

2016 QUESTIONS—REFERENCE MATERIAL

NOTE: TT = Tax Tools
JKL = J. K. Lasser Tax Guide
(ABC) = Drake Data Entry Screen

FILING STATUS (NAME) - Did your marital or filing status change in 2016? Yes No

If yes, please check the following as applicable and provide necessary details:

- | | |
|--|---|
| <input type="checkbox"/> Single | <input type="checkbox"/> Dependent of Another |
| <input type="checkbox"/> Married | <input type="checkbox"/> Widowed |
| <input type="checkbox"/> Married Filing Separately | <input type="checkbox"/> Decedent |
| <input type="checkbox"/> Divorced | <input type="checkbox"/> Incompetent Person |
| <input type="checkbox"/> Alimony Paid/Received | <input type="checkbox"/> Non-Resident Alien |
| <input type="checkbox"/> Separated | <input type="checkbox"/> Resident Alien |
| <input type="checkbox"/> Head of Household | <input type="checkbox"/> Innocent Spouse |

Status as of December 31 – Note date of status change (i.e., marriage, final divorce decree, death, legal separation AND maintenance agreement, etc.)

JKL, Chapter 1 - Filing Status

TT flowchart on filing status

DEPENDENTS (DEP) - Were there any changes regarding your children or other dependents in 2016? Yes No

If yes, please check the following as applicable:

Dependency Exemption:

Dependents must meet following tests:

- Relationship
- Gross income limit (children less than 19, full-time student under 24)
- Support
- Citizen/resident
- Not file joint return

TT - Determining Whether a Dependency Exemption is Allowable

TT - Dependency Support Worksheet

TT - Support Test for Children of Divorced or Separated Parents

JKL Chapter 21 - Personal Exemptions

- New dependent: Name _____ DOB _____ SSN _____
Find out relationship to taxpayer.
- No longer claiming adult child (or other dependent) Name _____
- Paid dependent care expenses while working/attending school (***need provider info and amount***)
(2441) Both spouses must work (or full-time student).
Dependent under 13 (cut off is birthday, not 12/31) or disabled dependent/spouse.
Limit of \$3,000 for one child or \$6,000 for two or more.
Better to do Dependent Care Assistance Program (DCAP) at work (W-2 Box 10).
“Nanny Tax” Rules, No overnight camps, before/after school is ok.

TT - Does Taxpayer Qualify for the Child Dependent Care Credit?

TT - Can Divorce/Separated Parents Take the Child Care Credit?

JKL Chapter 25.2 – 25.3 - Child Tax Credit (For Children Under 17)

JKL Chapter 25.4 – 25.7 - Dependent Care Credit

- Contributed to Dependent Care Assistance Plan (DCAP) at work.
Check W2 box 10 for amounts.
- Dependent** child with unearned income (interest and dividends) greater than \$950 (*need 1099s*)
If dependent has earned (W-2 income) only, no tax up to \$5,000 standard deduction.
“Usually” for Investment Income:
- \$0 - \$1050 tax free
 - \$1,050 to \$2,100 at lower child tax rate
 - \$2,100 or higher taxed at higher parents’ tax rate
- JKL Chapter 24 - Kiddie Tax (for children to age 18 & full-time students under 24):**
- Adopted a child or began adoption proceedings in 2016? (*need details*)
JKL Chapter 25.8 – 27.9 - Adoption Credit
- Blindness exemption for taxpayer or spouse
Additional standard exemption for each (\$1,500 for single or HoH, \$1,200 for MFJ).

INVESTMENTS - Were there any changes to your investment Portfolio (not including retirement accounts) in 2016?

Yes No

If yes, please check the following as applicable:

- Sold stocks, securities, mutual funds (*need 1099B, date bought and cost basis*) (D/8949)
Short-term gain – less than or equal to one year
Long-term gain – more than one year
JKL Chapter 5 - Reporting Property Sales
- Purchased stocks, securities, mutual funds (*need broker statements*)
For information purposes only to see tax basis of stock sold, tax free muni interest or interest paid on margin accounts.
- Debts cancelled or forgiven (*need 1099-C and details*)
Usually for cancelled credit card debt, auto or bank loans. Not taxable to extent of bankruptcy or insolvency (Client needs to complete Personal Financial Statement to determine amount excluded).
JKL Chapter 11.8 - Cancellation of Debts you Owe
- Paid margin interest (*need broker statements*)
Interest paid on loans to carry investments (i.e., brokerage margin accounts) is deductible on Schedule A.
JKL Chapter 15.10—15.14 - Investment Loans
- Worthless securities/bad debts (*need details*)
Security/debt has to be totally worthless in 2016 (i.e., bankrupt/sold) to recognize loss.
JKL Chapter 5.32 – 5.35 - Worthless Securities and Bad Debt Deduction
- Receive, exercise or sell stock options (*need 1099s and details*)
- Dispose of stock under Qualified Employee Stock Purchase Plan (ESPP) (*need 1099s & details*)
Qualified (Incentive Stock Options) and ESPP must meet certain criteria to get tax favored treatment at exercise (purchase). Alternative Minimum Tax could apply to ISOs at exercise. Non-qualified plans means income recognized when exercised.
JKL, Chapter 2.16 Stock Options

- Have foreign accounts or signing authority on foreign accounts (**need details**) (**INT**)
 Accounts w/ balances \$10k or more at any time during the year have additional reporting requirements (FBAR Form TD F 90-22.1) due April 15th, filed separately from return with US Treasury. Accounts \$50k or more need to file form 8939 **with** return.

BUSINESS (C) AND RENTAL REAL ESTATE (E) INVESTMENTS -
Were there any changes during 2016?

Yes No

If yes, please check the following as applicable:

- Acquired or started a business (**need details**)
 Sold a business (**need sale documents**)
 Purchased rental property (**need HUD 1**)
 Sold rental property (**need HUD 1**)

For any purchase, sale, finance or refinance of a business or a real estate investment, there should be closing documents (i.e., HUD-1 would suffice for real estate). Use organizer sheets for Schedule C (Business Income and Expenses) and Schedule E (Rental and Royalty Income and Expenses) for reference as to what's needed. Need auto and business miles. Usually use standard mileage note.

TT: Occupational Deductions (for usual expense listings)

TT: Office in Home: Does Taxpayer Qualify for the Deduction? (8829)

JKL Chapter 43 – Deducting Automobile Expenses (AUTO)

- Rental property used personally (*i.e., vacation home, need details*)

Taxpayer would be subject to vacation home rules if he/she used home for greater of 14 days or 10% of days rented at FMV (exclude "repair/maintenance" days).

TT: Is the Taxpayer Subject to Vacation Home Limitation Rules?

- Invested in a partnership, S Corp, LLC, LLP or Trust (**need K-1s**)

\$25K loss window for rental real estate if under income levels.

Passive activity loss rules (usually real estate losses) and At-Risk Rules could limit the amount of losses allowed for rental real estate or K-1 investments.

JKL Chapter 10 – Loss Restrictions: Passive Activities and At-Risk Limits

- Sold partnership, S Corp, LLC, LLP or Trust (**need sale documents**)

JKL Chapter 5 – Reporting Property Sales

JKL Chapter 44 – Sale of Business Property

EMPLOYMENT/RETIREMENT - Were there any changes to your employment or retirement status in 2016?

Yes No

If yes, please check the following as applicable:

- Changed jobs (**need W-2**) (**W2**)
 Unreimbursed job-related moving costs (**need details**) (**ADJ**)

Only allowed if unreimbursed, no double dipping. A lot of employers reimburse for allowable moving costs (i.e. day(s) of move costs) and gross up unallowed on W-2.

Must meet the 50-mile distance test and 39 or 78-week work test to deduct.

TT: Are Moving Expenses Deductible?

JKL Chapter 12.3 – 12.8 - Moving Expenses

- Received Unemployment compensation (**need 1099-G**) (**INCOME**)
 Received severance compensation (**need details**)
 Received retirement plan distributions (**need 1099-R**) (**1099**)

EMPLOYMENT/RETIREMENT (con't)

- Rolled over retirement plan distributions (*need 1099-R*) (**1099**)
- Received social security benefits (*need SSA 1099*) (**SSA**)
- Meet 10% penalty exception for early withdrawal from retirement plan (*need details*)
Taxpayer can avoid 10% penalty for early withdrawal (younger than 59½) of funds from IRA or company-sponsored retirement plan by rolling over; also if funds were withdrawn for reasons of hardship for taxpayer aged 55-59 ½ and laid off. For IRA only, taxpayer can avoid penalty if funds were used for college tuition or first-time home purchase. While penalty may be avoided, it is still taxable income.
JKL Chapter 7.7 – 7.9, 7.15 - Qualified Retirement Plans and 8.10 – 8.12 – IRAs
- Wish to contribute to IRA (*need details*)
Contributions to traditional IRA require earned income and may be deductible depending on income or if not covered by an employer-sponsored retirement plan (**8606**)
JKL Chapter 8.1, 8.4, 8.6 – Traditional IRA's
Roth IRA contributions are subject to income limits and require earned income.(**ROTH**)
- Wish to contribute to self-employed retirement plan (SEP, Simple, KEOGH) (*need details*)
System will calculate eligible contribution to Regular, Roth or nondeductible IRA as well as SEP, SIMPLE or Keogh. Age income level & whether they are a participant in a pension plan will impact the amount allowed. Ask how much they wish to contribute. Check W-2 to see if plan participant. (**SEP**)
JKL Chapter 8 – IRA'S
JKL Chapter 41 – Retirement plans for self-employed.
- You or your spouse turned 70½ (*and received no retirement plan distributions*)
Once Taxpayer or Spouse turns 70½, they have to take Required Minimum Distributions from their IRA retirement accounts.
TT: Minimum IRA Distribution Calculation
JKL Chapter 8.13. Mandatory Distributions From Traditional IRA's After 70 ½.
- Recharacerized (Converted) an IRA from Traditional to Roth (*need details*)
Subject to income limits in 2009. New rules with no income limits for 2010.
JKL Chapter 8.21 Converting a Traditional IRA to Roth IRA

EDUCATION - Were there changes regarding the saving or paying for education for yourself and children?

Yes No

If yes, please check the following as applicable:

- Paid college tuition and other education costs (*need 1098-T*) (**8863**)
If not allowed elsewhere (i.e., as American Opportunity/Hope or LTLC or tuition deduction from AGI), unreimbursed employee education costs may be allowed as misc. itemized deductions.
TT: Are Educational Expenses Deductible?
- Paid student loan interest (*need 1098-E*) (**ADJ**)
- Withdrew money from Coverdell Education Savings Account or 529 Plan (*need 1099-Q*)
Scholarships, grants and distributions from 529, etc. plans are usually tax-free. Taxpayers may take a credit or deduction for college costs in excess of above. No double-dipping. Enter on (**5329**) if distribution exceeds costs.
JKL Chapter 33 - Educational Tax Benefits

- Redeemed Series EE bonds issued after 1989 for college costs (*need details*)
- Received employer provided education assistance (*need details*)

JKL Chapter 33 – Educational Tax Benefits

PRINCIPAL RESIDENCE - Since acquiring your principal residence, have you refinanced or taken a home equity loan?

Yes No

*If yes, have you “taken cash out” greater than \$100,000 that was **not** reinvested back into the home?* YES NO (*if yes, provide details*)

*If taxpayer cumulatively took cash out greater than \$100,000 that was **not reinvested back into the home**, then mortgage interest could be limited.*

Do TT tests and see CPA. While mortgage interest on first \$100K is allowed, it is a tax preference item subject to AMT excess.

TT: Is Mortgage Interest Fully Deductible?

TT: Qualified Loan Limit and Deductible Mortgage Interest

JKL 15 Itemized Deductions for Interest Expense

Did you move/buy/sell/refinance your principal residence in 2016? Yes No

If yes, please check the following as applicable:

- Moved principal residence to new state *need residency dates for each state (NAME, State)*
- Purchased (*need HUD-1 and 1098*)
- Claimed First Time Homebuyer credit that needs to be repaid (2008 purchase) (**HOME**)
Original \$7,500 credit is paid back \$500/yr for 15 yrs beginning in 2010
- Sold (*need HUD-1, 1098 and 1099-S*) (**HOME, A**)
 - Qualifies for Recently Widowed Gain Exclusion (widowed within 2 years of sale)
 - Claimed first-time homebuyer credit on property sold
may need to repay balance of 2008/2009 credit
- Refinanced (*need HUD-1 and 1098*) (**A**)
Points paid on original principal residence purchase can be deducted in full. Subsequent refinance points are amortized with any prior unamortized points being written off in full in year of refinance.
TT: Are Points Fully Deductible This Year?
JKL Chapter 15.7 – 15.8 - Points
- Home Equity Loan (*need 1098*) (**A**)

MISCELLANEOUS – Please check the following as applicable and provide the necessary details and documentation:

- Direct Deposit** (if receiving a refund) Same as Last Year (or attach **voided check** or bank info)
Bank name: _____ Routing Number _____ Account Number _____
- Made **Energy Efficiency** Improvements to primary residence (geothermal, wind, solar only)
(need details of improvements, \$500 lifetime cap, credit is 10% on materials only, not labor. Max of \$2k expenses for windows, need 5695 info for 2006-2013)
- Gambling winnings (*need W-2G*)
- Gambling losses (*limited to winnings*)
- Sales tax on auto, boat, RV, etc
- Office in home expenses (**8829**)
- Unreimbursed job expenses (**2106**)
- Educator expenses (*limit of \$250 each*)
- Casualty and theft losses
- Medical Savings Account**
- Health Savings Account**
- Engaged in bartering
- Paid estimated taxes (**ES**)
- Foreign income, accounts, or tax payments
- Other income (*tips, prizes, awards, etc.*)
- Legal settlements
- Household employee(s)
- Purchased Hybrid Vehicle
- Purchased new “clean fuel vehicle”
- Received IRS or state notice
- Made gifts more than \$13,000
- Savings Bonds Redeemed or Matured in 2016

MISCELLANEOUS – con’t

Gather details, documents and/or amounts for later entry into tax software. Note amounts given verbally by client on **Organizer, (per client)**. Anything you are not sure of, list on **NOTE** screen in Drake for follow-up.

HEALTH INSURANCE-Please check the following as applicable & provide details:

- Have **Health Insurance** (enclose Forms **1095-A/B/C** and/or Mass **1099-HC**)
Bought Health insurance through Work Marketplace Other (Government Plans, etc.)
1095-B is for workplace plans, 1095-A is for marketplace plans.
- Covered by Medicare – no forms needed
- Received Advance Premium Assistance Credit (Need 1095-A!!)
only applies to policies purchased through the market place
- Do not have health insurance, but may qualify for exemption
need documents for pre-approved exemptions and details for other

MASSACHUSETTS—Please provide necessary amounts, details and documentation:

- Paid rent** (allowable on Mass. Return) **amount per month** _____ **number of months** _____
Only allowed if paid for Mass. Property (not allowed for out-of-state rent). (MA 1 line 14)
- Amount paid for **FastLane** pass or monthly **MBTA** pass(es): \$ _____
Deduction limited to expenses >\$150 up to \$900. MA
- Residential lead paint abatement costs \$ _____
- Residential Title V septic compliance costs \$ _____
- Out-of-state purchases; if yes:
Total out-of-state purchases \$ _____
Total sales tax paid on out-of-state purchase \$ _____
- Wish to contribute \$ _____ to the following fund: **(MA 1 line 32)**
- Transplant Fund Mass US Olympic Fund Mass Military Family Relief Fund Mass AIDS Fund
- Qualify for senior Circuit Breaker Credit **(MA CB)**
Only eligible if 65 or older and subject to income limits.
Refundable credit when Real Estate taxes and 50% of water bill is greater than 10% of income.
Need RE tax, total of water bills and approx. value of primary residence.
Also may qualify if rent >25% of income.
- Federal/State/Local retirement payments
Retirement payments received from these sources are usually tax-free in Mass. (taxable Federal though). Payments into Mass. state and local retirement plans (i.e., no social security wages on W-2) are deductible on Mass. return.

ARE THERE ANY PLANNED CHANGES OR EVENTS WHICH WILL AFFECT YOUR 2017 TAX PLANNING?

Yes **No**

If yes, please provide details:
