



Professional Tax Planning Guide

2017

Dear Tax Professional,

Thank you for your interest in Intuit ProConnect ProSeries. To help you plan for a successful year, and to say thank you, please enjoy this copy of the 2017 ProSeries Professional Tax Planning Guide.

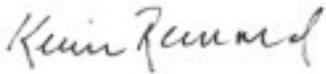
What's inside:

- New tax law changes for tax year 2017
- Key dates that you can add to your preferred calendar app
- Recommended to-do lists
- Specialized tips for important client life events and more

Your work relies on your expertise, and this guide will provide you with a supplemental framework to help you stay informed, save time on planning ahead, and align your team for efficiency and success.

Thank you, again, for your interest in Intuit ProConnect ProSeries. If you have any questions, please contact one of our tax consultants at (844) 728-6864.

Sincerely,

A handwritten signature in black ink that reads 'Kevin Reinard'.

Kevin Reinard
ProConnect Product Specialist

PLEASE NOTE: Regulations change constantly, and while we encourage you to use this document to help inform you with decision making and planning, it's important for you to determine how the following information applies to you, your practice and your clients

NOTICE-DISCLAIMER OF LIABILITY: All information in this Intuit ProConnect Professional Tax Planning Guide (collectively, "Information") is for educational and information purposes only and is not legal or tax advice or opinions on any specific matters. Tax laws and regulations change frequently and their application can vary widely based upon the specific facts and circumstances involved. You acknowledge that all decisions regarding the tax treatment of items reflected on tax returns prepared by you are made solely by you and that use of Information does not relieve you of responsibility, including those to any third party, for the preparation, content accuracy, and review of such returns. You further acknowledge that you are not relying upon Intuit for advice regarding the appropriate tax treatment of items reflected on tax returns. The provision of Information by Intuit is not intended to create, and your receipt does not constitute, any form of relationship between Intuit or the author(s) and you. You, and not Intuit, are responsible for the applicability and accuracy of Information as it relates to your practice or to your clients.

NOTICE OF RIGHTS: No part of this book may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying recording or otherwise, without the prior written permission of Intuit Inc.

Table of Contents

New Tax Developments for 2017 and Beyond	4
Key Tax Facts for 2017	6
June 2017	7
How the Tax Law Treats Residence Rentals	8
July 2017	10
Tips for Homesellers: Getting Back to Basis	11
August 2017	13
Tax Facts for Student Borrowers	14
September 2017	16
Timely Mailing is Timely Filing – If You Know the Rules	17
October 2017	19
Are Your Tax Preparer Credentials in Order?	20
November 2017	22
Get Your Clients Ready for Tax Return Season	23
December 2017	24
What Your Clients Need to Know About the Nanny Tax	25
January 2018	27
Tax Facts for Expatriates	28
February 2018	30
How to Handle W-2 Slip-Ups	31
March 2018	32
Is Your Client Data Secure?	33
April 2018	35
What to Tell Clients About Amended Returns	36
May 2018	37
Contact Us	38

New Tax Developments for 2017 and Beyond

With a new Republican administration and Congress ensconced in Washington, it is unclear what the tax landscape will look like by the end of 2017. So, short of hauling out a crystal ball, let's take a look at some recent tax developments that you and your clients can plan for over the remainder of the year and beyond.

Small Employer HRAs

Tax law changes were few and far between during the lame duck session of Congress. However, one law change is noteworthy for your small business clients and their employees. The law authorizes the creation of qualified small employer health reimbursement arrangements (QSEHRAs) to provide reimbursements for medical care for employees and their family members.

Under a longstanding IRS ruling, an employer's payments or reimbursements for employees' substantiated premiums for non-employer-sponsored health insurance can be excluded from employees' incomes [IRC §106; Rev. Rul. 61-146]. However, IRS guidance makes it clear that these seemingly simple plans have one big complication. The plans are considered employer-provided group health plans subject to the full panoply of group health plan requirements, such as the prohibition on annual limits and preventive coverage requirements. What's more, because such plans cannot meet those requirements, sponsoring employers face potential excise taxes of \$100 per day per employee [Notice 2013-54].

Effective for plan years beginning after 2016, the new law creates an exception from the group health plan requirements for QSEHRAs [IRC §9831(d) as added by P.L. 114-255].

An employer is generally eligible to set up a QSEHRA if it employed fewer than 50 employees in the prior year and does not offer group health plan coverage to its employees. The plan must be funded solely by the employer and, with some exceptions, must provide benefits on the same terms and conditions to all employees.

Payments for reimbursements from a QSEHRA are generally excludable from employees' incomes as employer-provided medical coverage. However, payments or reimbursements cannot exceed \$4,950 for an individual employee or \$10,000 for an employee and family members. In addition, payments or reimbursements to or for an individual are not excludable from income unless the individual has minimum essential health coverage.

An employee's QSEHRA benefit for a year must be separately reported on the employee's Form W-2. Code FF has been added for box 12 of the 2017 Form W-2 to report the QSEHRA benefits.

Severance Paid to Combat Veterans

Another new law change made by the Combat-Injured Veterans Tax Fairness Act (P.L. 114-292) will allow combat-injured veterans to recover income taxes that were improperly collected by the Department of Defense (DOD) on certain disability payments. The DOD is directed to identify severance payments made after Jan. 17, 1991, from which income tax was improperly withheld and to notify affected veterans. The law extends the normal three-year period for filing a refund claim to the date that is one year after the DOD provides an affected veteran with notice of the improper withholding.

Unextended Extenders

Also noteworthy is what the 114th Congress didn't do before adjourning for the last time in January. Lawmakers left without passing legislation to extend any of 35 provisions that expired at the end of 2016. For individual taxpayers, these unextended "extenders" include:

- The exclusion for discharge of indebtedness on a principal residence [IRC §108]
- Treatment of mortgage insurance premiums as deductible qualified residence interest [IRC §163]
- The above-the-line deduction for qualified tuition and related expenses [IRC §222]
- The nonbusiness energy credit for energy-efficient improvements to a principal residence [IRC §25C]

Medical Expense Deductions

For most of your clients, the deduction floor for medical expenses has been set at 10 percent of adjusted gross income (AGI) since 2013. But that hasn't been the case for your senior clients. For tax years 2013 through 2016, if either a client or a client's spouse had reached age 65 before year end, the former 7.5 percent deduction floor continued to apply. For tax years beginning after Dec. 31, 2016, the floor beneath the itemized deduction for medical expenses of taxpayers who are age 65 or older increases from 7.5 percent of AGI to 10 percent of AGI [IRC § 213].

Leave Donation Programs

The IRS provided special tax treatment for leave donation programs in connection with certain natural disasters that occurred in 2016. The special tax treatment applies to donation programs for victims of severe storms and flooding in Louisiana that began on Aug. 11 and programs for victims of Hurricane Matthew, which ravaged the southeast United States from Florida to Virginia in September. Under a leave donation program, employees may donate vacation, sick or personal leave in exchange for cash payments to tax-exempt organizations providing relief for disaster victims. In the case of the IRS-approved programs, donated leave is not includable in income of wages of employees, and the employer may deduct the payments as business expenses or charitable contributions. To qualify, employer payments must be made before Jan. 1, 2018 [Notice 2016-55, Notice 2016-69].

Missed Retirement Plan Rollover Deadlines

As a general rule, to qualify for tax-free treatment, a rollover of funds from an IRA or workplace retirement plan to another eligible plan must be completed within 60 days. Clients who miss the rollover deadline can get a waiver from the IRS if failure to meet the deadline was due to casualty, disaster or other mitigating circumstances. In the past, the only way to get a waiver was to apply for a private letter ruling from the IRS. However, under new IRS rules, taxpayers can self-certify their eligibility for a waiver under specified circumstances, including a bank error, a misplaced distribution check, damage to the taxpayer's residence, death or illness in the family, or a postal error. (See Rev Proc 2016-47 for a complete list of circumstances in which self-certification is permitted.) The IRS cautions that self-certification doesn't guarantee a waiver; the IRS can later determine that a waiver is not justified. On the other hand, the new rules permit the IRS to grant a waiver on examination even if the taxpayer did not self-certify or obtain a ruling.

ITIN Replacements Required

Any individual filing a U.S. tax return must enter a taxpayer identification number on the return. Identification numbers are also required for dependents claimed on a return. Generally, this means a Social Security number (SSN). However, in the case of individuals who are not eligible for an SSN, the IRS issues individual tax identification numbers (ITINs).

In the past, ITINs did not carry an expiration date. However, a recent law change provides that an ITIN will expire if an individual fails to file a return or is not included as a dependent on another return for three consecutive years [IRC §6109(i)(3)(B)]. In addition, individuals who were issued ITINs before 2013 are required to renew their ITINs on a staggered schedule between 2017 and 2020.

Debt Discharges

Under prior rules, a creditor was generally required to furnish Form 1099-C, Cancellation of Debt, if the creditor did not receive any payment on a debt for 36 months. However, those rules were confusing to taxpayers and tax professionals because receipt of a 1099-C as a result of the 36-month rule did not necessarily mean that the debt was discharged or that the taxpayer had to report taxable income from discharge of the debt. New IRS regulations remove the 36-month rule effective for information returns required after 2016.

Installment Agreement Fees

The IRS has hiked the fees for taxpayers entering into installment agreements to pay their taxes [Reg. §§300.1; 300.2].

Effective of agreements normally entered into on or after Jan. 1, 2017, a regular installment agreement under which the taxpayer initiates periodic payment that's set up in person, by phone or by mail will now cost \$225, compared to \$120 under prior rules. A taxpayer who sets up a direct debit agreement in person, by phone or by mail will pay a reduced fee of \$107, up from \$52.

By contrast, a regular agreement that is set up online will cost \$149, while a direct debit online payment agreement goes for the bargain price of just \$31. Prior rules did not provide reduced rates for online agreements.

STANDARD DEDUCTION

Married filing jointly/surviving spouse	\$12,700
Single	\$6,350
Head of household	\$9,350
Married filing separately	\$6,350
Dependent taxpayers	\$1,050

ADDITIONAL STANDARD DEDUCTION

	65+ or blind	65+ and blind
Married/surviving spouse	\$1,250	\$2,500
Unmarried	\$1,550	\$3,100

PERSONAL EXEMPTIONS

Personal exemption amount	\$4,050
---------------------------	---------

Phaseout range

Married filing jointly/surviving spouse	\$313,800-\$436,300
Head of household	\$287,650-\$410,150
Unmarried	\$261,500-\$384,000
Married filing separately	\$156,900-\$218,150

KIDDIE TAX

Amount taxed at child's rate	\$1,050
AMT exemption	earned income + 7,500

ADOPTION CREDIT

Maximum credit	\$13,570
Phaseout range	\$203,540-\$243,540

EDUCATION CREDITS

American Opportunity—max. credit	\$2,500
Phaseout threshold—joint filers	\$160,000-\$180,000
Phaseout threshold—all other filers	\$80,000-\$90,000
Lifetime Learning—max. credit	\$2,000
Phaseout threshold—joint filers	\$112,000-\$132,000
Phaseout threshold—all other filers	\$56,000-\$66,000

EDUCATOR EXPENSE DEDUCTION

Maximum deduction	\$250
-------------------	-------

EDUCATION SAVINGS BOND EXCLUSION

Phaseout range—joint filers	\$117,250-\$147,250
Phaseout range—all other filers	\$78,150-\$93,150

STUDENT LOAN INTEREST DEDUCTION

Phaseout range—joint filers	\$135,000-\$165,000
Phaseout range—all other filers	\$65,000-\$80,000

LONG-TERM CARE INSURANCE DEDUCTION

Age at close of year	Premiums eligible for medical expense deduction
40 or younger	\$410
Older than 40 but not more than 50	\$770
Older than 50 but not more than 60	\$1,530
Older than 60 but not more than 70	\$4,090
Older than 70	\$5,110

FOREIGN INCOME

Foreign earned income exclusion	\$102,100
---------------------------------	-----------

HEALTH FLEXIBLE SPENDING ACCOUNTS

Max. salary reduction contribution	\$2,600
------------------------------------	---------

HEALTH SAVINGS ACCOUNTS

	Self-only	Family
HDHP deductible	\$1,300	\$2,600
Out-of-pocket expense cap	\$6,550	\$13,100
Maximum contribution	\$3,400	\$6,750

MEDICAL SAVINGS ACCOUNTS

	Self-only	Family
HDHP deductible	\$2,250-\$3,350	\$4,500-\$6,750
Out-of-pocket expense cap	\$4,500	\$8,250

TRANSPORTATION FRINGE BENEFITS

Vanpool/transit pass monthly exclusion	\$255
Qualified parking monthly exclusion	\$255

INDIVIDUAL RETIREMENT ACCOUNT DEDUCTION

Maximum deduction	\$5,500
Phaseout range—joint filers	\$99,000-\$119,000
Phaseout range—single/head of household	\$62,000-\$72,000
Phaseout range—married filing separately	\$0-\$10,000
Phaseout range—joint filer/active participant spouse	\$186,000-\$196,000
Catch-up contribution age 50 or older	\$1,000

ROTH IRA CONTRIBUTION

Maximum contribution	\$5,500
Phaseout range—joint filers	\$186,000-\$196,000
Phaseout range—single/head of household	\$118,000-\$133,000
Phaseout range—married filing separately	\$0-\$10,000
Catch-up contribution age 50 or older	\$1,000

RETIREMENT SAVINGS CONTRIBUTION CREDIT

Credit percentage	50%	20%	10%
AGI limit—joint filers	\$0-\$37,000	\$37,001-\$40,000	\$40,001-\$61,500
AGI limit—head of household	\$0-\$27,750	\$27,751-\$30,000	\$30,001-\$46,500
AGI limit—other filers	\$0-\$18,500	\$18,501-\$20,000	\$20,001-\$31,000

SOCIAL SECURITY TAXES

Maximum net taxable self-employment earnings	\$127,200
"Nanny tax" threshold	\$2,000

ANNUAL EXCLUSION FOR GIFTS

Gift tax exclusion	\$14,000
Exclusion for gifts to a non-citizen spouse	\$149,000

MILEAGE ALLOWANCES

Standard business mileage allowance	53.5¢
Medical and moving allowance	17¢
Charitable mileage allowance	14¢

ITEMIZED DEDUCTION PHASEOUT THRESHOLD

Married filing jointly/surviving spouse	\$313,800
Head of household	\$287,650
Unmarried	\$261,500
Married filing separately	\$156,900

June 2017

Key Compliance Dates

Thursday, June 1

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 24-26.

Friday, June 2

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 27-30.

Wednesday, June 7

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 31-June 2.

Friday, June 9

Semiweekly depositors deposit FICA and withheld income tax on wages paid on June 3-6.

Monday, June 12

Tipped employees who received \$20 or more in tips during May report them to the employer on Form 4070 (in Publication 1244, *Employee's Daily Record of Tips and Report to Employer*).

Wednesday, June 14

Semiweekly depositors deposit FICA and withheld income tax on wages paid June 7-9.

Thursday, June 15

Monthly depositors deposit FICA and withheld income tax for May.

Individuals and calendar-year corporations pay second installment of 2017 estimated tax.

Individuals outside the U.S. file Form 1040 for 2016. For automatic four-month extension, file Form 4868.

Friday, June 16

Semiweekly depositors deposit FICA and withheld income tax on wages paid June 10-13.

Wednesday, June 21

Semiweekly depositors deposit FICA and withheld income tax on wages paid June 14-16.

Friday, June 23

Semiweekly depositors deposit FICA and withheld income tax on wages paid June 17-20.

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Wednesday, June 28

Semiweekly depositors deposit FICA and withheld income tax on wages paid June 21-23.

Friday, June 30

Semiweekly depositors deposit FICA and withheld income tax on wages paid June 24-27.

To-Do List

- Review tax law changes for 2017.
- Schedule much-needed R&R.

How the Tax Law Treats Residence Rentals

It's common practice for clients to rent out their vacation homes when they are not being used for personal R&R. The rental income can cut the costs of owning and maintaining a second home. But these days, some of your clients may be cashing in on short-term rentals of their primary homes. Clients who live in or near vacation destinations or who live in the vicinity of major events can now connect with renters through advertising sites like Craigslist or rental sites like Airbnb. For example, many Philadelphia residents jumped into the short-term rental market when Pope Francis visited that city in 2015.

Unlike typical vacation home landlords, these clients may be unfamiliar with the tax law rules on rentals of a residence.

Rule #1

Short-term rentals. Under a longstanding tax rule, many short-term home rentals are essentially tax-free. The IRS says that when a home is rented for less than 15 days during a year, there's no need to report the rental income or expenses. The rental income and rental expenses are simply ignored for tax purposes. Home-related expenses, such as mortgage interest and property taxes, are deducted as usual if the client itemizes deductions.

Once rentals hit the 15-day mark, two other rules come into play depending on whether the property qualifies as a personal residence or as investment property.

Rule #2

Personal residence rentals. If a personal residence is rented for 15 days or more during the year, all the rental income is included in income. Expenses are allocated between personal and rental use based on the number of days the home is used for each purpose. Otherwise deductible expenses attributable to personal use (mortgage interest, property taxes) can be written off if the client itemizes deductions. All expenses attributable to rental use are deductible—but only up to the amount of gross rental income.

A home is treated as a personal residence for a tax year if it is used for personal purposes for more than the greater of (1) 14 days or (2) 10 percent of the total days it is rented at a fair rental price.

Days of personal use generally include any days the home is used by your client or a family or by anyone at less than a

fair rental price. However, days your client spends on repairs and maintenance are not personal use days, even if family members use the property for recreational purposes on the same day.

KEY POINT: This rule is not likely to come into play when a client rents out his or her primary residence on a short-term basis. But it can crop up with vacation home rentals. For example, if a client uses a vacation home for a three-week vacation each year (21 days), the home will be treated as a personal residence only if rental use is limited to a total of 30 weeks (210 days).

Rule #3.

Investment property rentals. If a client's property does not qualify as a personal residence, it's considered an investment property. In that case, it is subject to the passive loss rules. Rental deductions are not limited to the amount of rental income, but any overall loss on the rental is deductible only to the extent of income from other passive investment sources. There is, however, an important exception: If a client has adjusted gross income of \$100,000 or less and is actively involved in rental of the property (for example, by making repairs, approving tenants, and the like), the client can write off up to \$25,000 of the net rental loss against non-passive income, including his or her salary. The \$25,000 exception is phased out at a rate of 50 cents for each dollar of income between \$100,000 and \$150,000.

TAX TIP: By fine-tuning personal use of the home, homeowners can pick the rule that will yield biggest tax deductions.

Example: Ben and Ann Spencer have adjusted gross income of about \$95,000. The Spencers own a beach home that they use for three weeks each summer and rent for the remaining 12 weeks of the season. Their annual rental income is \$18,000. Their total annual expenses for the home, including mortgage interest, taxes, maintenance and depreciation, come to \$40,000. Of that amount, \$8,000—including \$4,000 of mortgage interest and \$800 of property taxes—is allocable to personal use. The remaining \$32,000 is allocable to the rental. The Spencers' three weeks of personal use puts the vacation home in the personal residence category. Therefore, the Spencers can deduct the \$4,800 of mortgage interest and taxes attributable to their personal use (the remaining expenses attributable to personal use are nondeductible). In addition, they can deduct their rental expenses—but only up to the amount of their rental income. Total deductions: \$22,800.

Change of plans: The Spencers limit their annual vacation to just two weeks and rent the home for an additional week, increasing their rental income to \$25,500. Based on their new mix of rental and personal use, they allocate \$5,320 of expenses, including \$2,660 of mortgage interest and \$532 of property taxes, to their personal use. The remaining \$34,680 of expenses are allocable to the rental.

Cutting back on vacationing makes the home an investment property. The Spencers lose some deductions on the personal side; they can deduct the \$532 of property taxes attributable to personal use, but not the \$2,660 of mortgage interest. (Mortgage interest attributable to personal use is deductible only if the home qualifies as a personal residence.) However, they pick up substantial deductions on the rental side. They can deduct their rental expenses up to the amount of their \$25,500 of rental income. In addition, because the Spencers' adjusted gross income is below \$100,000, they can deduct their \$9,180 loss on the rental (\$34,680-\$25,500) against other income. Total deductions: \$35,212.

Flip side: Assume the Spencers' adjusted gross income exceeds \$150,000. In that case, they may want to do more vacationing, rather than less. Reason: Whether the home is classified as a residence or an investment property, their rental deductions will be limited to their rental income. But by boosting their personal use, they can increase the amount of deductible mortgage interest and taxes attributable to personal use.

July 2017

Key Compliance Dates

Thursday, July 6

Semiweekly depositors deposit FICA and withheld income tax on wages paid on June 28-30.

Friday, July 7

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 1-4.

Monday, July 10

Tipped employees who received \$20 or more in tips during June report them to the employer on Form 4070.

Wednesday, July 12

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 5-7.

Friday, July 14

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 8-11.

Monday, July 17

Monthly depositors deposit FICA and withheld income tax for June.

Wednesday, July 19

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 12-14.

Friday, July 21

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 15-18.

Wednesday, July 26

Semiweekly depositors deposit FICA and withheld income tax on wages paid July 19-21.

Friday, July 28

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 22-25.

Monday, July 31

Deposit FUTA tax owed through June if more than \$500.

File Form 941 for the second quarter of 2017 (if tax deposited in full and on time, file by Aug. 10).

File 2016 Form 5500 or 5500-EZ for calendar-year retirement and benefit plans.

						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

To-Do List

- Alert clients to 2017 mid-year tax planning opportunities.
- Schedule Continuing Professional Education for 2017.

Tips for Homesellers: Getting Back to Basis

Summer is typically a “hot season” in the home sale market. Young families typically want to get settled in a new home before school begins in the fall, and older homesellers in northern climes want to head south before winter sets in. Your clients who are buying a new home will need to do some serious number crunching to determine what they can afford to pay—and how they will pay it. However, your clients who are homesellers will need to do some number crunching as well.

Under current tax rules, a loss on a home sale is not deductible. On the other hand, the first \$250,000 of gain on a home sale is excluded from income. What’s more, for joint filers the exclusion is generally doubled to \$500,000. However, for long-time homeowners even those generous exclusions may not shelter all of their gain from tax. Therefore, they’ll need to—

Get Back to Basis

To properly determine gain (or loss) on the sale or exchange of a home, a taxpayer must know the basis of the home for tax purposes. And calculating basis will involve information that dates back to the time the home was purchased—or perhaps even earlier.

The amount of gain or loss on a sale is determined by comparing the amount realized on the sale to the adjusted basis of the home. If the amount realized is greater than the adjusted basis, the difference is a gain. If the amount realized is less than the adjusted basis, the difference is a loss [IRC Sec. 1001(a); Reg. 1.1001-1(a)].

Cost Basis

In most cases, the starting point for determining basis is the cost of the home [IRC Sec. 1012].

If a home was purchased from the builder or from a former owner, the initial cost basis includes the purchase price and certain settlement costs. The purchase price generally includes the down payment and any debt, such as mortgage or notes given to the seller in payment for the home [IRC Sec. 1012; Reg. 1.1012-1(a)].

Settlement fees or closing costs associated with the purchase of the home can be added to basis. However, fees associated with a mortgage on the home (e.g., appraisal fees, costs of a credit report or mortgage insurance fees) are not added to basis. In addition, escrow amounts for payment of future

liabilities are not included in the basis of the home. Examples of settlement fees that can be added to basis include:

- Abstract of title fees
- Charges for installing utility services
- Legal fees (e.g., fees for a title search and for preparing the sales contract and deed)
- Recording fees
- Survey costs
- Title insurance
- Transfer taxes

When a home changes hands, real estate taxes for the year of the sale are apportioned between the buyer and seller based on the number of days each of them held the property during the year [IRC Sec. 164(a)(1)]. The date of the sale counts as a day the property is owned by the buyer. Real estate taxes for the year of sale may increase or decrease basis, depending on how the taxes were handled at the closing. If the buyer paid taxes owed by the seller and was not reimbursed, the taxes increase the buyer’s basis of the home. If the seller paid taxes owed by the buyer and was not reimbursed, the taxes decrease the buyer’s basis of the home [IRC Sec. 1012; Reg. 1.1012-1(b)].

In the case of a home that was constructed by or for the taxpayer, basis includes the cost of the land plus the construction costs. However, if the taxpayer did all or part of the construction personally, basis does not include the value of the taxpayer’s own labor or the value of any other unpaid labor.

Basis Other Than Cost

Special rules apply in determining basis if a home was acquired other than by purchase or construction—for example, as a gift or inheritance or as part of a divorce settlement. In addition, a taxpayer may have a basis other than cost if a home was acquired as a replacement home in a home-sale rollover under prior law.

Adjustments to Basis

A taxpayer's basis in a home is not static. Basis may be adjusted upward or downward to reflect expenditures made in connection with the home or payments or other benefits received [IRC Sec. 1016].

Improvements that increase basis include:

- Additions to the home, such as an extra bedroom or bath, a family room, a deck or patio, or a garage.
- Landscaping and other outdoor improvements, such as a new driveway or walkway, fences and walls, a sprinkler system or a swimming pool.
- Systems improvements such as a new heating system, central air conditioning, a new furnace or ductwork, wiring upgrades, a septic system, a water heater or water filtration system, a satellite dish or a security system.
- Exterior improvements such as new storm windows or doors, roof, siding or shutters.
- Interior improvements such as built-in appliances, kitchen cabinetry, flooring, wall-to-wall carpeting and insulation.

CAUTION: Improvements that are no longer part of a home are not included in the home's basis.

Example: Joan Gordon bought her home for \$200,000 in 2005. In 2006, Gordon added a deck to the home at a cost of \$6,000. In 2012, Gordon remodeled the home, which involved removal of the deck and the addition of a new covered porch. The addition and porch cost \$30,000. Result: After the addition of the deck in 2006, Gordon's basis in the home increased to \$206,000. However, after the deck was removed in 2012 it was no longer included in the home's basis. Therefore, Gordon's basis for the home following the remodeling is \$230,000 ($\$206,000 - \$6,000 + \$30,000$).

Examples of repairs that do not increase basis (unless they are part of an overall renovation or remodeling) include interior or exterior painting, fixing gutters, repairing leaks or plastering, and replacing broken windowpanes.

TAX TIP: For many long-time homeowners, calculating basis will mean digging through piles of old records and receipts. And even then, the number they come up with may be a "guesstimate." You can help clients who are new to the housing market by giving them a list of items that are included in or will add to the basis of their new home. By tracking expenditures on an ongoing basis, they'll be prepared when it is time to move on.

August 2017

Key Compliance Dates

Wednesday, Aug. 2

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 26-28.

Friday, Aug. 4

Semiweekly depositors deposit FICA and withheld income tax on wages paid on July 29-Aug. 1.

Wednesday, Aug. 9

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 2-4.

Thursday, Aug. 10

Tipped employees who received \$20 or more in tips during July report them to the employer on Form 4070.

File Form 941 for the second quarter of 2017 if tax deposited in full and on time.

Friday, Aug. 11

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 5-8.

Tuesday, Aug. 15

Monthly depositors deposit FICA and withheld income tax for July.

Wednesday, Aug. 16

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 9-11.

Friday, Aug. 18

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 12-15.

Wednesday, Aug. 23

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 16-18.

Friday, Aug. 25

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 19-22.

Wednesday, Aug. 30

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 23-25.

		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

To-Do List

- Remind clients of Sept. 15 estimated tax payment for individuals and calendar-year corporations.
- Remind calendar-year corporations with returns on extension of Sept. 15 filing deadline.
- Alert clients who are parents of first-year college students of the American Opportunity tax credit.

Tax Facts for Student Borrowers

According to the latest statistics, 60 percent of college students borrow to finance their educations. As of 2017, the average student loan debt was about \$30,000, totaling more than \$1.4 trillion overall.

Tax Fact #1: Education Credits for Borrowed Funds

An education credit can be claimed for the qualified tuition and related expenses paid with the proceeds of a loan.

Under current rules, there are two education credits [IRC §25A]. The American Opportunity credit is equal to 100 percent of the first \$2,000 of a student's qualified tuition and related expenses plus 25 percent of additional expenses up to \$4,000. Thus, the maximum credit is \$2,500 per year. The American Opportunity credit may be claimed for any of the first four years of a student's post-secondary education. By contrast, the Lifetime Learning credit may be claimed for an unlimited number of years with respect to an eligible student.

The Lifetime Learning Credit equals 20 percent of the first \$10,000 of qualified tuition paid by during the taxable year. An education credit is claimed in the year payment is made with the proceeds of a loan, not in the year the debt is incurred or the year it's repaid. Loan proceeds disbursed directly to a college are treated as "paid" on the date the college credits the proceeds to the student's account.

TAX TIP: An education credit may be claimed either by a parent or a child, but not by both. If the parent claims the child as a dependent for the taxable year, then the parent is entitled to claim the education credit, even if the qualified tuition expenses were paid with the child's money or borrowings. If the child's parent cannot claim the child as a dependent, or can but chooses not to, the child may claim the education credit.

Tax Fact #2: Interest Deductions for Student Loans

An eligible taxpayer can deduct interest on a qualifying student loan, up to a maximum deduction of \$2,500 in a year [IRC §221]. The student loan interest deduction is an above-the-line deduction for adjusted gross income (AGI). Thus, it can be claimed by taxpayers who do not itemize deductions and claim the standard deduction. However, the deduction is subject to a phaseout based on modified AGI. For 2017, the deduction is phased out for taxpayers with modified AGI between \$65,000 and \$80,000 on a single return and between \$135,000 and \$165,000 on a joint return.

TAX TIP: A taxpayer is allowed a student loan interest deduction only if the taxpayer is legally obligated to make interest payments under the terms of the loan. So, for example, a parent cannot claim an interest deduction for payments made on a loan taken out by a child. On the other hand, if a parent pays interest on a child's loan, the child can claim a student loan interest deduction for the payments. The child is treated as having received the payments from the parent and, in turn, paid the interest.

Tax Fact #3: Tax-Free Debt Cancellation

The federal government, states and professional organizations sponsor loan forgiveness programs for college grads—most often teachers, medical professionals and lawyers—who agree to work in high-need areas or in the public service sector.

As a general rule, when a loan is forgiven, the borrower must recognize cancellation of debt (COD) income. However, COD income from cancellation of a student loan can be excluded from income if cancellation of the loan is made pursuant to a loan provision under which all or part of the loan will be cancelled if the student works for a specified period of time, in certain professions, for any of a broad class of employers [IRC § 108(f)(1)].

TAX TIP: To qualify for tax-free treatment of COD income, a student loan must have been made by a qualified lender to assist the borrower in attending an eligible educational institution. Qualified lenders include: The United States or one of its instrumentalities or agencies; a state, territory or possession of the United States, the District of Columbia, or any political subdivision; certain state, county or municipal hospitals; and certain tax-exempt educational organizations.

Tax Fact #4: Student Loan Repayment Assistance

The tax law allows a limited exclusion for student loan repayment assistance for certain health care professionals. The exclusion applies to repayments made under the National Health Service Corps (NHSC) Loan Repayment Program, a state education loan repayment program eligible for funds under the Public Health Service Act, or any other state loan repayment or loan forgiveness program that is intended to provide for the increased availability of health services in underserved or health professional shortage areas.

TAX TIP: Borrowers can't double-dip on tax incentives. The interest paid on a student loan is not eligible for the student

loan interest deduction if the payments were made with excludable repayment assistance.

Tax Fact #5: Employer-Provided Student Loan Repayments

Given the current level of student loan debt, it is not surprising that employer-provided student loan repayment assistance has emerged as an up-and-coming fringe benefit for employees.

Employers can currently offer employees up to \$5,250 of annual educational assistance for current studies on a tax-free basis [IRC § 127]. However, student loan repayment assistance is not a tax-free benefit. The amount of the repayments made by an employer must be reported as wages subject to income tax withholding and payroll taxes.

TAX TIP: While employer-provided student loan repayments do not qualify for tax-free treatment, the borrower can still claim a student loan interest deduction for the repayments. Like payments made by a parent on a child's student loan, the employer's payments are treated as received by the employee and used to make the loan payments.

September 2017

Key Compliance Dates

Friday, Sept. 1

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 26-29.

Thursday, Sept. 7

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Aug. 30-Sept. 1.

Friday, Sept. 8

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 2-5.

Monday, Sept. 11

Tipped employees who received \$20 or more in tips during August report them to the employer on Form 4070.

Wednesday, Sept. 13

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 6-8.

Friday, Sept. 15

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 9-12.

Monthly depositors deposit FICA and withheld income tax for August.

Individuals and calendar-year corporations pay third installment of 2017 estimated tax.

Calendar-year corporations file 2016 income tax return (Form 1120 for C corporations; 1120S for S corporations) if automatic extension was obtained.

Partnerships file 2016 Form 1065 if automatic extension was obtained.

Wednesday, Sept. 20

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 13-15.

Friday, Sept. 22

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 16-19.

Wednesday, Sept. 27

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 20-22.

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Friday, Sept. 29

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 23-26.

To-Do List

- Schedule appointments with individual clients for year-end tax planning sessions.
- Remind individual clients on automatic six-month extensions of Oct. 16 filing deadline for 2016 returns.
- File returns for calendar-year corporations and partnerships that obtained automatic extensions.

Timely Mailing is Timely Filing – If You Know the Rules

Even when their returns are on extension, some of your clients are bound to procrastinate. So at this time of the year, you and your staff may be working until the last minute to get those extended individual income tax returns filed by the Oct. 16 due date.

Under the tax law rules, timely mailing is timely filing [IRC §7502]. So, if you send those last-minute returns off before midnight on the due date, your clients will avoid late-filing penalties—but only if you know the rules. Different rules apply to different types of “mailing”—so how you send off those returns will determine whether and how the timely mailing rule applies.

USPS Postmarks

The general timely mailing, timely filing rule provides that if any return or other document that is required to be filed by a particular date is delivered by United States mail after the due date, the date of the United States postmark stamped on the mailing will be treated as the date of delivery [IRC §7502(a)(1)]. The rule applies only if the postmark date is on or before the due date for the filing and the document was deposited in the mail in the United States in a properly addressed envelope with the postage prepaid. Most importantly, it applies only if the envelope was timely postmarked by the USPS.

The IRS regulations acknowledge that just dropping a document in a U.S. mailbox on the due date or even handing it to a clerk at a post office doesn't necessarily mean it will be postmarked on that date. The regulations provide that if a document is sent by U.S. registered mail, the date of registration of the document or payment is treated as the postmark date. If the document or payment is sent by U.S. certified mail and the sender's receipt is postmarked by the postal employee, the date of the U.S. postmark on the receipt is treated as the postmark date. Accordingly, the risk that the document or payment will not be postmarked on the day that it is deposited in the mail may be eliminated by the use of registered or certified mail [Treas. Reg. §301.7502-1(c)(2)].

Non-USPS Postmarks

These days, many businesses use private postage meters, or may even print postage from a computer. In the case of a document with a non-USPS postmark, the timely mailing, timely filing rule will apply only if the postmark shows a date on or before the due date and the document is delivered within a reasonable delivery time [Treas. Reg. §301.7502-

1(c)(1)(iii)(B)]. The regulations don't say what constitutes a reasonable time, and the IRS has not provided any clear-cut guidance. In a recent case, for example, the IRS initially argued that eight days was too long—but later conceded that an eight-day delivery window might not be unreasonable.

If the document arrives late, the sender will have the nearly impossible task of proving that document was deposited in the mail before the last collection of mail from the place of deposit (e.g., a mailbox), that it was actually postmarked by the USPS before the due date, that the delay in receiving the document was due to a delay in transmission of the U.S. mail, and the cause of the delay.

Private Delivery Services

A private delivery service (PDS) may be treated like the U.S. Postal Service for the purpose of the timely mailing, timely filing rule [IRC §7502(f)(1); Treas. Reg. §301.7502-1(c)(3)]. Thus, a form posted with a PDS is timely filed if the PDS marks or records the form as given to the PDS for delivery no later than the form's due date. However, not just any delivery service will do. The timely mailing, timely filing rule applies only to a designated PDS. In 2016, the IRS updated its list of designated private delivery services [Notice 2016-30, 2016-18 IRB]. See the box below for the current list of designated PDSs.

CAUTION: Simply dropping a form off with a private carrier does not guarantee that the timely mailing, timely filing rule will apply. Only the specific services on the list are designated delivery services for purposes of the rule. The private carriers are not designated with respect to any type of delivery service not on the list.

A PDS must either (1) record electronically to its database or (2) mark on the cover of an item the date the item was given to the PDS for delivery [IRC §7502(f)(2)(C)]. For purposes of the timely mailing, timely filing rule, the date recorded or marked by the PDS is treated as the postmark date. Since each currently designated PDS electronically records the date an item is given for delivery, the recorded date is treated as the postmark date.

The postmark date for an item delivered to the IRS after the due date is presumed to be the day that precedes the delivery date by the amount of time it would normally take an item to be delivered by the specific service being used. For example, the postmark date is presumed to be two days before the actual delivery date for a two-day delivery service. A taxpayer

can overcome this presumption by showing that the date recorded in the delivery service's electronic database is on or before the due date. For example, this may be necessary if a form given to a delivery service on the due date for next-day delivery actually takes two days to arrive. Proof of the actual date the item was given to the delivery service may include a written confirmation from the service of the date recorded in its electronic database.

CAUTION: Bear in mind that each delivery service stores the date recorded in its database for only a finite period of time (although no less than six months). Therefore, where the timeliness of a document is critical, it may be wise to obtain confirmation of the recorded date in advance of questions from the IRS. Information concerning the recorded date for an item can be obtained by contacting the delivery service using the contact information on the company's website.

Electronic Filing

A document filed electronically with an authorized electronic return transmitter, in the manner and time prescribed by the IRS, is deemed to be filed on the date of the electronic postmark given by the electronic return transmitter. Thus, if the electronic postmark is timely, the document is considered filed timely although it is received after the due date [Treas. Reg. §301.7502-1(d)].

An electronic postmark is the record of the date and time (in a particular time zone) that an authorized electronic return transmitter receives the electronically filed document on its host system. However, if the taxpayer and the electronic return transmitter are located in different time zones, the taxpayer's time zone controls the timeliness of the electronically filed document.

Designated Private Delivery Services

As of March 20, 2017, the list of designated Private Delivery Services is as follows:

DHL Express

1. DHL Express 9:00
2. DHL Express 10:30
3. DHL Express 12:00
4. DHL Express Worldwide
5. DHL Express Envelope
6. DHL Import Express 10:30
7. DHL Import Express 12:00
8. DHL Import Express Worldwide

FedEx

1. FedEx First Overnight
2. FedEx Priority Overnight
3. FedEx Standard Overnight
4. FedEx 2 Day
5. FedEx International Next Flight Out
6. FedEx International Priority
7. FedEx International First
8. FedEx International Economy

UPS

1. UPS Next Day Air Early AM
2. UPS Next Day Air
3. UPS Next Day Air Saver
4. UPS 2nd Day Air
5. UPS Second Day Air AM
6. UPS Worldwide Express Plus
7. UPS Worldwide Express

October 2017

Key Compliance Dates

Wednesday, Oct. 4

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 27-29.

Friday, Oct. 6

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 30-Oct. 3.

Tuesday, Oct. 10

Tipped employees who received \$20 or more in tips during September report them to the employer on Form 4070.

Thursday, Oct. 12

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 4-6.

Friday, Oct. 13

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 7-10.

Monday, Oct. 16

Monthly depositors deposit FICA and withheld income tax for September.

Individuals file 2016 income tax return if automatic six-month extension was obtained.

Wednesday, Oct. 18

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 11-13.

Friday, Oct. 20

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 14-17.

Wednesday, Oct. 25

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 18-20.

Friday, Oct. 27

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 21-24.

Tuesday, Oct. 31

Employers file Form 941 for the third quarter of 2017 (if tax was deposited tax in full and on time, file by Nov. 10).

Deposit FUTA tax owed through September if more than \$500.

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

To-Do List

- Conduct year-end tax planning sessions with individual clients.
- Remind individual clients to use flexible spending account funds before year end unless plan provides post year-end grace period or carryover.
- File returns for individual clients who obtained automatic six-month extensions.
- Renew Preparer Tax Identification Number (PTIN) for 2018.

Are Your Tax Return Preparer Credentials in Order?

While the IRS abandoned its plans for full-scale registration of all tax return preparers, there are nonetheless some credentials that all preparers will need to prepare their clients' 2017 returns.

PTINs

Virtually all individuals who prepare tax returns for compensation must have a preparer tax identification number (PTIN). This requirement generally applies to all attorneys, accountants and enrolled agents who prepare returns, as well as to other tax return preparers.

The PTIN requirement applies to any preparer who is involved in preparing a return, even if he or she is not the primary preparer who signs the return. The PTIN also applies to "supervised preparers" who do not and are not required to sign returns, but who are employed by an attorney or CPA firm and who prepare returns under supervision.

The PTIN requirement applies on an individual basis. Preparers who share an office cannot share a PTIN. Each individual who prepares or assists in preparation of returns must have his or her own PTIN.

An individual must be at least 18 to obtain a PTIN and must generally provide a Social Security number (SSN). The SSN requirement does not apply to U.S. citizens who have a conscientious objection to obtaining an SSN or to certain foreign preparers. An individual with an Individual Taxpayer Identification Number (ITIN) cannot obtain a PTIN.

Apply now. All PTINs must be renewed on a calendar-year basis using the IRS's online application or by submitting a paper application on Form W-12, *IRS Paid Preparer Tax Identification Number (PTIN) Application*. The annual fee for a PTIN is \$50. Holders of valid PTINs must renew before Jan. 1 each year. Renewed PTINs are valid from Jan. 1 through Dec. 31 of the following calendar year. PTINs obtained or renewed for a calendar year expire on Dec. 31 of that year. Preparers should note that online renewal takes just minutes, while Form W-12 submissions can take four to six weeks to process.

EFINs

Under current rules, the vast majority of tax return preparers must file client returns electronically. The e-file mandate generally applies to any preparer who expects to file more than 10 individual tax returns during a calendar year. Tax

preparation businesses are required to compute the total number of returns on a firm-wide basis. If the number of returns tops 10, then all members of the firm must e-file.

There are some exceptions to the e-filing requirement—for example, returns that cannot be filed electronically, returns of clients who insist on paper returns, or situations where e-filing would cause hardship for the preparer. However, preparers will generally need to e-file most, if not all, of their clients' returns.

To file returns electronically, a preparer will need an Electronic Filing Identification Number (EFIN). Unlike PTINs, EFINs are issued on a firm-wide basis. A firm applies for an EFIN using either its Employer Identification Number (EIN) or the SSN of the sole proprietor. Applicants must pass a suitability and tax compliance check. There is currently no fee for an EFIN.

Apply now. Before applying for an EFIN, a preparer must have an IRS e-services account. E-services is a suite of web-based tools that allow tax professionals and payers to complete certain transactions online with the IRS. The tools include Registration Services, e-file Application, Transcript Delivery and TIN Matching. In the case of a firm, each principal and responsible official must sign up for e-services. The e-services application will require identifying information about each firm principal, including SSNs and adjusted gross income information for the prior year. When timing an e-file application, preparers should bear in mind that the e-services sign-up process can take several days.

Once the necessary e-services accounts are set up, the preparer or firm can submit an online e-file application. There are a number of e-file Provider Options; preparers who want to e-file for clients should select Electronic Return Originator (ERO). The e-file application will require additional information about the preparer or firm principals, including fingerprints, and a suitability check. Consequently, the IRS cautions that approval of an e-file application can take around 45 days.

Unlike PTINs, EFINs do not have to be renewed each year. However, application information must be updated within 30 days of any changes.

Annual Filing Season Program

The IRS offers a voluntary Annual Filing Season Program to "recognize and encourage" the efforts of unenrolled preparers to increase and improve their competency through

continuing professional education (CPE). The program is not directed at or necessary for credentialed preparers such as attorneys, CPAs, enrolled agents, enrolled retirement plan agents or enrolled actuaries.

Preparers participating in the program must obtain 18 hours of CPE, including a six-hour federal tax law refresher course with a test. Participating preparers must also renew their PTINs for the coming year and consent to adhere to certain obligations in Treasury Department Circular 230, the “bible” for tax practice before the IRS.

Tax return preparers who complete the requirements receive an Annual Filing Season-Record of Completion. These preparers are listed in a special directory on irs.gov for taxpayers to use in searching for qualified tax return preparers. The *Directory of Federal Tax Return Preparers with Credentials and Select Qualifications* lists only attorneys, CPAs, enrolled agents, enrolled retirement plan agents, enrolled actuaries—and unenrolled preparers who have received the record of completion.

November 2017

Key Compliance Dates

Wednesday, Nov. 1

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 25-27.

Friday, Nov. 3

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 28-31.

Wednesday, Nov. 8

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 1-3.

Monday, Nov. 13

File Form 941 for the third quarter of 2017 if tax for the quarter was deposited in full and on time.

Tipped employees who received \$20 or more in tips during October report them to the employer on Form 4070.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 4-7.

Wednesday, Nov. 15

Monthly depositors deposit FICA and withheld income tax for October.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 8-10.

Friday, Nov. 17

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 11-14.

Wednesday, Nov. 22

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 15-17.

Monday, Nov. 27

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 18-21.

Wednesday, Nov. 29

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 22-24.

			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

To-Do List

- Remind individual clients whose withholding status will change in 2018 to submit new W-4 forms to their employers.
- Remind individual clients who may have underpaid estimated taxes to increase withholding from salary and wages to make up for shortfall.
- Renew PTIN.
- Register online to use IRS e-services. Preparers who anticipate filing 11 or more 1040, 1040A, 1040EZ and 1041 returns during the year must file electronically.
- Set up tax preparation software and test e-filing. Download IRS e-file logo and order IRS e-file marketing materials. See the EFTPS Tool Kit at <http://www.irs.gov/pub/irs-pdf/p4320.pdf>.

Get Your Clients Ready for Tax Return Season

Your office may be geared up and ready for the upcoming tax return season. However, even the most streamlined office procedures will not guarantee a successful tax return season without the cooperation of one key element: your clients. If clients are habitually late in submitting tax return information or supply you with incomplete or disorganized information, the time spent sifting, sorting and contacting clients for missing data will throw a monkey wrench into the best-oiled machine.

Here are some tips for getting your clients ready for the upcoming tax return season.

Get Clients Organized

Now is the time to provide your clients with tax return preparation packets and tax data organizers. Send them out early, so that clients have time to complete them properly. As part of this process, explain to clients when you need to see actual source documents and when it is acceptable for them to simply provide you with lists and schedules of tax data. Impress upon your clients that the more preparatory work they do before submitting their return for preparation, the smaller their bills will be. After all, time is money.

You may also want to consider developing a checklist for clients of the types of documentation they should be accumulating throughout the year. By giving clients this checklist along with their completed 2017 returns, you can get a jumpstart on the next go-round. Stress to clients that it is much easier to compile tax records on an ongoing basis than to scramble to collect everything at year end—and they are much less likely to overlook something that could save them tax dollars.

Set Firm Deadlines

Establish deadlines for when you will accept client data—and clearly communicate those deadlines to your clients. Stick to your guns by putting returns on extension if documentation is submitted after the deadline. There will, of course, be extenuating circumstances in which clients deserve some leeway. However, perennial procrastinators will get the message if you set and stick to your cut-off dates.

Schedule Reminders

As your deadlines approach, send out reminder notices or call those clients who have not yet submitted their 2017 tax data or who have not submitted all the information necessary to complete their returns. Emphasize once again that a client's return cannot be prepared by the original

return due date if tax information is not received in a timely fashion. This is a good time to get clients to commit one way or another. Explain the rules for obtaining an automatic filing extension and advise clients that a filing extension may be appropriate if they are having difficulty gathering the necessary tax information. In fact, you may want to send this type of reminder early on to those clients whose returns have typically required an extension—for example, clients who have to apply for an extension every year because of habitually late K-1 information from partnerships or S corporations. By identifying extended returns as soon as possible, you and your staff won't waste limited busy season time working on returns that will not be ready by the original return due date.

Establish Procedures for Missing Information

It's always preferable to get information from clients in writing, but it's not always possible when the tax return deadline is fast approaching. You may have had instances where you or a staff member obtained client information over the telephone only to have the client later dispute the accuracy of that information. To avoid such disputes, develop procedures now to ensure the accuracy of last-minute data submissions. Whenever possible, have clients submit any additional information in writing by fax or email. If you must obtain information verbally, make it a practice to follow up with a written memo. Make sure your clients understand that you will assume the information is accurate unless you are promptly notified of any changes.

Estimate Your Bill

Most tax return preparers have had experience with clients who are outraged when they receive their bills. You can avoid this type of confrontation by providing clients with up-front estimates of their return preparation costs. Stress, however, that these figures are estimates only. Midway through the return preparation process, send an interim bill along with an explanation of any changes from your original estimate.

Cut Off Deadbeats

You may have clients who are habitually late paying their bills, who always contest—and refuse to pay—part of the bill, or who have owed you significant amounts of money for quite some time. Take a long, hard look at your outstanding accounts receivable. Now is the time to bite the bullet and decide which clients you ought to write off and refuse to serve any longer. To avoid the risk, have your clients pay you out of their refund.

December 2017

Key Compliance Dates

In December, employees whose withholding status will change in 2018 should submit a new Form W-4 to the employer. The new form should be submitted as early as possible to guarantee implementation of the withholding change in January.

Friday, Dec. 1

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 25-28.

Wednesday, Dec. 6

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Nov. 29-Dec. 1.

Friday, Dec. 8

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 2-5.

Monday, Dec. 11

Tipped employees who received \$20 or more in tips during November report them to the employer on Form 4070.

Wednesday, Dec. 13

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 6-8.

Friday, Dec. 15

Monthly depositors deposit FICA and withheld income tax for November.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 9-12.

Calendar-year corporations pay fourth installment of 2017 estimated tax.

Wednesday, Dec. 20

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 13-15.

Friday, Dec. 22

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 16-19.

Thursday, Dec. 28

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 20-22.

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Friday, Dec. 29

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 23-26.

To-Do List

- Establish tax return preparation procedures.
- Develop tax preparation docket sheet.
- Analyze tax season staffing needs.

What Your Clients Need to Know About the Nanny Tax

It seems like it happens all the time—a candidate for public office turns out to have employed a household employee “off the books.” Most recently, President Trump’s pick for Labor Secretary admitted to employing an illegal immigrant as a housekeeper. And while few, if any, of your clients are likely to undergo the same degree of scrutiny as a White House Cabinet appointee, that doesn’t mean they can safely ignore the so-called “nanny tax.”

Alert your clients who employ household workers on a regular basis that they may be required to withhold and pay employment taxes on the wages they pay those workers.

Not Just for Nannies

Although it has been dubbed the “nanny tax,” potential employment tax liability can apply to a wide variety of household workers, including housekeepers, yard workers, health aides, companions, drivers and even occasional babysitters.

The key question is whether the worker is an employee or independent contractor. As a general rule, a household worker is an employee if your client directs and controls the work to be done. For example, a babysitter/housekeeper who works in your client’s home on a daily basis must generally be treated as an employee. By contrast, an individual who operates his own landscaping business and simply cuts your client’s lawn once a week will qualify as an independent contractor.

The nanny tax rules do not apply, however, to a household employee who is under age 18 unless providing household services is the employee’s principal occupation. If the employee is a student, household service is not considered the employee’s principal occupation even if it is the employee’s only job. The nanny tax rules also generally do not apply to payments to a client’s spouse, child under 21 or parent.

CLIENT ALERT: While not technically a tax responsibility, like other employers, household employers are responsible for making sure an employee can legally work in the United States. No later than the employee’s first day of work, your client and the employee should complete Form I-9, *Employment Eligibility Verification*. Form I-9 is not required to

be filed, but should be kept with the client’s records. If your client is responsible for withholding and paying nanny taxes (see below), the client must obtain a record of the employee’s name and Social Security number (SSN) as shown on his or her Social Security card.

Nanny Tax Rules

If a client paid a household employee cash wages of \$2,000 or more in 2017, the employee’s wages are subject to Social Security and Medicare tax. Your client must pay the 6.2 percent Social Security tax and the 1.45 percent Medicare tax on all cash wages paid the employee for the year. Of course, in the unlikely event the employee’s wages reached the \$127,200 Social Security wage base for 2017, the Social Security tax no longer applies.

A client may also owe unemployment taxes on the employee’s wages. The federal unemployment tax (FUTA) tax is payable if your client paid cash wages of \$1,000 or more to all household employees in any calendar quarter of 2017. The FUTA tax is nominally 6.0 percent of the first \$7,000 of cash wages paid in 2017, but will generally be reduced by a credit of 5.4 percent if state unemployment taxes have been paid in full and on time, reducing the net tax rate to 0.6 percent. The amount of state unemployment taxes actually payable on a household employee’s wages will depend on state law.

Your client is also responsible for withholding the employee’s share of Social Security and Medicare taxes if the employee’s cash wages will reach the \$2,000 mark for the year.

KEY POINT: If a client is not sure just how much a household employee will earn during a year, the client can withhold the employee’s share of the taxes from the get-go. However, if the employee’s wages for the year do not hit \$2,000, the client will have to repay the withheld amounts to the employee. Alternatively, a client can pick up the tab for the employee’s share of the taxes. Taxes paid by your client are included in the employee’s wages for income tax purposes, but don’t count as wages for Social Security and Medicare for FUTA taxes.

Your client is not required to withhold federal income tax from wages paid to a household employee—unless the employee requests withholding and your client agrees to withhold.

Reporting the Nanny Tax

As a general rule, your client will report and pay the nanny tax on his or her 2017 federal income tax return. Nanny taxes are figured on Schedule H, *Household Employment Taxes*, and included as Other Taxes on Line 60a of Form 1040. A client who must report nanny taxes cannot use Form 1040A or 1040-EZ. (For individuals who are not otherwise required to file a tax return, Schedule H is filed separately.)

Nanny taxes reported on Schedule H are included in determining a client's estimated tax liabilities for the year. Therefore, clients with household employees may need to increase withholding or up their estimated tax payments to cover the nanny taxes.

CLIENT ALERT: To report nanny taxes on Schedule H, your client will need to obtain a federal Employer Identification Number (EIN) either online or by sending Form SS-4 to the IRS.

Alternatively, a client who pays employment taxes for a business or farm can include the nanny taxes with the regular federal employment tax deposits for the business and report them on the business' employment tax returns.

A client who is liable for nanny taxes must provide each household employee with a Form W-2, *Wage and Tax Statement*, and must file Form W-2 (along with a Form W-3 transmittal) with the Social Security Administration.

Child and Dependent Care Credit

If a client's household employee is, in fact, a nanny who cares for a child or children under age 13 (or a spouse or dependent of any age who is incapable of self-care), the client may qualify for the child and dependent care credit. However, amounts paid to the employee will count for the credit only if the client reports on his or her tax return the correct name, address and Social Security number of the employee. To obtain this information, they can have the employee fill out Form W-10, *Dependent Care Provider's Identification and Certification*.

January 2018

Key Compliance Dates

Thursday, Jan. 4

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 27-29.

Friday, Jan. 5

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Dec. 30-Jan. 2.

Wednesday, Jan. 10

Tipped employees who received \$20 or more in tips during December report them to their employers on Form 4070.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 3-5.

Friday, Jan. 12

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 6-9.

Tuesday, Jan. 16

Monthly depositors deposit FICA and withheld income tax for December.

Individuals pay final installment of 2017 estimated tax.

Thursday, Jan. 18

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 10-12.

Friday, Jan. 19

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 13-16.

Wednesday, Jan. 24

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 17-19.

Friday, Jan. 26

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 20-23.

Wednesday, Jan. 31

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 24-26.

Employers file Form 941 for the fourth quarter of 2017 (if tax deposited in full and on time, file by Feb. 10).

Qualifying small employers file annual Form 944 for 2017 (in lieu of quarterly Form 941s).

Employers file Form 940 for 2017 (if tax was deposited in full and on time, file by Feb. 10).

	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Wednesday, Jan. 31, cont.

Furnish copies of Form W-2 for 2017 to employees.

Employers file Copy A of all Forms W-2 issued for 2017 with the Social Security Administration (SSA). Paper Forms W-2 should be accompanied by a Form W-3.

Furnish information returns to payees for payments made in 2017.

File information returns with the IRS for nonemployee compensation paid in 2017.

Individuals file individual income tax return for 2017 in lieu of Jan. 16 estimated tax payment.

File Form 945 for 2017 to report income tax withheld on nonpayroll items.

To-Do List

- Send tax preparation packets and tax data organizers to individual clients.
- Alert individual clients to the option of filing the 2017 return by Jan. 31 in lieu of making final 2017 estimated tax payment.
- Remind business clients of information reporting requirements.

Tax Facts for Expatriates

For whatever reason, expatriation is on the upswing. In just five years, the number of U.S. expatriates has increased from fewer than one thousand (932) in 2012 to 2,999 in 2013, 3,415 in 2014, 4,279 in 2015 – and reached a record 5,411 in 2016.

The Tax Cost of Expatriation

Permanently departing the U.S. can have a tax cost. Under current rules, covered expatriates are subject to special expatriation tax rules [IRC §877A].

Covered expatriates include both individuals who give up their U.S. citizenship and green card holders who give up or lose their right to permanent residence in the U.S.

An expatriated individual is subject to the special tax rules if any of the following apply:

- the individual's average annual net income tax liability for the five years before the expatriation date is more than an inflation-adjusted amount (\$162,000 for 2017);
- the individual's net worth is \$2 million or more on the expatriation date; or
- the individual fails to certify on Form 8854 (see below) that he or she has complied with all U.S. federal tax obligations for the five years before the expatriation date.

A U.S. citizen will be treated as a covered expatriate as of the earlier of:

- the date the individual renounces his or her U.S. nationality before a diplomatic or consular officer of the United States, provided the renunciation is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the U.S. Department of State;
- the date the individual furnishes the State Department with a signed statement of voluntary relinquishment of U.S. nationality, provided the voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the U.S. Department of State;

- the date the State Department issues the individual a certificate of loss of nationality; or
- the date a U.S. court cancels a naturalized citizen's certificate of naturalization.

A green card holder ceases to be a lawful permanent resident if:

- the individual's permanent residence status has been revoked or has been administratively or judicially determined to have been abandoned; or
- the individual (1) becomes a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country, (2) does not waive the benefits of the treaty, and (3) notifies the IRS on Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b).

Under current rules, covered expatriates are subject to a "mark-to-market" tax. That is, the individual is treated as if his or her property had been sold for its fair market value on the day before the expatriation or residency termination. Any net gain on the deemed sale is recognized to the extent it exceeds an inflation-adjusted threshold amount (\$699,000 for 2017). The amount subsequently realized on an actual sale of the property is adjusted for gain or loss taken into account for purposes of the mark-to-market tax.

An expatriate can elect to defer payment of the mark-to-market tax until the due date for the return for the year the property is disposed of. The expatriate must post a bond in order to defer tax and interest charged for the period the tax is deferred. The election is irrevocable and is made on a property-by-property basis. The mark-to-market tax may not be deferred beyond the due date of the return for the taxable year which includes the individual's death.

Filing Requirements

Individuals who expatriate must file Form 8854, *Initial and Annual Expatriation Information Statement*. Section I of the form calls for general information, including the date of the individual's expatriating act. Current expatriates must

complete Parts IV and V of the form to provide further information about their expatriation status, property held on the date of expatriation and certain financial information.

As a general rule, expatriates will not need to file Form 8854 in future years unless they elect to defer the mark-to-market tax or have certain deferred compensation or trust income. Special rules apply to individuals who expatriated before June 17, 2008, which may require ongoing filing of Form 8854.

CAUTION: The IRS reminds tax practitioners that anyone who has expatriated or terminated U.S. permanent residency must file Form 8854—and that a \$10,000 penalty can be imposed for failure to file.

February 2018

Key Compliance Dates

Friday, Feb. 2

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 27-30.

Wednesday, Feb. 7

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Jan. 27-30.

Friday, Feb. 9

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 3-6.

Monday, Feb. 12

Employers file Form 941 for the fourth quarter of 2017 if tax for the quarter was deposited in full and on time.

Tipped employees who received \$20 or more in tips during January report them to the employer on Form 4070.

Employers file Form 940 for 2017 if tax for the year was deposited in full and on time.

Wednesday, Feb. 14

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 7-9.

Thursday, Feb. 15

Monthly depositors deposit FICA and withheld income tax for January.

Claims for 2017 exemption from income tax withholding expire; employers must begin withholding tax unless employee has submitted a new W-4 to continue exemption for 2018.

Friday, Feb. 16

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 10-13.

Thursday, Feb. 22

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 14-16.

Friday, Feb. 23

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 17-20.

Wednesday, Feb. 28

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 21-23.

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Wednesday, Feb. 28, cont.

Large food and beverage establishment employers file Form 8027, *Employer's Annual Information Return of Tip Income and Allocated Tips*; use Form 8027-T if reporting for more than one establishment. Electronic filers, see April 2.

File information returns (other than returns for nonemployee compensation) with the IRS for payments made in 2017. Returns for nonemployee compensation were required to be filed by Jan. 31. Electronic filers have until April 2.

To-Do List

- Send reminders to individual clients who have not returned tax preparation packets or scheduled appointments.
- Review pros and cons of S corporation election with eligible corporate clients.
- Remind partnerships of March 15 return filing deadline.

How to Handle W-2 Slip-Ups

Recent law changes have significantly upped the ante for employers when it comes to preparing Form W-2 wage and tax statements accurately and on time.

In the past, W-2 forms were due to employees by Jan. 31 following the close of the tax year, while the forms were not required to be filed with the Social Security Administration (SSA) until the last day of February for paper filings or March 31 for electronic filings. Under new rules, W-2s are now due to the SSA by Jan. 31—the same day they are due to employees—thus eliminating any “window of correction” for spotting and fixing errors before officially filing the forms. What’s more, another law change has significantly increased the W-2 filing penalties by providing for annual inflation adjustments. For example, by 2017, the basic penalty for failure to file Form W-2 on time or failure to provide all the required and correct information had jumped to \$260 per return.

The first step in making a W-2 correction is to determine whether the error must or can be corrected.

Social Security and Medicare Taxes

As a general rule, an employer must correct any overwithholding of Social Security or Medicare taxes and refund the overage to the employee. In the case of underpayment, an employer must report and pay the correct amount, including both the employee and employer shares. However, the employer can recoup underwithholding from future payments to the employee. Overwithholding or underwithholding of the Additional Medicare Tax should not be corrected.

Income Taxes

An employer cannot correct income tax withholding errors once the taxes have been deposited. The employee must make up any shortfall or obtain a refund by filing a tax return.

Wage Payments

If an employee was underpaid or overpaid, repayment or back pay to correct the mistake is reflected on the W-2 for the year of the correction. However, if an employee repays excess wages for the prior year, the employer must correct the amount of Social Security and Medicare wages and tax shown on the W-2 for the prior year.

Employee Information

An employer must correct the error if the employee’s name or Social Security number (SSN) was incorrectly reported

on Form W-2. On the other hand, if the only error on an employee’s Form W-2 is an incorrect address, no correction is required to be sent to the SSA.

Other Errors

Finally, the general rule is that a correction is required when an amount shown on Form W-2 is incorrect. For example, although federal income tax withholding errors cannot be corrected, a correction must be made if the amount of withholding shown on the W-2 does not match the actual amount withheld.

New de Minimis Safe Harbor

Despite the basic rules, a new de minimis safe harbor provides that an error is not required to be corrected and no penalty will be imposed if the error involves an incorrect dollar amount that’s off by no more than \$100. The de minimis threshold is \$25 for errors in the amount of tax withheld [IRC §§6721(c)(3), 6722(c)(3)].

The de minimis error safe harbor applies only to inadvertent errors; an employer that intentionally misreports a dollar amount will be penalized even if the amount otherwise qualifies as de minimis. In addition, the safe harbor does not apply to a failure to file for furnish Form W-2 to the employee, even if the form involves de minimis dollar amounts.

Employee Election

An employee who receives an incorrect form may elect not to have the safe harbor apply. If an employee makes an election, the employer may be subject to penalties even if the incorrect amount is a de minimis error. However, an error will be treated as due to reasonable cause and not willful neglect and no penalties will apply if the employer furnishes a corrected form to the employee or payee and files a corrected form within 30 days.

KEY POINT: An employer is not prohibited from filing a corrected form for a de minimis error, even if an employee or payee does not make an election out of the safe harbor. The IRS encourages employers to correct errors on Form W-2 even if they are de minimis. This will prevent mismatches between the employer’s employment tax returns and the amounts reported to SSA, and will ensure that employees receive proper Social Security credit for their earnings.

March 2018

Key Compliance Dates

Friday, March 2

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 24-27.

Wednesday, March 7

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Feb. 28-March 2.

Friday, March 9

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 3-6.

Monday, March 12

Tipped employees who received \$20 or more in tips during February report them to the employer on Form 4070.

Wednesday, March 14

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 7-9.

Thursday, March 15

Monthly depositors deposit FICA and withheld income tax for February.

Calendar-year S corporations file 2017 income tax return on Form 1120S; alternatively, file for an automatic six-month extension.

Calendar-year partnerships file 2017 information return (Form 1065); alternatively, file for an automatic six-month extension (Form 7004).

Friday, March 16

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 10-13.

Wednesday, March 21

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 14-16.

Friday, March 23

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 17-20.

Wednesday, March 28

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 21-23.

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Friday, March 30

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 24-27.

To-Do List

- File extensions for individuals who have not met deadline for return preparation.
- Remind individual clients of April 16 estimated tax payment.
- File extensions for S corporations or partnerships that will not meet the March 15 filing deadline.

Is Your Client Data Secure?

Your office files and computers are chock full of sensitive personal and financial data about your clients, from Social Security numbers to banking information. Consequently, tax professionals are increasingly being targeted by identity thieves. For example, the IRS recently warned tax pros of scam emails purporting to come from their software providers that ask for user names and passwords to “unlock” their tax preparation software. Tax pros who provide the information are actually giving the information to cybercriminals who use the credentials to access the preparer’s account and steal client information [IR-2017-39]. Other phishing scams have involved cybercriminals posing as the IRS or other entities or even as one of your clients.

Obviously, learning to identify and to avoid these kinds of phishing expeditions is imperative to protecting your clients’ data and giving you and them piece of mind (see box). However, there are other steps you can—and should—take to protect your client data.

Secure Your Office

Make sure all physical and virtual client files are protected from unauthorized access. For example:

- Lock doors to file rooms and computer rooms.
- Permit access to client files only on an authorized need-to-know basis.
- Make sure client information, including data on computer hardware or other media, is not left unsecured inside or outside the office, such as on desks or photocopiers, in trash cans or in employees’ vehicles or homes.
- Provide for secure disposal of client information, such as by shredding unneeded documents or destroying digital media.

Secure Your Systems

While trolling in your trash is not unheard of, your computer systems are likely to be the prime target for identity theft. Here are some steps you can take to help prevent a computer data breach:

- Require separate user names and passwords for each individual with computer access—and disable and remove inactive users.
- Make sure users set up strong passwords with a combination of numbers, symbols, and upper and lowercase letters—and require your staff to make periodic password changes every 60 to 90 days.
- Lock out users after three invalid access attempts—anyone can make a typo, but three strikes and you’re out.
- Monitor computer systems for unauthorized access by reviewing system logs.
- Protect Internet-connected computers with a firewall or other barrier device.
- Maintain and update hardware and software on a regular basis.
- Ensure your tax software is secure and has secure features in it, such as masking of a client’s social security number when your computer is in a resting state.

Secure Your Storage

The tax law requires you to store client data for years after their returns have been filed. But these records should be separated from your active files.

- Back up client data regularly and store it on separate secure computers or media that are not connected to the internet.
- Remove client information once the retention period expires by using software designed to securely remove the data.
- Store removable media, flash drives, recordings of meeting with clients, and any paper records in a secure location.
- Restrict access to stored data.

Secure Your Communications

Take steps to ensure the privacy of communications with clients, the IRS or other professionals.

- Encrypt all email that contains client data.
- Encrypt all client information when communicating across a network.
- Remove personal information before mailing items.

For more tips and tactics, see the IRS publication *Safeguarding Taxpayer Data, A Guide for Your Business*.

How to Spot a Phishing Email

The IRS offers these tips on how to spot – and avoid – a phishing email.

It contains a link. Scammers often pose as the IRS, financial institutions, or tax companies or software providers. They may claim that you need to update your account or change a password. The email offers links to a spoofing site that may look similar to the legitimate official website. Do not click on the link. If in doubt, go directly to the legitimate website and access your account.

It contains an attachment. Scammers often include an attachment to an email. This attachment may be infected with malware that can download malicious software onto your computer without your knowledge. If it's spyware, it can track your keystrokes to obtain information about passwords, Social Security numbers, or other sensitive data. Do not open attachments from unknown sources.

It appears to be from a government agency. Scammers attempt to trick people into opening email links by posing as the IRS and other government agencies. The IRS does not initiate taxpayer communications through email.

It's an "off" email from a friend. Scammers also hack email accounts and try to leverage the stolen email addresses. You may receive an email from a "friend" that just doesn't seem right. It may be missing a subject for the subject line or contain odd requests or language. If it seems off, avoid opening it and do not click on any links.

It has a lookalike URL. A questionable email may try to trick you with the URL. For example, instead of www.irs.gov, it may be a false lookalike such as www.irs.gov.maliciousname.com.

April 2018

Key Compliance Dates

Monday, April 2

File information returns (other than returns for nonemployee compensation) if filing electronically.

Large food and beverage establishments file Form 8027 if filing electronically.

Wednesday, April 4

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 28-30.

Friday, April 6

Semiweekly depositors deposit FICA and withheld income tax on wages paid on March 31-April 3.

Tuesday, April 10

Tipped employees who received \$20 or more in tips during March report them to the employer on Form 4070.

Wednesday, April 11

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 4-6.

Friday, April 13

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 7-10.

Tuesday, April 17

Individuals file 2017 returns (Form 1040, Form 1040A, or Form 1040EZ); alternatively, file for an automatic six-month extension (Form 4868).

Calendar-year C corporations file 2017 returns on Form 1120; alternatively, file for an automatic five-month extension.

Individuals and calendar-year corporations pay first installment of 2018 estimated tax.

Monthly depositors deposit FICA and withheld income tax for March.

Wednesday, April 18

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 11-13.

Friday, April 20

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 14-17.

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Wednesday, April 25

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 18-20.

Friday, April 27

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 21-24.

Monday, April 30

Employers file Form 941 for the first quarter of 2018 (if tax for the quarter was deposited in full and on time, file by May 10).

Employers deposit federal unemployment tax owed through March if more than \$500.

To-Do List

- File extensions for individual clients who will not meet April 17 filing deadline.
- Conduct reviews of clients' prior-year returns to determine need for amended returns.
- File extensions for corporate clients that will not meet April 17 filing deadline.

What to Tell Clients About Amended Returns

At one time, a popular consumer financial magazine ran an annual feature in which accountants were asked to prepare a tax return for a hypothetical couple. And year after year, no two practitioners calculated the “correct” tax liability. Moreover, the results they did come up with often varied by tens of thousands of dollars. True, the hypothetical returns they were asked to prepare were designed to be especially tricky. However, the fact of the matter is that mistakes can crop up even on run-of-the-mill returns.

At this time of year, tax return preparers frequently detect errors on prior years’ returns. For example, a cross-check of a client’s current return against returns for prior years may reveal unreported income or a missed deduction for an earlier year. In addition, there will inevitably be clients who show up after their returns have been filed waving a misplaced 1099 or a stack of receipts for a deduction that was not claimed on the return.

And, of course, nobody’s perfect. There may be situations where mistakes were made in preparing a client’s return. For example, miscalculation of the holding period for an asset may have turned long-term gain into less favorably taxed short-term gain, or misapplication of a phase-out limit may have cost the client all or part of a deduction.

PRACTICE TIP: A review of returns for open years can be an enticing “value added” service for new clients. You’ll probably want to offer this service gratis in connection with preparation of the current year’s return. But, of course, you will want to charge a fee for correcting any errors you catch.

Preparer Responsibilities

In some cases, it may be tempting to let sleeping dogs lie, especially if correcting a return error will produce a negligible difference in a client’s tax for the year. However, Treasury Circular 230, the official code of conduct for practice before the IRS, requires a preparer to “advise the client promptly” of an error. The AICPA’s Statements on Responsibilities in Tax Practice (SRTP), which interprets and expands upon Circular 230, further provides that when informing a client of an error, a practitioner should recommend the proper measures to be taken. Moreover, the SRTP makes it clear that the duty to inform clients of a return error applies regardless of whether the preparer who caught the error actually prepared the return in question.

Some clients may be reluctant to correct a return error. In the case of underreporting, a client may want to play the odds and wait and see if the IRS picks up on the error. And even if a correction will result in a refund, a client may believe that filing an amended return will prompt a full-scale IRS audit. In advising clients, you should point out that promptly correcting an underreporting error will reduce the amount of interest and penalties payable on the deficiency. On the other hand, clients should be advised not to pass up legitimate tax writeoffs out of fear of the IRS. The IRS maintains that an amended return will not automatically trigger a minute inspection of a taxpayer’s return.

In any case, the decision whether to correct a tax return error ultimately rests with the client. According to the SRTP, a practitioner has no duty to inform the IRS of a return error and may do so only with the client’s permission “except where required by law.” On the other hand, the SRTP states that when a client refuses to correct an error that has more than an insignificant impact on his or her tax liability, a practitioner must “consider whether to withdraw from preparing the return and whether to continue a professional relationship with the client.” If a practitioner determines that it is not necessary to sever relations with the client, the SRTP emphasizes that the practitioner must take reasonable steps to ensure that the error is not repeated on the current year’s return.

A preparer’s financial liability for a tax return error is not clear cut. From the IRS’s point of view, any unpaid tax, interest and penalties are the taxpayer’s responsibility, regardless of who made the error. However, an irate client who is advised of a mistake on his or her return may seek to hold the preparer financially responsible—and, of course, the client may object to the fee for preparing the return. To avoid disputes, many preparers use tax return engagement letters specifying the limits on the preparer’s liability for return errors.

On the flip side, a missed deduction or credit generally does not present a liability issue. In most cases, a client will be made whole when he or she receives a refund plus interest. This assumes, of course, that the error is corrected in a timely fashion. At least one court has held a practitioner liable for damages when he missed the deadline for filing an amended return claiming a refund. Therefore, it behooves a practitioner to act promptly once an error is detected—and to pay close attention to the requirements for filing amended returns.

May 2018

Key Compliance Dates

Tuesday, May 1

Employers file Form 941 for the first quarter of 2018 (if tax for the quarter was deposited in full and on time, file by May 10).

Employers deposit federal unemployment tax owed through March if more than \$500.

Wednesday, May 2

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 25-27.

Friday, May 4

Semiweekly depositors deposit FICA and withheld income tax on wages paid on April 28-May 1.

Wednesday, May 9

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 2-4.

Thursday, May 10

Tipped employees who received \$20 or more in tips during April report them to the employer on Form 4070.

Employers file Form 941 for the first quarter of 2018 if tax for the quarter was deposited in full and on time.

Friday, May 11

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 5-8.

Tuesday, May 15

Monthly depositors deposit FICA and withheld income tax for April.

Wednesday, May 16

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 9-11.

Friday, May 18

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 12-15.

Wednesday, May 23

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 16-18.

			1	2	3	4	5
6	7	8	9	10	11	12	
13	14	15	16	17	18	19	
20	21	22	23	24	25	26	
27	28	29	30	31			

[View online calendar](#) | [Add to your calendar](#)

Intuit is not responsible for the accuracy of the online calendar.

Friday, May 25

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 19-22.

Wednesday, May 30

Semiweekly depositors deposit FICA and withheld income tax on wages paid on May 23-25.

To-Do List

- Conduct post-season review.
- Evaluate tax software.
- Remind individual clients of June 15 estimated tax payment.
- Alert clients who need to file amended returns.



5601 Headquarters Drive
Plano, TX 75025
(844) 728-6864

ProSeries®

<https://proconnect.intuit.com/proseries/>

Lacerte®

<https://proconnect.intuit.com/lacerte/>

ProConnect™ Tax Online

<https://proconnect.intuit.com/tax-online/>