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Tax deadlines for May

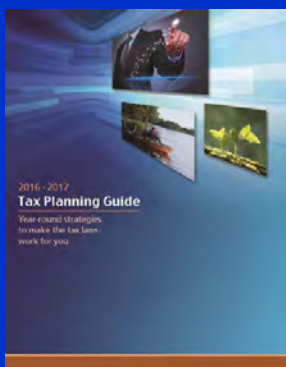
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Everyone knows someone who missed the boat

Tax Planning Guide



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MAY 2017

Tax deadlines for May

- **May 15** – Deadline for calendar-year exempt organizations to file 2016 information returns
- **May 31** – Deadline for IRA, SEP, SIMPLE, Roth IRA, MSA, and education savings account trustees to file annual statements (Form 5498) with the IRS, with copies to participants

Schedule your midyear tax planning session

Most people don't include tax planning on their summertime agenda, but maybe they should. The problem with waiting until the end of the year is that you reduce the time for planning strategies to take effect. If you take the time now to schedule a midyear tax planning review, you'll still have eight months for your actions to make a difference on your 2017 tax return. In addition, proposed tax reform could be cause for additional changes to your tax plan. Planning now for 2017 taxes not only helps reduce your tax burden, but it can help you gain control of your entire financial situation. Give us a call to set up an appointment today.

IRS is now using collection agencies

The IRS is now using outside collection agencies to collect unpaid tax obligations. This new program will start slowly with only a few hundred taxpayers receiving mailings. The number will grow into the thousands later in the spring and into summer. Taxpayers who are contacted will first receive several collection notices from the IRS before their accounts are turned over to the private collection agencies. The agency will then send its own letter to the taxpayer informing them that the IRS has transferred the account to the agency. These agencies are required to identify themselves as working with the IRS in all communications.

Unfortunately, a change like this can often lead to confusion among taxpayers, which gives scammers a new opportunity to steal taxpayer dollars. The IRS is aware of the potential fraud problems and plans to continue to help taxpayers avoid confusion. The IRS reminds taxpayers that private collection companies, like the IRS, will never approach taxpayers in a threatening way; pressure taxpayers for immediate payment; request credit card information; or request payments in gift cards, prepaid debit cards, or a wire transfer. A legitimate letter from a collection agency associated with the IRS will instruct taxpayers to write a check directly to the IRS.

What to do if you are selected for a correspondence audit

The IRS is now handling many routine audit reviews through form letters called

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correspondence audits. These letters come from the IRS and ask for clarification and justification of specific deductions on your tax return. Common issues that trigger a correspondence audit are large charitable deductions, withdrawals from retirement accounts and education savings plans, excess miscellaneous deductions, and small business expenses.

Don't panic if you get one of these audit form letters. The IRS often uses computer programs to compare individual return deductions with the averages for a person's income level or profession. If you've received a letter, you may have simply fallen outside the averages. As long as you respond promptly, thoroughly, and with good documentation, it won't necessarily become a contentious issue. The key is to keep proper, well-organized documentation under the assumption you may need it to support your deductions. If you do this right, the correspondence audit will end with a "no change" letter from the IRS, acknowledging you've addressed their concerns. Give us a call if you receive one of these letters from the IRS. We're here to help.

Everyone knows someone who missed the boat

This year's April 18 tax deadline has come and gone, but not everyone has filed a 2016 tax return. While many have filed an extension and intend on getting their return in order, too many taxpayers who should file, simply do not. Common culprits are older, retired parents and young adults who are new to tax filing requirements.

Here are some of the reasons why it will help them to file a tax return.

Get withholdings. People who work but earn less than the required filing threshold should file a tax return so they can get back any withholdings their employer may have taken out of their paycheck.

This happens because many taxpayers focus on the income threshold required to file a tax return and forget to look at their W-2 to see if money was taken out of their paycheck. The single individual filing threshold for 2016 is \$10,350 and the married filing jointly threshold is \$20,700.

Get refundable credits. There are a number of refundable or partially refundable tax credits, such as the earned income tax credit and the additional child tax credit, that are only available if you file a tax return. Refundable credits are special because they come off the top of your tax bill and can even reduce it below zero. In that case you'd get the amount of the credit back in a refund check from the IRS.

Help apply for loans or financial aid. Many banks or colleges will ask to see your tax return information to help you qualify for loans or financial aid. Filing a tax return, even if you're not required to, will help support your application.

Protect yourself. There's a disturbing trend of identity thieves filing false returns to try to collect illicit refunds from the IRS. They often target people who may not usually file a return. By filing even a simple return, you can shut down this attempt at fraud by identity thieves.

You may know someone who hasn't filed and who needs help doing so. If so, feel free to pass on this article and suggest they get in touch for a consultation

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

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