reporting and compliance requirements that are associated with the “Affordable Care Act”. There are many situations and I will need to know which situation is applicable for your 2016 tax return reporting See Pages 6 -7 of this document.*******

Pages 17-19 of this document provide a brief summarization of the significant tax law changes for 2016. Please inform me if any of these changes will affect your 2016 return.

Your 2016 personal tax returns are required to be filed by April 18, 2016, unless you request a six month automatic extension of the time to file. However, this automatic extension of the time to file your tax return does not extend the April 18th deadline for the payment of your 2016 income taxes.

I will need to have the soft copy of all returns and reports which you have received which have been submitted by a third party (i.e. your investment firm) to the Internal Revenue Service. ALL of the data in your tax return has to agree with the data which the IRS already has. Additionally, the data in every block of a report is important and can not be ignored. For example, on a Form 1099, while an amount of \$100,000.00 in Block #1 (Gross Distribution) is important, a \$ 0.00 amount in Block 2a (Taxable Amount) is even more important to you!

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2016 Tax Return Questionnaire Data

Please answer the following questions. They are intended to provide information needed for your tax return preparation and to indicate where potentially more complicated reporting requirements may exist.

PERSONAL DATA:

1. Please indicate how you would like to describe your occupation or profession for your tax return:

Yourself: _____

Your Husband/Wife: _____

2. Do you either of you want to contribute \$3.00 of your tax liability to the Presidential Election Campaign fund? (Will not affect your taxes or refund) Yes No
() ()

3. Names, ages, and social security number(s) of anyone whom you are claiming as a dependent:

<u>NAME</u>	<u>AGE</u>	<u>SOC. SEC. #</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Did all the above dependents reside with you for the entire year? () ()

Are all the above dependents unmarried? () ()

Are any of the above dependents filing their own tax return? () ()

Can any of the above dependents be claimed by any other taxpayer (s)? () ()

4. Your Date of Birth _____ Spouse Date of Birth _____

5. Your Social Security # _____ Spouse Social Security # _____

6. Your e-mail address _____ Spouse e-mail address _____

7. Your Work Phone # _____ Spouse Work Phone # _____

8. Your Cell Phone # _____ Spouse Cell Phone # _____

9. FAX Number _____ **Phone # to print on Form 1040** _____

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PERSONAL DATA (Cont'd)

10. Mailing Address: _____

11. **Electronic Filing Yes/No** **Direct Deposit of Refund (If Any) or Withdrawal - Yes/No**
If you answered "Yes" to the above questions, I will need the following additional information:

Five-Digit PIN for Yourself _____ **Five-Digit PIN for your Wife** _____

12. Name of Financial Institution _____ Checking/Savings Bank Routing # _____

Your Bank Account # for Direct Deposit _____ Date for Withdrawal _____

Yes No

13. Did you support anyone else (other than your children) in 2016 that you believe you can claim as a dependent? .. () ()

14. If divorced or separated, are you claiming a child as a dependent for whom you did not have custody of for the entire year? () ()

Did you pay or receive any alimony?..... () ()

If so, what was the total amount for 2016 \$ _____

15. Were you or your spouse age 65 or older as of 12/31/16?
You?..... () ()

Your Spouse ?..... () ()

Income:

16. Did you or your spouse have any income from any outside business interests (including rental property) in addition to your normal employment income? () ()

17. Did you or your spouse receive any distributions from a pension, profit sharing, or other retirement plan during the year?() ()

18. Did you receive any installment sale payments in 2016 that were from a sale that was completed in a prior year? () ()

19. Did either you or your spouse receive any disability or unemployment compensation during the year? () ()

Total amount received in 2016: \$ _____ Received from State of _____

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- | | <u>Yes</u> | <u>No</u> |
|--|------------|-----------|
| 19. Did you or your spouse or dependents receive any Social Security benefits? | () | () |
| 20. Did you receive any interest income from a mortgage or note you originated? | () | () |
| 21. Did you or your spouse receive any capital gains distributions from any investments or insurance plans?..... | () | () |

Financial Transactions:

- | | | |
|--|-----|-----|
| 22. Did you purchase, sell, or exchange your primary residence during the previous two years? .. | () | () |
| 23. Did you purchase or sell any other real estate during the year? . | () | () |
| 24. Did you sell any stocks, bonds, or other securities during the year? | () | () |

If “Yes” please attach all of the Schedule D and 1099-B reports from your investment firms. Note: Effective in 2005 the IRS requires all of the details for each individual transaction on Schedule D.

- | | | |
|---|-----|-----|
| 25. Were you a member of any partnership or, joint venture during the year?
..... | () | () |
| 26. Did you make any non-cash charitable contributions such as clothing, furniture, or other property?..... | () | () |
| 27. Did you incur any moving or relocation expenses during the year? | () | () |
| 28. Did you incur an early withdrawal penalty in any savings accounts? | () | () |
| 29. Did you pay mortgage interest to an <u>INDIVIDUAL</u> (not to a bank or financial institution)? | () | () |

If “Yes”, please provide their name, address, and social security #:

- | | | |
|--|-----|-----|
| 30. Did you contribute more than \$250.00 to any single charitable or religious organization?..... | () | () |
|--|-----|-----|

Note – Additional details are required if your total “Non-Cash” Charitable Contributions exceed \$500.00

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- | | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| 31. Did you incur any child/dependent care expenses? | () | () |
| Amount \$ _____ Provider Name: _____ | | |
| # of Children _____ Provider SSAN/Tax ID # _____ | | |
| 32. Does anyone owe you money from a loan for which you have been
unable to collect? | () | () |
| 33. Please indicate the amount of any IRA contribution that either you or your spouse
made in 2016 that was not deducted on your 2015 income tax return. | | |
| Self: \$ _____ | | |
| Spouse: \$ _____ | | |
| Were any IRA contributions made in 2016 and prior to 4/18/16
which were not deducted on your 2015 tax return? | () | () |

Miscellaneous:

34. Have you been audited by either the IRS or a state tax agency during the
past two years?
- () ()
35. Did you make estimated tax payments (via Form 1040-ES or the EFTPS and not Form
W-2) for tax year 2016?
- () ()
- If "Yes", what were the actual deposit dates and the amounts for each payment?
- _____
36. Did you incur theft or casualty losses not covered by insurance which
exceeded 10% of your total income?
- () ()
37. **IMPORTANT** Please indicate the amount of the tax refund from your 2015
state income tax return \$ _____ [1099-G] State: _____
37. 2016 Education Expenses (tuition, fees etc) [1098-T] \$ _____ & Student
Loan Interest [1098-E] \$ _____
38. ***** Was everyone on your tax return covered under a health insurance program
through all of 2016? _____ If "No" or for only part of 2016, please read the instructions
for Form 8965 on pages 18-19 of this document and then contact me. *****

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Tax Return Reporting Requirements of the “Affordable Care Act (ACA)”

Beginning in Tax Year 2015 there are new reporting and compliance requirements that are associated with the “Affordable Care Act”. There are many different situations and I will need to know which situations below are applicable for your 2016 tax return reporting. For example:

1. **You had health insurance for all twelve months of 2016 for everyone in your tax household and did not receive any Federal assistance for the payment of your health care premiums. –**

Note: Your health insurance may have been provided through an employer or under a government program such as Medicare, Medicaid and coverage for veterans for the entire year. In this case I will check the box on Line #61 of Form 1040 or Line #38 of Form 1040-A, **OR**

2. **You did NOT have health insurance for all twelve months of 2016 and did not receive any Federal assistance for your premiums** – There is a penalty of \$695.00 per adult, and \$347.50 per child or 2.5% of your household income. The statutory maximum is \$2,085.00.

In which months were you uninsured for health insurance purposes in 2016?

3. Were you enrolled in health insurance through the Marketplace? Please provide me with your 1095-A (If you did NOT receive a 1095-A, you should contact the Marketplace through which you enrolled)
4. Did you receive the benefit of advance payments of the premium tax credit in 2016? _____
(A Form 8962 will be filed to reconcile the advance payments with your premium tax credit allowed.)
5. If you did not receive any advance payments, are you claiming the premium tax credit? _____
6. Are you claiming an “exemption” from the requirement to have health insurance in 2016? _____
(A Form 8965 will be required to be filed with your 2016 Federal tax return.)
7. If you received an exemption, what is your unique Exemption Certificate Number? _____
8. Did you apply for an Exemption Certificate and have not yet received your certificate? _____
9. Are you claiming an exemption that can only be granted by the IRS? _____
Parts II and III of Form 8965 will be required to be completed.
10. Will you be making a “shared responsibility payment” because you either did not have health care insurance coverage or did not qualify for an exemption in any month in 2016? _____

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Source Documents:

The following source documents will be used to support ACA computations starting in Tax Year 2016:

- **Form 1095-B, “Health Coverage Information Return” is issued by providers of minimum essential coverage, including self-insured employers.**
- **Form 1095-C, Employer-Provided Health Coverage Statement, is issued by large employers with more than 50 employees.**

******* Please provide me with the 1095-B or 1095-C that you received from either your health care insurance provider or from your employer *******

There are no changes to Form 1095-A, (“**Health Insurance Marketplace Statement**“) which was issued by health insurance exchanges and was rolled out in Tax Year 2016.

In a continued effort to streamline the health insurance reporting requirement under ACA, taxpayers who have non-Marketplace health insurance will receive the new Form 1095-B and 1095-C, from large employers and, in many cases, their health insurance carrier, but will not have to attach or enter information from the forms on their 2016 tax returns filed in 2016. This means that if you had non-Marketplace health insurance during the 2016 tax year, these new forms will be for informational purposes only and you’re not required to send in proof of health care coverage to the IRS. However, you should keep these documents with your other records. Other documentation serving as proof of coverage includes insurance cards, explanation of benefits’ statements from your insurer, and W-2 or payroll statements reflecting health insurance deductions.

If you changed jobs or your benefit plan during the year, or added or dropped dependents from your coverage, you should verify that the forms indicate you and any dependents you claim had coverage for the entire year, or make a note about any gaps in coverage that occurred. Be sure to check the forms for accuracy. When you receive both of these documents, Form 1095-B from a provider and Form 1095-C from a large employer, you may be confused, but the information on these documents should be consistent.

References: <http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Health-Care-Law-and-Your-Tax-Return> and http://money.cnn.com/2016/01/28/news/economy/obamacare-tax-penalty/index.html?iid=HP_LN

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FINANCIAL DATA

The following schedules are intended to identify the specific financial data necessary for the preparation of your income tax return.

INCOME:

W-2 Salary/ Wages: Yourself: \$ _____

Husband/Wife: \$ _____

Interest:

Received From: _____ \$ _____

Received From: _____ \$ _____

Received From: _____ \$ _____

Received From: _____ \$ _____

Received From: _____ \$ _____

Dividends:

Received From: _____ \$ _____

Received From: _____ \$ _____

Received From: _____ \$ _____

Received From: _____ \$ _____

Received From: _____ \$ _____

State Income Tax Refund: State _____ \$ _____

Unemployment Compensation: State _____ \$ _____

Taxable Retirement Income: Source _____ \$ _____

***** Please provide me with copies of your W-2s, 1099s and the 12/31/16 statements from each of the financial institutions that reported the above income to the Internal Revenue Service *****

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Taxable Retirement Income (Cont'd):

Pension Income:	_____	\$ _____
IRA Distributions:	_____	\$ _____
Alimony <u>Received</u> :	_____	\$ _____
Other (Describe)	_____	\$ _____
Other (Describe)	_____	\$ _____

Adjustments to Gross Income:

Educator Expenses	\$ _____
Business Expenses for Armed Forces Reservists, performing artists or fee-basis state or local government officials	\$ _____
Alimony <u>Payments</u>	\$ _____
Health Savings Account (HSA) deductions	\$ _____
Self Employment Taxes	\$ _____
IRA or Keogh Plan Contributions	\$ _____
Student Loan Interest	\$ _____
Tuition & Fees Deductions	\$ _____
Moving Expenses	\$ _____
Self Employment Health Insurance Premiums	\$ _____
Self Employed SEP, SIMPLE & Qualified Plans	\$ _____
Penalty for Early Withdrawal of Savings	\$ _____
Domestic Production Activities	\$ _____
Archer MSA Deduction	\$ _____
Deduction for clean-fuel vehicles	\$ _____
Jury Duty pay relinquished to employer	\$ _____

***** Please provide me with copies of your Form 1098s, 1099s, and the 12/31/16 statements from each of the financial institutions that reported the above income to the Internal Revenue Service *****

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Itemized Deductions:

Medical:

Doctors, Dentists, hospitals and nursing care (net of any insurance proceeds): \$ _____

Medicines, drugs and fees paid: \$ _____

Eyeglasses and hearing aids: \$ _____

Total automobile mileage To & From medical facilities for medical care and treatments: _____

Health insurance premiums paid (excluding disability or life insurance) including Long Term Care Insurance: \$ _____

NOTE: Medical expenses increase your itemized deductions if they exceed 10% of your Adjusted Gross Income (AGI). The threshold is 7.5% if either you or your spouse is 65 or older. **The "65 or older" exemption expired 12/31/16. The 2016 medical mileage rate is \$.19/mile. Please provide me with your total number of miles driven.**

General State Sales Taxes Deduction (Personal Use only – Not for your trade or business)

If you itemize your deductions and live in a state that has a state income tax, you may elect to deduct **either** the state income tax **or** the applicable states sales taxes that were paid.

Deduct State Income Taxes _____ Deduct State Sales Taxes _____

If you itemize your deductions and live in a state that does not have a state income tax you may deduct the applicable general sales taxes that you paid during the year.

Enter Your local sales tax rate _____% You have the option of deducting either 1) the actual sales tax amount from your receipts or 2) the amount from the IRS tables:

Actual Receipts Amount \$ _____ Use IRS Tables _____

If you selected "Use IRS Tables" above then you can also deduct an additional amount for the sales taxes that were paid for separate large purchases. Please enter those amounts below:

Motor Vehicles (cars, SUVs, trucks, vans, leased vehicles) \$ _____

Boats, motorcycles, motor homes, RVs, off-road vehicles \$ _____

Airplanes \$ _____

Personal Residence Home Building Materials (New Homes) \$ _____

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Taxes:

Real Estate (Describe Properties): _____ \$ _____

Real Estate (Describe Properties): _____ \$ _____

State Income (State): _____ \$ _____

State Income (State): _____ \$ _____

State Disability Insurance (State): _____ \$ _____

Vehicle Ad Valorem (Non-Texas) (State): _____ \$ _____

Vehicle Ad Valorem (Non-Texas) (State): _____ \$ _____

Other Taxes (Please describe): _____ \$ _____

Interest Expense:

NOTE: The interest expense for personal loans, automobile, boat, credit cards or personal line of credit loans can not be deducted on **Schedule A**

Student Loan Interest (Please indicate Recipient)

Loan Company: _____ \$ _____

Home Mortgage Interest (Please indicate Recipient)

Mortgage Company: _____ \$ _____

Mortgage Company: _____ \$ _____

Mortgage Company: _____ \$ _____

Broker/Margin Interest Paid (Please indicate Recipient)

Investment Company: _____ \$ _____

Investment Company: _____ \$ _____

Investment Company: _____ \$ _____

*** Some borrowers may be able to deduct Mortgage Insurance Premiums paid on mortgages taken out or refinanced after 2006. A borrower who prepays premiums for later years may deduct only the premiums that relate to 2016, except for prepayments for guarantees made by the Department of Veterans Affairs or the Rural Housing Service. Only mortgage insurance contracts issued during 2007, 2008, 2009 or 2010 qualify for this new itemized deduction. ***

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Contributions (Cash):

Religious: _____ \$ _____

Religious: _____ \$ _____

Religious: _____ \$ _____

Religious: _____ \$ _____

Charitable (i.e. United Way, March of Dimes, American Red Cross, American Heart Association, etc): _____ \$ _____

Charitable (i.e. United Way, March of Dimes, American Red Cross, American Heart Association, etc): _____ \$ _____

Charitable (i.e. United Way, March of Dimes, American Red Cross, American Heart Association, etc): _____ \$ _____

Charitable (i.e. United Way, March of Dimes, American Red Cross, American Heart Association, etc): _____ \$ _____

Contributions (Non Cash):

(i.e. Goodwill Industries, Capital Area Food Bank, Salvation Army, etc)

Organization: _____ \$ _____

Organization: _____ \$ _____

Organization: _____ \$ _____

Volunteer Work: (Describe organization, mileage and expenses involved)

Organization: _____

Organization: _____

Organization: _____

Special new rules apply for documenting charitable donations made in taxable years beginning after August 17, 2006. For most taxpayers the requirement began in 2007. [The charitable organization mileage rate for 2016 is \\$.14/mile.](#)

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Miscellaneous Deductions:

Professional or Union Dues	_____	\$ _____
Professional Publications & Job Supplies	_____	\$ _____
Unreimbursed Business Travel	_____	\$ _____
Unreimbursed Meals & Entertainment	_____	\$ _____
Employment Related Education	_____	\$ _____
Job hunting costs	_____	\$ _____
Safety Deposit Box	_____	\$ _____
2013 Tax Return Preparation	_____	\$ _____
Educator Expenses	_____	\$ _____
Investment Counsel and Tax Planning	_____	\$ _____
Business Use of Your Home	_____	\$ _____
IRA Custodial Fees	_____	\$ _____
Gambling losses	_____	\$ _____
Other (Please Describe)	_____	\$ _____
Other (Please Describe)	_____	\$ _____

Moving Expenses:

Distance From Former Home to New Place of Work - _____
Distance from Former Home to Old Place of Work - _____
Transportation of Household Hoods: \$ _____
Storage Costs (new area) First 30 days only \$ _____
Travel Expenses for Taxpayers to New Location \$ _____
Lodging Expenses Enroute to New Location \$ _____
Unallowable Moving Expenses \$ _____
Total Moving Expenses \$ _____ Employer Reimbursements \$ _____
Total Driving Distance _____ # of Cars Driven _____

The 2016 moving mileage rate is \$.19/mile. Please provide me with your total miles driven.

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Moving Expenses (Cont'd):

Do Not Include the Costs for any of the following expenses:

- Any part of the purchase price of your new home.
- Car tags.
- Driver's license.
- Expenses of buying or selling a home (including closing costs, mortgage fees, and points).
- Expenses of entering into or breaking a lease.
- Home improvements to help sell your home.
- Loss on the sale of your home.
- Losses from disposing of memberships in clubs.
- Mortgage penalties.
- Pre-move house hunting expenses.
- Real estate taxes.
- Refitting of carpet and draperies.
- Return trips to your former residence.
- Security deposits (including any given up due to the move).
- Storage charges except those incurred in transit and for foreign moves.

Other Taxes:

First Time Home Buyer Credit Repayment (1/15 of 2008 credit amount) \$ _____

Tax Credits:

Residential Energy Expenses _____ \$ _____

Non Business Energy Property Expenses _____ \$ _____

First Time Home Buyer Credit _____ \$ _____

Adoption Expenses _____ \$ _____

Child & Dependent Care Credit _____ \$ _____

Child Tax Credit _____ \$ _____

Foreign Taxes Paid Credit _____ \$ _____

Education Credit _____ \$ _____

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RENTAL PROPERTY OWNERS

Rental Income\$ _____

Rental Expenses:

Mortgage interest\$ _____

Real estate taxes\$ _____

Property / Mortgage insurance\$ _____

Repairs\$ _____

Management fees\$ _____

Maintenance and repairs\$ _____

Utilities\$ _____

Depreciation (I will calculate)\$ _____ XXXXXX

Other (specify)\$ _____

.....\$ _____

.....\$ _____

The standard business mileage rate for 2016 is \$.54/mile. Please provide me with your 2016 total miles driven.

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BUSINESS / PROFESSIONAL INCOME

Gross Business Income\$ _____

Reported on a Form 1099 \$ _____ Not Reported on a Form 1099 _____

Business expenses:

Advertising \$ _____

Bank service charges \$ _____

Car or truck expense \$ _____

Depreciation (I will calculate) \$ _____ XXXX.XX _____

Dues, publications, books, etc \$ _____

Insurance \$ _____

Interest \$ _____

Legal and other professional expense \$ _____

Office supplies and expenses \$ _____

Travel and entertainment \$ _____

Other (describe) \$ _____

..... \$ _____

..... \$ _____

..... \$ _____

Name of Business: _____ Date First Commenced Business _____

Federal Tax Identification Number _____ State Tax Identification Number _____

State Charter Incorporation # _____ Date of Incorporation _____ Business Form _____

Business Vehicle Information:

Vehicle Make: _____ Model _____ Year _____ Date in Service _____

1/1/2016 Mileage _____ 12/31/15 Mileage _____ 2016 Business Miles _____

The standard business mileage rate for 2016 is \$.54/mile. Please provide me with your 2016 total miles driven.

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Many of the tax law provisions that were due to expire on 12/31/16 have either been extended or made permanent. Please advise me if any of these changes may be applicable to you by placing a check mark next to the topic below if any of these changes could affect your 2016 Federal Tax return:

Ordinary Marginal Tax Bracket Rates

All of the marginal tax bracket rates—10%, 15%, 25%, 28%, 33%, and 35%—are now permanent. This means that the 10% bracket, which was scheduled to expire on 12/31/14, remains in effect. In 2013 the maximum tax bracket rate for high-income taxpayers was reinstated at 39.6%. The “marriage penalty relief” which was provided in the 10% and 15% brackets remained in effect.

If you are a high-income household with “Taxable Income” of more than \$415,050 (single), \$441,000 (Head of Household), \$233,475 (Married, Filing Separately), or \$466,950 (married filing jointly), your tax bracket has been increased to 39.6% from 35%. Taxpayers who are in the new high-income tax brackets are also subject to a higher capital gains rate of 20% - this has been increased from 15%. A 3.8% tax surcharge has been added from the Affordable Health Care Act. (See the **Net Investment Income Tax** below)

Additional Medicare Tax. Beginning in 2013, a 0.9% “Additional Medicare Tax” applies to Medicare wages, railroad retirement (RRTA) compensation, and self-employment income that are more than:

\$125,000 if married filing separately,
\$250,000 if married filing jointly, or
\$200,000 for Single, Head-of-Household, and Surviving Spouse
See Form 8959 and its instructions.

Net Investment Income Tax. Beginning in 2013, you may be subject to the Net Investment Income Tax (NIIT) surtax. The NIIT is 3.8% of **the smaller** of (a) your net investment income or (b) the excess of your modified adjusted gross income over:

\$125,000 if married filing separately,
\$250,000 if married filing jointly or qualifying widow(er), or
\$200,000 for Single, Head-of-Household, and Surviving Spouse

The below categories of tax rates are related and are also applicable:

- Social Security Tax on earned Income (Salaries & Wages) – 6.2%
- Backup withholding for dividends and interest - 28%
- Voluntary withholding on Social Security benefits, and Railroad Retirement (Tier 1) benefits - 7%, 10%, 15%, or 25% (at the taxpayer’s choice). No other percentages or amounts are allowed.
- Voluntary withholding on unemployment benefits - 10% No other percentages or amounts are allowed.
- Withholding rate for regular gambling winnings (such as lotteries and sweepstakes) - 25%.

The Accumulated Earnings tax and the Personal Holding Company penalty tax increased from 15% to 20% in 2013 (This is also the top capital gains rate for high-income taxpayers).

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□ **Capital Gains Tax Rates for the Sales of Investments**

The capital gains tax rates did not change in 2016 and for the future. Therefore, the capital gains tax rates associated with long-term capital gains (investments which were owned more than one year) will be taxed at a maximum rate of 15% UNLESS you are a “high-income taxpayer”.

In 2013, the capital gains tax rate increased to 20% for “high-income taxpayers”. The same taxable income levels which are related to ordinary income will now determine which taxpayers are subject to the higher 20% capital gains rate. “High-income taxpayers” are defined as those taxpayers with a “Taxable Income” over \$415,050 for Singles, \$441,000 for Heads of Households, \$466,950 for Married Filing Jointly, and \$232,475 for Married Persons Filing Separately.

The other capital gains rates will continue to be in effect:

- 25% rate on unrecaptured depreciation
- 28% rate on collectibles gains and Code Sec. 1202 gains

Taxpayers in the 10% and 15% tax brackets pay zero tax on long-term capital gains.

□ **Expiring Tax Deductions Which Were Extended or Made Permanent**

Several important tax breaks that were scheduled to expire on 12/31/15 have either been **EXTENDED** or made **PERMANENT**. As a result, eligible taxpayers can claim:

Permanent

- State income taxes or local sales taxes can still be deducted
- Qualified Charitable Distributions (QCD) From an IRA to a charitable organization
- American Opportunity Tax Credit (for college students)
- Enhanced Child Tax Credit (\$1,000/per qualifying child)
- The educator expense deduction (maximum of up to \$250/year)
- Section 179 Expensing (businesses only)

Extended Through 12/31/16

- Mortgage Insurance Premiums are deductible as mortgage interest
- Cancellation of Debt on your primary residence by your mortgage company. The limit of \$2.0 million has been extended until 12/31/16. Taxpayers who are in a foreclosure or short sale situation and who may have had loan forgiveness should investigate this provision to determine if they are eligible to exclude most, if not all, of the forgiven amount from their taxable income
- American Opportunity Tax Credit – maximum is \$2,500 Subject to “Taxable Income” phaseout.
- Exclusion of employer provided transportation cost benefits. The 2016 amount for transportation fringe benefits is \$255 per month.

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Health Flexible Spending Arrangements (FSAs). You cannot have more than \$2,550 in salary reduction contributions made to a health FSA for plan years beginning in 2015.

Home office deduction simplified method. If you the requirements for this deduction, you may be able to use the IRS simplified method to make the calculation. The formula is: "Allowable Square Feet" (up to 300 square feet) x \$5.00/square foot =\$1,500.00 (statutory maximum).

Medical and dental expenses. The amount that exceeds 10% of your "Adjusted Gross Income" is deductible. (7.5% if either you or your spouse are age 65 or older). This exception expired 12/31/16.

Pease Itemized Deduction Phase-Out Limitation (Reduction in Total Itemized Deductions):

The 2016 "Adjusted Gross Income" thresholds for this limitation are \$311,300 for married filing jointly and surviving spouses, \$285,350 for head of household, \$259,400 for single, and \$155,650 for married filing separately. If you have "Adjusted Gross Income" at or above these levels, you will not be allowed to receive a deduction for 100% of your itemized expenses. Your personal exemptions will also be reduced.

Personal exemption amount - Your personal exemption is \$4,050. Subject to "phaseout" at thresholds based on filing status and income, as indicated above.

Standard Deduction

Single: \$6,300.

Married filing jointly and surviving spouses: \$12,600.

Married filing separately: \$6,300 (\$0 if spouse itemizes deductions).

Heads of household: \$9,300.

Additional standard deduction for 65+ and blind taxpayers:

Single: \$1,550.

Married filing jointly and surviving spouses: \$1,250.

Heads of household: \$1,550.

Standard deduction for individuals who can be claimed as dependents cannot exceed the lesser of (1) \$6,300 or (2) the greater of \$1,050 or \$350 plus the individual's earned income.

RETIREMENT PLAN LIMITS

Maximum **401(k) plan** elective deferral: \$18,000 (plus \$6,000 catch-up for age 50+).

Defined benefit plan maximum benefit: \$210,000.

Defined contribution plan contribution limit: \$53,000 or 100% of compensation, whichever is less.

IRA contribution limit: \$5,500 (plus \$1,000 catch-up for age 50+).

IRA deduction phaseout: MAGI from \$98,000 to \$118,000 (married filing jointly); \$61,000 to \$71,000 (single taxpayers and heads of household); \$0 to \$10,000 (married filing separately); \$184,000 to \$194,000 (nonactive participant whose spouse is an active plan participant).

Roth IRA contribution limit: \$5,500 (plus \$1,000 catch-up for age 50+).

Roth IRA contribution limit phaseout (MAGI): \$184,000 to \$194,000 (married filing jointly); \$117,000 to \$132,000 (single and heads of household); \$0 to \$10,000 (married filing separately).

SEP minimum required compensation: \$600; discriminatory contribution test amount: \$265,000.