JENNINGS & CLOUSE, PLC
CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2016

Dear Individual Client:

As the year draws to a close, now's an excellent time to review your current tax planning strategies to ensure they're still meeting your needs and to develop plans for 2017. It's also a good time to take advantage of last-minute planning opportunities that could save you money now and in the coming year.

With all that in mind, please contact us at your earliest convenience to discuss your tax outlook so that we can develop a customized plan that will address your specific financial concerns. In the meantime, here's a look at some of the issues we're recommending that clients consider as they begin their end-of-year review:

Tax Identity Theft Is a Significant Threat

Our firm takes security very seriously, so we want to begin our letter this year with a reminder that tax identity theft is a growing problem. Unfortunately, it can take many forms, so beware if you:

- Receive a notice or letter from the Internal Revenue Service (IRS) regarding a tax return, tax bill or income that does not apply to you. It's possible that someone has filed a false return using your Social Security number (SSN) to claim a refund or get a job. Between February 2011 and December 2015, the IRS identified almost 1.1 million taxpayers who were victims of employment-related identity theft.
- Get an unsolicited email or other contact asking for your bank account number or other financial details or personal information — such as your SSN. The IRS does not contact taxpayers using email, text or other social media channels, so it's likely that a scammer is trying to steal your confidential information.
- Receive a robocall insisting that you must call back and settle your tax bill. Your first contact with the IRS will be through official correspondence by mail; they will not call you out of the blue. Also, the IRS does not demand immediate payment over the phone, threaten to arrest you or demand your credit or debit card number or that you use a certain payment method — such as a gift card — to pay your taxes. If you receive any suspicious communications from the IRS, you can report the contact by filling out this IRS Impersonation Scam Reporting form or call 800.366.4484. We also urge you to contact our office for advice whenever you receive communication from the IRS or believe you might have been the victim of identity theft.

Watch Out for These Expiring Deductions

A few deductions will expire at the end of this year, so it's important to act now to take advantage of them in the remaining months of 2016 and to adjust your plans for 2017 if you're depending on using them.

- Did you pay college costs during the year? A deduction for tuition and expenses paid for yourself, your spouse or a dependent can be used on your 2016 return, but it won't apply in 2017. We can offer advice on other options, including a valuable education credit, the American Opportunity Tax Credit, which is permanent.
- Planning a home purchase soon? Private mortgage insurance (PMI), the amount you typically pay when your down payment is below 20%, will only be deductible through the end of 2016.
- If you were involved in a foreclosure, short sale or loan modification, you can exclude up to $2 million in forgiven debt from your taxable income, but only through this year.

The AMT Remains a Concern, but Planning Can Help

The alternative minimum tax (AMT) applies to many taxpayers, requiring them to add back some of the deductions they've taken. You are allowed an exemption that somewhat reduces the AMT's effects. That exemption rose in 2016, to $53,900 for single taxpayers and to $83,800 for married couples filing jointly. Talk to us about other ways to minimize your exposure to the AMT using techniques such as income acceleration or delay.

What Will a New Administration Mean to You?

Are you wondering if the new president — and a wave of newly elected senators and representatives — could have an impact on tax, business and financial regulation and on your tax return or overall financial planning? You can be sure we will alert to any new developments that may have an impact. Please visit the Resources page on our website at www.jenningsclouse.com for updated information.

The Affordable Care Act and Your Taxes

- As you're probably aware, the Affordable Care Act requires individuals to have minimum essential health insurance coverage. In 2016, the penalty for not having that coverage rose to the higher of $695 per uninsured adult ($347.50 per uninsured child under 18), or 2.5% of household income during the filing period, with some penalty caps available. We expect those penalties to rise based on cost-of-living adjustments.
- Do you purchase health care coverage through the Health Insurance Marketplace? If you chose to receive the advance premium tax credit and your income has risen, you may no longer be eligible for

some or all of that credit. If you think you may be affected, contact us about ways to avoid possible related penalties.

Be Sure Your Retirement Planning Is Up to Date

We recommend that you review your retirement situation at least annually and make revisions and adjustments as needed. That includes making the most of tax-advantaged retirement saving options. For example, if you're eligible, there's still time to contribute up to $5,500 in total ($6,500 if you're 50 or over) to a traditional or Roth IRA; you may be able to even deduct your contribution to a traditional IRA. If you're heading closer to retirement, we can help you determine whether you're on target to reach your savings goals.

Whether it's working toward retirement or getting answers to your tax and financial questions, we are here for you. Please email (info@jenningsclouse.com) or call (615-206-0360) our office today to set up your year-end tax-season review. As always, planning ahead can help you minimize your tax bill and position you for greater success.

Sincerely,

JENNINGS & CLOUSE, PLC

DISCLAIMER: Any accounting, business or tax advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. While we are, of course, available to provide you with accounting, tax and business planning services, it is our policy to put all advice upon which a client might rely into a written memorandum in letter form prior to you relying on such advice. We believe this is necessary to avoid confusion and to make clear the specific nature of our advice. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

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