

FINANCIAL FORECASTS, INC.

tax preparation & planning

January 2017

“MAY YOU LIVE IN INTERESTING TIMES” Chinese curse or a blessing?

Dear Clients:

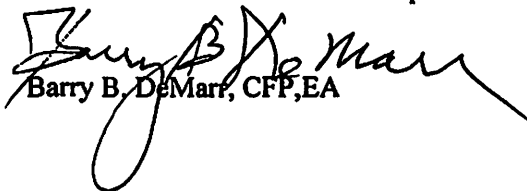
The times are a changing, as they have since... forever! The pendulum moves both ways and you can only control your small portion of the world. The more faults we see in our governing bodies (Fed, State and Local) reminds us that we are responsible for our own health, wealth, and wisdom. The 2016 tax filing season for E filing starts January 23 and the normal filing date is April 18, 2017. Extension's to file are available, but you should pay any tax liability in advance.

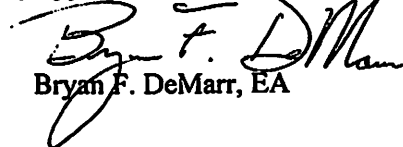
The keystone of tax planning is Adjusted Gross Income (AGI) line 37 of form 1040. A major adjustment to gross income can be found in deductible retirement contributions. These retirement contributions take the form of W-2 payroll allocations, SEP or Sole 401K for self-employed or maybe Traditional IRA accounts (watch limitations). We do not care for the ROTH retirement in most cases. We feel that the deduction in today's dollars is worth more than the promise of no income tax on future distributions! Taxpayers are being subjected to: add-on taxes (additional medicare tax; earned income/net invest income), phased out itemized deduction and the looming Alternative Minimum Tax (AMT). All of these contribute to the escalation of income tax liability annually. We encourage all taxpayers in the 25% tax bracket or higher to be using deductible retirement contribution to the maximum. Retirement plans are #1 in financial planning with the greatest tax benefits, ahead of college savings and home purchases. Once you get the contributions rocking, you need to review your investment selections every year. This represents real wealth and financial strength.

The IRS drive for rapid refunds is collapsing as they are seeing a rise in fraudulent tax returns and identity theft. They should take more time to match income reporting with social security records before releasing the funds. IRS may end up paying more than \$20 billion in fraudulent refunds this year. The legitimate taxpayer is getting caught in the middle as IRS wants to make sure the second in line (you possibly) are the real taxpayer, after they have given Treasury money to the bad guys with little expectation of collection. Plug the leaks, not drain the swamp! We recommend your earliest filing to try to stem the second in line problem or adjust your withholdings where you owe a small amount to IRS.

We have enclosed your 2016 Tax Organizer and ask that you pay close attention to personal data, contact information and especially the "checklist". The checklist details all the items that were showing on your 2015 tax filing, so you need to provide each again or mark out those that we are no longer active. You should provide us with forms: W2, 1099's, 1098(mortgage), K-1, rental summary and business details if applicable. Electronic filing is the new normal, simplifying transmission and providing proof of IRS receipt. This does not reduce your need for good documentation. You must keep your supporting documents for 3 prior tax years (we recommend 5). Please provide direct deposit information for possible refunds.

We appreciate your business and look forward to helping you achieve financial success. Any questions, call us. Get the facts on tax from the professionals. We have Saturday appointments to Feb 25, 2017.


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