

HUDSON POPE PLLC

CERTIFIED PUBLIC ACCOUNTANT

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Summer, 2017

As we head into the summer months, we are of course continuing to process extended returns and just to remind you, corporate and partnership income tax returns are extended until September 15, 2017 while individual income tax returns have an extension date of October 16, 2017. Extended estate and trust income tax returns have a due date of October 2, 2017. We appreciate our clients providing us with the organized information which allows us to better serve you and complete the returns in a timely manner. Additionally, to remind our clients, our office hours as of May 1st are 8:30 AM until 5:00 PM Monday through Thursday and 8:30 AM until

REMINDER:

Individual Estimated Income Tax Payments are due by June 15, 2017.

noon on Fridays. We will still be available by appointment on Friday afternoon as needed.

Now that the busy season which ended April 18th this year has come and gone, we are sharing some reporting by the IRS on the filing season. Also, with hurricane season upon us, the IRS also issued some hurricane preparedness tips.

IRS Reports Successful Filing Season

The 2017 filing season has ended with the IRS reporting no major systems malfunctions or slowdowns affecting the filing of returns and the issuance of refunds. The agency continues to remain vigilant against cybercriminals while at the same time working with fewer resources in comparison to past filing seasons.

Returns and Refunds. Some early filers experienced delayed refunds because of the *Protecting Americans from Tax Hikes Act of 2015* (PATH Act). The PATH Act generally required the IRS to hold refunds until February 5 where taxpayers were claiming the earned income tax credit (EITC) and/or additional child tax credit (ACTC). The IRS made up ground in processing refunds after mid-February. As of early April, the agency had processed some 80 million refunds, which represented just a two percent decrease compared to the same time last year. **Comment:** IRS Commissioner Koskinen told Congress earlier this month that the

agency released \$51 million in refunds after February 15.

Cybercrime. One goal of the PATH Act was to help the IRS improve its ability to detect fraudulent returns claiming the EITC and/or ACTC. Tax-related identity theft peaks early in the filing season. Although the IRS has not yet released statistics for the filing season, the agency stopped more than \$6.5 billion in refunds on 969,000 tax returns confirmed to have been filed by identity thieves during fiscal year (FY) 2016. **Comment:** The agency's anti-cybercrime activities are paying dividends, according to Koskinen. He told lawmakers the number of people who reported to the IRS that they were victims of identity theft declined from 698,700 in calendar year 2015 to 376,500 in calendar year 2016, a drop of 46%.

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Affordable Care Act. The IRS has not yet released statistics about the Affordable Care Act (ACA) for the filing season. However, the Treasury Inspector General for Tax Administration (TIGTA) has some preliminary statistics. According to TIGTA, as of March 2, 2017, the IRS had received approximately 44.1 million tax returns reporting that all members of the taxpayer's family maintained minimum essential coverage. Approximately 1.8 million taxpayers self-reported that they owed shared responsibility payments for not maintaining minimum essential coverage.

Trending Issues

Certain issues that have been gaining traction during tax season will likely only grow during the remainder of 2017. These include the following audit and guidance concerns.

Executive Orders. New Executive Orders impact tax regulations. Executive Order 13771 generally affects future regulations. Another Executive Order directs the Treasury Department to identify, within the next 60 days, regulations issued since January, 2016 that impose an undue financial

burden on taxpayers; add undue complexity to the federal tax laws; or exceed the statutory authority of the IRS.

Partnership audit regime. The IRS issued guidance to implement the new centralized audit regime under the Bipartisan Budget Act of 2015. The guidance described the new audit regime, including its elective use for tax years before 2018, when it goes into full force for all partnerships, with an opt-out provision for partnerships with 100 or fewer partners.

Audit Coverage. The IRS Reported in March that the audit coverage rate for individuals for fiscal year 2016 was 0.7 percent. The audit coverage rate for corporations for FY 2016 was 1.1 percent. For partnerships, the audit coverage rate for FY 2016 was 0.4 percent. The audit coverage rate for S corps for FY 2016 was 0.3 percent. **Comment:** According to the IRS, the audit coverage rate for individual fell 16 percent from FY 2015 to FY 2016. The 0.7 percent audit coverage rate for individuals was the lowest coverage rate in more than a decade, the agency added.

Tips for Taxpayers for Hurricane Preparedness

With hurricane season upon us, the IRS offered advice to taxpayers who may be affected by these types of storms, as well as other natural disasters. The IRS also wants taxpayers to know that the agency offers a special toll-free hotline to people in federally declared disaster areas, staffed with IRS specialists trained to handle disaster-related issues.

Don't Forget to Update Emergency Plans. Because a disaster can strike any time, be sure to review emergency plans annually. Personal and business situations change over time, as do preparedness needs. When employers hire new employees or when a company or organization changes functions, they should update plans accordingly and inform employees of the changes. Make plans ahead of time and be sure to practice them.

Create Electronic Copies of Key Documents. Taxpayers can help themselves by keeping a duplicate set of key documents including bank statements, tax returns, identifications and insurance policies in a safe place such as a waterproof container and away from the original set. Doing so is easier now that many financial institutions provide statements and documents electronically, and financial information is available on the Internet. Even if the original documents are provided

only on paper, these can be scanned into an electronic format. This way, taxpayers can download them to a storage device such as an external hard drive or USB flash drive, or burn them to a CD or DVD.

Document Valuables. It is a good idea to photograph or videotape the contents of any home, especially items of higher value. Documenting these items ahead of time will make it easier to claim any available insurance and tax benefits after the disaster strikes. The IRS has a disaster loss workbook, Publication 584, which can help taxpayers compile a room-by-room list of belongings. Photographs can help anyone prove the fair market value of items for insurance and casualty loss claims. Ideally, photos should be stored with a friend or family member who lives outside the area.

Check on Fiduciary Bonds. Employers who use payroll service providers should ask the provider if it has a fiduciary bond in place. The bond could protect the employer in the event of default by the payroll service provider.

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