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Newsletter

APRIL 2017

What's due on April 18?

Tuesday, April 18, is a major tax deadline. Here are some of the tax filing and related deadlines:

- 2016 individual income tax returns
- Calendar-year 2016 C corporation income tax returns
- 2016 annual gift tax returns
- 2016 IRA contributions
- 2017 individual estimated tax first quarter installment
- 2013 individual tax return amendments unless the 2013 return had a filing extension

Apply for an extension if you can't file by April 18

Tax time can be stressful, but don't panic if you can't file your tax return on time. There's still time to get an automatic six-month deadline extension.

There are four ways to obtain an extension:

1. File a paper copy of Form 4868 with the IRS and enclose your payment of estimated tax due.
2. File for an extension electronically using the IRS e-file system on your computer.
3. Using Direct Pay, the Electronic Federal Tax Payment System, pay all or part of your estimated income tax due and indicate that the payment is for an extension.
4. Have your tax preparer e-file for an extension on your behalf.

Remember that even if you file for an extension, you are still required to pay any taxes you owe by the April 18 filing deadline. An extension gives you more time to file your tax return, but not more time to pay the taxes you owe. You will be charged interest on any taxes you owe and do not pay by the filing deadline. If you are unable to pay on time, contact the IRS to set up a payment agreement.

Special extension rules apply to members of the military serving in combat zones and to certain others who live outside the U.S. Give us a call so we can discuss whether or not an extension is right for your situation.

IRS interest rates remain the same for second quarter 2017

Interest rates charged by the IRS on underpaid taxes and applied by the IRS on tax overpayments will remain the same for the second quarter of 2017 (April 1 through June 30). Therefore, the rates will be as follows for individuals and corporations:

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For individuals:

- 4% charged on underpayments; 4% paid on overpayments.

For corporations:

- 4% charged on underpayments; 3% paid on overpayments.
- 6% charged on large corporate underpayments.
- 1.5% paid on the portion of a corporate overpayment exceeding $10,000.

Springtime remodeling – know the tax impacts

Spring fever often influences homeowners to update and remodel. Maybe you're considering a new project, too. You may need to replace your deck or remodel your kitchen. If you have a remodeling project coming up, you should understand the tax consequences.

If your project qualifies as an improvement to your home, you'll enjoy some tax benefits. But if the project is a repair, there's generally no tax benefit. Unfortunately, it's not always easy to tell the difference.

An improvement is defined by the IRS as something that adds value to your home or extends its life. Putting in a new kitchen, building an extension or adding a new deck are considered improvements because they add value. Replacing the roof is an improvement because it extends the life of your home.

On the other hand, a repair merely keeps the home in good working order. Examples of repairs include painting the interior or exterior or replacing a few missing shingles.

You can get tax benefits by adding the cost of your home improvements to your original cost basis. That's the amount you first paid for the home. When you sell, a higher cost basis means a smaller capital gain. And generally you'll only pay tax on a capital gain greater than $500,000 ($250,000 for singles). So, the smaller your capital gain, the less likely you are to owe tax when you sell.

That's why it's important to save bills and receipts for any projects that may qualify as improvements. Include notes that describe the related home improvement. You may need to keep these receipts for years until you sell your home. But when you do, these updates could be the key to reducing a possible tax bill.

If you want to know whether your project is a repair or an improvement, please call our office.

2013 unclaimed tax refunds

The IRS announced that an estimated one million taxpayers who did not file an income tax return in 2013 could claim their share of $1 billion in unclaimed refunds for the 2013 tax year. The law gives most taxpayers a three-year time period to claim a tax refund. After that time, the money belongs to the U.S. Treasury. So if you did not file in 2013, to be safe, send your 2013 tax return via certified mail to arrive at the IRS by April 18.