



32nd edition

EY Tax Guide 2017

Everything you need to prepare your 2016 tax return

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- ▶ **Applying** the tangible property regulations

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The EY Tax Guide 2017

**By the Tax Partners and
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The EY global network of member firms has more than 35,000 tax practitioners worldwide, with more than 10,500 practitioners in the United States. This book draws upon the experience of many of those professionals for its content.



Changes in the tax law you should know about

A politically charged and unusual election season has drawn attention away from the advancement of significant tax legislation, but what lawmakers did manage to enact in late 2015 will likely provide greater certainty for individual taxpayers and may enable them to make better tax planning decisions in the near term.

Among the most noteworthy tax achievements since our last edition was the extension of expired and expiring tax provisions benefitting individuals and businesses. In previous years, Congress had repeatedly extended these provisions for one or two years at a time, creating uncertainty about the future of each one. At the end of 2015, however, Congress opted for a different and longer-term approach. It permanently extended some tax provisions that had expired at the end of 2014 or were set to expire, and extended others for either five or two years – modifying some provisions in the process.

Included among the provisions affecting individual taxpayers that were permanently extended are:

- A provision allowing taxpayers to deduct state and local sales taxes in lieu of state and local income taxes
- A provision allowing taxpayers to directly contribute up to \$100,000 from an IRA to a qualifying charity without recognizing the assets as income
- An enhanced Child Tax Credit with a lower income threshold for eligibility
- The American Opportunity Tax Credit, with an enhanced Hope Credit for qualified tuition and related expenses
- An expanded earned income tax credit (EITC), with an increased credit for families with three or more children and a higher phaseout range for married taxpayers filing jointly

Some other extended tax provisions are set to expire again in 2016 and 2019, and the landscape may shift in other ways before income tax returns are due, so taxpayers need to monitor late-breaking legislative developments and be ready to adjust accordingly. For updated information on tax legislation enacted after this book is published, see our website, ey.com/EYTaxGuide.

Tax Changes Effective for 2016

Personal Exemption Phaseout

Under the personal exemption phaseout, taxpayers lose 2% of their total personal exemption amount (\$4,050 for 2016) for each \$2,500 (or portion thereof) of adjusted gross income (AGI) in excess of an applicable threshold amount based on their tax filing status. For 2016, the phaseout begins and ends at the following amounts of AGI:

Filing status	Phaseout begins	Phaseout ends
Single	\$259,400	\$381,900
Married filing jointly and qualifying widow(er)	311,300	433,800
Married filing separately	155,650	216,900
Head of household	285,350	407,800

Itemized Deductions Limitation

The amount of itemized deductions you can claim for 2016 is reduced by 3% of the amount of your adjusted gross income (AGI) in excess of applicable thresholds; although no more than 80% of these otherwise allowable deductions will be eliminated. The thresholds are \$259,400 for individual filers, \$285,350 for heads of households, \$311,300 for married couples filing jointly, and \$155,650 for married couples filing separately.

Itemized deductions that are subject to this limitation include taxes, home mortgage interest, charitable contributions, and most miscellaneous itemized deductions. This limitation will be applied after you have used any other limitations that specifically apply with respect to affected itemized deductions, such as the AGI limitation for charitable contributions and the mortgage interest expense limitations. Medical expenses, casualty and theft losses, investment interest expense, and deductible gambling losses are not subject to this overall limitation.

Standard Mileage Rates

The standard mileage rate for the cost of operating your car decreased to 54 cents a mile for all business miles driven for 2016 (the rate was 57½ cents per mile in 2015). See [chapter 27](#), *Car expenses and other employee business expenses*.

The standard mileage rate allowed for the use of your car for medical reasons or a qualified move decreased to 19 cents per mile for 2016 (the rate was 23 cents per mile in 2015). See [chapter 22](#), *Medical and dental expenses*, and [chapter 20](#), *Moving expenses*.

The standard mileage rate allowed for charitable purposes remains at 14 cents per mile for 2016. See [chapter 25](#), *Contributions*.

Itemized Deduction for State and Local General Sales Tax Made Permanent

The Protecting Americans from Tax Hikes Act of 2015 (the “PATH Act”) permanently extends the provision allowing a taxpayer to elect to take an itemized deduction for state and local general sales taxes instead of the itemized deduction for state and local income taxes paid. Taxpayers may determine the amount of the deduction by either: (1) calculating the actual amount of sales tax paid for the year, which requires having a receipt for each purchase; or (2) using the IRS’s sales tax deduction calculator, which provides an estimate of sales tax paid based on the taxpayer’s income and zip code.

The deduction for state and local sales taxes is particularly beneficial to taxpayers who reside in states with no state income tax (or a relatively low state income tax). The election can also be helpful for taxpayers who made large purchases, such as homes, cars, boats or airplanes, during the tax year. Further, the election is useful to taxpayers with a large amount of otherwise tax-exempt income, because those amounts are used when determining sales tax paid with the IRS-approved sales tax deduction calculator.

The sales tax deduction is a preference for alternative minimum tax (“AMT”) purposes and may be of little or no value to taxpayers exposed to the AMT. However, if a taxpayer itemizes deduction for state tax purposes and can claim the sales tax deduction, that taxpayer may still be better off deducting sales tax on the federal return, despite the fact that the deduction results in no federal tax savings.

Alternative Minimum Tax (AMT) Exemption

The tax laws give preferential treatment to certain kinds of income and allow special deductions and credits for certain kinds of expenses. The AMT attempts to ensure that anyone who benefits from these tax advantages pays at least a minimum amount of tax. You pay AMT if it exceeds your regular tax liability for the year. The amount subject to AMT is separately computed by adding a number of preference items that essentially eliminate many of the deductions and credits that are allowed in computing your regular tax liability and subtracting an exemption amount.

The exemption amount is based on your tax filing status and is adjusted for inflation each year. For 2016, the exemption amounts increased to

\$53,900 for single taxpayers, \$83,800 for married couples filing jointly, and \$41,900 for married filing separately. The exemption phases out at higher levels of alternative minimum taxable income (AMTI). For 2016, a taxpayer's exemption amount is reduced (but not below zero) by 25 percent of the amount by which alternative minimum taxable income exceeds the following: \$119,700 (singles), \$159,700 (married filing jointly), and \$79,850 (married filing separately).

For an explanation of the AMT, see [chapter 31, How to figure your tax](#).

Exclusion from Gross Income for IRA Distributions Contributed Directly to Charity Made Permanent

The Act permanently extends the exclusion from gross income for a qualified charitable distribution ("QCD") from a traditional or Roth IRA directly contributed to charity. Under this provision, a taxpayer who is age 70½ or older may exclude up to \$100,000 from gross income for QCDs made from an IRA. Spouses can each make their own separate contribution. Distributions in excess of \$100,000 that otherwise meet the requirements for a QCD cannot be carried over to future years. The distribution must be made directly to a charitable recipient that is recognized by the IRS as tax-exempt. However, distributions to some charitable organizations, such as certain private foundations, IRC Section 509(a)(3) supporting organizations and donor advised funds, are not excludible from gross income. QCDs count toward satisfying the donor's annual minimum distribution requirements.

Qualifying IRA owners may recognize significantly greater tax benefits from utilizing this provision to fund charitable donations than they would from making contributions from other accounts or property. By excluding IRA distributions that satisfy the requirements for QCDs, the taxpayer reduces AGI, which in turn reduces the percentage limitations based on AGI that apply to various deductions and credits. Taxpayers may consider using Roth IRAs for qualified charitable distributions, but if that distribution otherwise qualifies as a nontaxable Roth IRA distribution, there is no additional tax benefit from contributing it to charity.

For more information, see [Qualified charitable distributions \(QCD\)](#) in chapter 17, [Individual retirement arrangements \(IRAs\)](#).

Increased Contribution Limits and Carryforward Period for Qualified Conservation Contributions Made Permanent

The Act permanently extends the increased contribution limits and carryforward period for contributions of appreciated real property (including partial interests in real property for qualified conservation purposes. For more information, see [Qualified Conservation Contribution](#), in chapter 25, [Contributions](#).

Under this provision, the 30% contribution base limitation that generally applies to contributions of capital gain property by individuals does not apply to qualified conservation contributions. Instead, taxpayers may deduct the fair market value of any qualified conservation contribution to a qualifying charity to the extent of the excess of 50% (100% in the case of qualifying farmers and ranchers) of the contribution base over the amount of all other allowable charitable contributions. These increased limitations can significantly increase the amount of charitable deduction allowed for the year of the contribution. Taxpayers are also allowed to carry over any qualified conservation contributions that exceed the 50% limitation for up to 15 years.

Adjustment to S Corporation Shareholder's Stock Basis for Contributions of Property to Charity Made Permanent

The Act permanently extends the adjustment of an S corporation shareholder's stock basis by a pro rata share of the adjusted basis of appreciated property donated by the corporation to charity. The adjustment is allowed even if such deductions would exceed such shareholder's adjusted basis in the S corporation. Under prior law, when an S corporation donated appreciated property that qualified for a fair market value deduction, the shareholder's basis in the S corporation stock was reduced by the full fair market value of the deduction. Consequently, when the S corporation shareholder ultimately sold shares, the shareholder would effectively pay tax on the ap-

preciated value of the property that had been contributed to charity. This result differed from what the shareholder would have realized had he or she personally donated that appreciated property. In that case, the shareholder would not recognize the gain attributable to the appreciation. The provision enacted by the PATH Act provides the same tax result regardless of whether the S corporation donated the appreciated property to charity or the shareholder did directly. In both cases, the shareholder will not recognize gain nor pay tax on the appreciated value of the property.

Itemized Deduction for Mortgage Insurance Premiums Paid Extended Through 2016

Eligible taxpayers are able to take an itemized deduction for the cost of mortgage insurance premiums paid during 2016 on a qualified personal residence. The insurance must have been obtained in connection with home acquisition debt and the insurance contract must have been issued after 2006. The deduction is phased out by 10% for each \$1,000 by which adjusted gross income (AGI) exceeds \$100,000 (\$500 and \$50,000, respectively, if you are married filing separately). Therefore, the deduction is unavailable for a taxpayer with AGI over \$109,000 (\$54,500 if married filing separately). For more information, see [Mortgage Insurance Premiums](#) in chapter 24, [Interest expense](#).

This itemized deduction expires at the end of 2016 and is therefore not available for 2017 and beyond unless Congress acts to extend it. For updated information on this and any other tax law changes that occur after this book was published, see our website, ey.com/EYTaxGuide.

Exclusion from Gross Income of Certain Discharged Mortgage Debt Extended Through 2016

Under the PATH Act, you can exclude from gross income, income realized from the discharge after 2006 and before 2017 of up to \$2 million (\$1 million if married filing separately) of qualified principal residence indebtedness. However, your basis in your principal residence must be reduced by the amount excluded from income.

Qualified principal residence indebtedness is defined as acquisition indebtedness (within the meaning of Internal Revenue Code Section 163(h)(2)(B), except that the dollar limitation is \$2 million) with respect to the taxpayer's principal residence. Acquisition indebtedness generally means indebtedness incurred in the acquisition, construction, or substantial improvement of the principal residence of the individual, and secured by the residence. It also includes refinancing of such indebtedness to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced debt. The basis of the individual's principal residence is reduced by the amount excluded from income.

This exclusion is also available for taxpayers whose qualified principal residence indebtedness was discharged after January 1, 2017, if the discharge was pursuant to a binding written agreement entered into before 2017. Other than this special rule for 2017, as of the time this book went to press, this exclusion was set to expire for debt discharged after 2016 unless Congress acts to extend it. For updated information on tax law changes that occur after this book was published, see our website, ey.com/EYTaxGuide.

Above-the-line Deduction for Qualified Tuition-related Expenses Extended Through 2016

You may be able to deduct as an adjustment to reduce gross income qualified education expenses you paid during the year for tuition and fees at a college, university, or other qualifying postsecondary education institution. This deduction for tuition and fees is allowed as an adjustment in figuring your AGI; therefore, it reduces your taxable income even if you do not itemize deductions. The maximum deduction is \$4,000 if your modified adjusted gross income (MAGI) is less than \$65,000 (\$130,000 if you are married filing jointly). The maximum available deduction shrinks to \$2,000 if your MAGI is over \$65,000 (\$130,000 if filing jointly) and below \$80,000 (\$160,000 if filing jointly). No deduction is available if your MAGI exceeds \$80,000 (\$160,000 if filing jointly).

The deduction is also unavailable—regardless of your MAGI—if your filing status for the year is married filing separately or you can be claimed as a dependent on the tax return of another person. In addition, the deduction is disallowed if you or anyone else claims an American opportunity credit or lifetime learning credit with respect to the same student.

Unless Congress acts to extend it, this deduction will expire and not be available after 2016. For updated information on this and any other tax law changes that occur after this book was published, see our website, ey.com/EYTaxGuide. For more information, see *Tuition and Fees Deduction*, in chapter 19, *Education-related adjustments*.

Adjustment for Educator Expenses Made Permanent

Elementary and secondary school teachers and other school professionals may deduct up to \$250 paid or incurred for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services), other equipment and supplementary materials used by the educator in the classroom. Expenses for professional development are also eligible for this deduction. This \$250 limit is indexed annually for inflation.

This deduction is allowed as an adjustment in figuring your adjusted gross income; therefore, it reduces your taxable income even if you do not itemize deductions. Ordinary and necessary educator expenses that do not qualify for the \$250 adjustment may be deductible as a miscellaneous itemized deduction subject to the 2% limitation.

For more information, see *Educator Expenses*, in chapter 19, *Education-related adjustments*.

Section 179 Small Business Expensing Amounts

Section 179 of the tax code allows you to make an election to deduct all or part of the cost—up to specified yearly limits—of certain qualifying property in the year in which the property is purchased and placed in service, rather than capitalizing the cost and depreciating it over its life. Qualifying property is property purchased for use in a trade or business and property that would have qualified for the investment tax credit. Under the PATH Act, off-the-shelf computer software can now be treated as qualifying property. For taxable years beginning after 2015, investments in air conditioning and heating units are also treated as qualifying property. The election is made for each item of qualifying property whether to deduct, subject to the yearly limit, or capitalize and depreciate its cost.

Specified limits. The maximum amount you can elect to deduct for Section 179 property placed into service in 2016 is \$500,000 (\$535,000 for qualified enterprise zone property). The allowable deduction is reduced dollar for dollar once the cost of qualifying property placed into service during 2016 exceeds \$2,010,000.

For more information about the Section 179 deduction, see *Depreciation and Section 179 deduction*, in chapter 13, *Basis of property*.

Special Depreciation Allowance Extended Through 2016

The PATH Act extended the availability of the special depreciation allowance (also known as bonus depreciation) under Section 168(k) for property acquired and placed in service during 2015 through 2019. Fifty percent bonus depreciation is available for property placed in service during 2015, 2016, and 2017. This then decreases to 40% in 2018 and 30% in 2019. The types of property that qualify for the 50% bonus or special depreciation allowance are Section 168 (tangible) property with a recovery period of 20 years or less, off-the-shelf computer software, water utility property and qualified leasehold improvement property.

100% Exclusion of Small Business Capital Gains Made Permanent

The PATH Act made permanent the 100% exclusion of gain from the sale of qualifying small business stock ("QSBS") that is acquired at original issue after September 27, 2010, and held for more than five years. There is also no alternative minimum tax (AMT) preference item for excluded gain recognized on sales of QSBS acquired during this qualifying period. This exclusion is available only to taxpayers that are not corporations.

QSBS is stock held in a C corporation with gross assets that do not exceed \$50 million (including the proceeds received from the issuance of the stock) and meets a specific active business requirement. The amount of gain eligible for the exclusion is limited to the greater of 10 times the taxpayer's basis in the stock or \$10 million of gain from stock in that corporation, reduced by gain excluded in prior years on dispositions of the corporation's stock.

For more information on the exclusion of gain on qualified small business stock, see *Gain on Qualified Small Business Stock*, in chapter 14, *Sale of property*.

Reduction in Recognition Period for S Corporation Built-In Gains Made Permanent

When a C corporation elects to become an S corporation, the conversion is not a taxable event. However, following such a conversion, an S corporation must hold on to its assets for a certain period of time. If the S corporation sells an asset sooner, then any built-in gain in such asset that existed at the time of the conversion is taxed to the S corporation at the existing highest marginal tax rate applicable to corporations; currently, 35%. The PATH Act made permanent the temporary reduction of the recognition period from ten years to five years for avoiding S corporation built-in gains tax that applied to 2012, 2013, 2014, and 2015. For more information, see *S Corporation Built-In Gains Tax* in chapter 14, *Sale of property*.

Tax Benefits for Adoption

The adoption credit and the maximum exclusion from income of benefits under an employer's adoption assistance program increased to \$13,460 for 2016. These benefits are phased out for taxpayers with AGI between \$201,920 and \$241,920. See *Adoption Credit* in chapter 38, *Other credits including the earned income credit*.

Other Provisions That the PATH Act Made Permanent or Extended

- Parity for the exclusion from income for employer-provided mass transit and parking benefits. Accordingly, the monthly exclusion for employer-provided transit and vanpool benefits is \$255 per month for 2016, up from \$250 per month for 2015.
- The credit for energy-efficient improvements to existing homes under Internal Revenue Code Section 25C. The credit is limited to 10% of the cost of qualified energy efficiency improvements to existing homes. The maximum credit for a taxpayer is \$500, and no more than \$200 of such credit may be attributable to expenditures on windows. The PATH Act modifies previous efficiency standards to require that windows, skylights and doors meet Energy Star 6.0 standards. For more information, see *Residential energy credit* in chapter 38, *Other credits including the earned income credit*.
- The credit for alternative fuel vehicle refueling property was extended and applies to purchases made before January 1, 2017, and must be placed in service in the year in which you claim the credit. For individuals, the credit is limited to \$1,000 for all qualified property at a location. Eligible alternative fuels are hydrogen, electricity, and other qualified alternative fuels as defined in Section 30C(c) in the tax code. For more information, see *Alternative Fuel Vehicle Refueling Property* in chapter 38, *Other credits including the earned income credit*.
- The credit for qualifying two-wheeled, plug-in electric drive motorcycles was extended through 2016. The 10% credit is generally capped at \$2,500. For more information, see *Plug-in Electric Drive Motor Vehicle Credit* in chapter 38, *Other credits including the earned income credit*.

Recapture of First-Time Homebuyer Credit for Homes Purchased in 2008

If you claimed the first-time homebuyer credit for a home you bought in 2008, you were required to begin repaying the credit in 2010. Your

seventh installment will be due with your 2016 tax return. You generally must repay the credit over a 15-year period in 15 equal installments. Each installment is reported as additional tax on your tax return. However, if you sold or stopped using your home as your principal residence before the 15-year period is up, you must include all remaining annual installments as additional tax on the return for the tax year that happened. See *Recapturing (Paying Back) the First-Time Homebuyer Credit* in chapter 38, *Other credits including the earned income credit*, for additional information.

2016 Disaster Area Tax Relief

You may be eligible for tax relief if you were the victim of various storms that occurred during 2016. The IRS website, www.irs.gov (click on "Disaster Relief" under "Resolve an issue"), contains links to related news releases for the victims of the affected areas. A list of the 2016 Federal Disaster Declarations is available on the FEMA website at fema.gov/news/disasters.

Estate, Gift, and Generation-Skipping Transfer Taxes

The American Taxpayer Relief Act of 2012 (ATRA) reunified the estate and gift taxes with a single graduated rate schedule for both, while permanently setting the estate, gift, and generation-skipping transfer (GST) tax exemption at \$5 million. The exemption is indexed annually for inflation. For 2016, the exemption amount is \$5.45 million. The maximum tax rate on transfers of property subject to gift, estate, and GST tax is 40%. For more information on estate and gift tax, see *chapter 45, Estate and gift tax planning*.

Gift tax applicable for 2016. The annual exclusion remains \$14,000 for 2016 per donee for gifts. As described above, ATRA reunified the gift and estate taxes. The gift tax exemption for 2016 is therefore \$5.45 million and the maximum tax rate on taxable gifts made during 2016 is 40%. See *The Fundamentals of the Gift Tax* in chapter 45, *Estate and gift tax planning*.

Inflation Adjustments for 2016

Each year a number of tax benefits and income limitations for tax benefits are adjusted for inflation. In recent years these changes, if any, were very small due to the low rate of inflation—and this holds true for 2016. The adjustments for 2016 are as follows:

- **Tax Rate Tables:** The income brackets for each tax rate have been increased slightly. See *chapter 51, Tax rate schedules*.
- **Personal Exemption:** The personal exemption amount increased from \$4,000 to \$4,050 in 2016. See *chapter 3, Personal exemptions and dependents*.
- **Standard Deduction:** The standard deduction for 2016 remains at \$12,600 for married individuals filing joint returns and surviving spouses and stays at \$6,300 for unmarried individuals and married individuals filing separate returns. It increases to \$9,300 (up from \$9,250) for heads of household. The additional standard deduction for blind people and senior citizens is \$1,250 for married individuals or a surviving spouse, and \$1,550 for unmarried and not a surviving spouse. See *chapter 21, Standard deduction*.
- **Pension Plan Limitations:** Many of the contribution limits and income limitations remained unchanged from 2015, while others increased slightly for 2016. For 2016:
 - The elective contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remained unchanged for 2016 from 2015 at \$18,000.
 - For married couples filing jointly, in which the spouse who makes the IRA contribution is an active participant in an employer-sponsored retirement plan, the income phaseout range is \$98,000 to \$118,000 for 2016; for singles and heads of household, the income phaseout range is \$61,000 to \$71,000. These amounts are unchanged from 2015.
 - For an IRA contributor who is not an active participant in an employer-sponsored retirement plan, but who either lives with his/her spouse or files jointly, and the spouse is an active participant, the deduction is phased out if the couple's income is between \$184,000 and \$194,000 for 2016, up from \$183,000 and \$194,000 in 2015.

- The AGI phaseout range for 2016 for taxpayers making contributions to a Roth IRA is \$184,000 to \$194,000 for married couples filing jointly or a qualifying widow(er), up from \$183,000 to \$193,000; for singles, heads of household, or married filing separately who did not live with his/her spouse at any time during 2016, the income phaseout range is \$117,000 to \$132,000, up from \$116,000 to \$131,000; and the phaseout range for married taxpayers filing separately who lived with their spouse at any time during the year remains unchanged at \$0 to \$10,000. See *chapter 17, Individual retirement arrangements (IRAs)*.
- **Saver's Credit Limitations:** The AGI limit for the saver's credit (also known as the retirement savings contributions credit) in 2016 is \$61,500 for married couples filing jointly, up from \$61,000. For heads of household, the AGI limit is \$46,125, up from \$45,750, and for married individuals filing separately and for singles, the AGI limit is \$30,750, up from \$30,500. See *chapter 38, Other credits including the earned income credit*.
- **Earned Income Credit:** The maximum earned income credit (EIC) rises to \$6,269 for 2016, up from \$6,242 in 2015. The maximum income limit for the EIC rises to \$53,505 for 2016, up from \$53,267 in 2015. The credit varies by family size, filing status, and other factors, with the maximum credit going to joint filers with three or more qualifying children. See *Earned Income Credit (EIC)* in chapter 38, *Other credits including the earned income credit*.
- **Lifetime Learning Credit Limitation:** The modified AGI threshold at which the lifetime learning credit begins to phase out in 2016 is \$111,000 for joint filers, up from \$110,000, and \$55,000 for singles and heads of household. The modified AGI threshold at which the American opportunity credit begins to phase out for 2016 is \$80,000 for married individuals filing separately and singles, and \$160,000 for married couples filing jointly. See *chapter 36, Education credits and other education tax benefits*.
- **AMT Exemption for a Child Subject to the Kiddie Tax:** For purposes of determining the AMT tax on a child subject to the "kiddie tax," the exemption amount for 2016 is the sum of the child's earned income for the tax year, plus \$7,400. This is unchanged from 2015. See *chapter 31, How to figure your tax*.
- **Education Savings Bond Program Limitations:** The exclusion of interest income from savings bonds for taxpayers who pay qualified higher education expenses begins to phase out in 2016 for modified adjusted gross income (MAGI) above \$116,300 (up from \$115,750) for married filing jointly or qualifying widow(er), and \$77,550 (up from \$77,200) for other returns. The exclusion is completely phased out for MAGI of \$146,300 (up from \$145,750) or more for joint returns or qualifying widow(er), and \$92,550 (up from \$92,200) or more for other returns. See *Education Savings Bond Program* in chapter 7, *Interest income*.
- **Long-Term Care Premium Deduction:** The long-term care premium deduction has increased slightly in 2016 for each age group. For taxpayers age 40 or less, the amount that can be claimed as a medical expense deduction is \$390 (up from \$380); for taxpayers age 41–50, the deduction is \$730 (up from \$710); for taxpayers age 51–60, the deduction is \$1,460 (up from \$1,430); for taxpayers age 61–70, the deduction is \$3,900 (up from \$3,800); and for taxpayers more than 70 years old, the deduction is \$4,870 (up from \$4,750). See *chapter 22, Medical and dental expenses*.
- **Medical Savings Account Limitations:** The minimum and maximum annual deductible for self-only and family coverage, and the annual out-of-pocket expenses required to be paid for covered benefits has been increased slightly. See IRS Publication 969, *Health Savings Accounts and Other Tax-Favored Health Plans*, for more information on these limits.

Planning Ahead for 2017 and Beyond

See *chapter 50* for a discussion of tax developments and issues in 2017 and after.

Important 2016 tax reminders

Listed below are important reminders and other items that may help you file your 2016 tax return. Many of these items are explained in more detail later in this publication.

- **Enter your social security number (SSN).**

Enter your SSN in the space provided on your tax form. If you filed a joint return for 2015 and are filing a joint return for 2016 with the same spouse, enter your names and SSNs in the same order as on your 2015 return. See [chapter 1](#).

- **Taxpayer identification numbers.**

You must provide the taxpayer identification number for each person for whom you claim certain tax benefits. This applies even if the person was born in 2016. Generally, this number is the person's social security number (SSN). See [chapter 1](#).

- **Individual retirement arrangements (IRAs).**

For purposes of taking an IRA deduction, earned income includes any nontaxable combat pay received by a member of the U.S. Armed Forces.

- **Qualified joint venture.**

A qualified joint venture conducted by you and your spouse may not be treated as a partnership if you file a joint return for the tax year. See [chapters 12 and 39](#).

- **Recordkeeping requirements for cash contributions.**

You cannot deduct a cash contribution, regardless of the amount, unless you keep as a record of the contribution a bank record (such as a canceled check, a bank copy of a canceled check, or a bank statement containing the name of the charity, the date, and amount) or a written communication from the charity. The written communication must include the name of the charity and the date and amount of the contribution. See [chapter 25](#).

- **Foreign source income.**

If you are a U.S. citizen with income from sources outside the United States (foreign income), you must report all such income on your tax return unless it is exempt by U.S. law. This is true whether you reside inside or outside the United States and whether or not you receive a Form W-2 or 1099 from the foreign payer. This applies to earned income (such as wages and tips) as well as unearned income (such as interest, dividends, capital gains, pensions, rents, and royalties). If you reside outside the United States, you may be able to exclude part or all of your foreign source earned income. For details, see [chapter 42](#), *U.S. citizens working abroad: Tax treatment of foreign earned income*, and IRS Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*.

- **Foreign financial assets.**

If you had foreign financial assets in 2016, you may have to file Form 8938 with your return. Check www.irs.gov/form8938 for details.

- **Automatic six-month extension to file tax return.**

You can get an automatic 6-month extension of time to file your tax return. See [chapter 1](#).

- **Tax Computation Worksheet.**

If your taxable income is \$100,000 or more, figure your tax using the Tax Computation Worksheet, which can be found at the IRS website (www.irs.gov). The Tax Rate Schedules in chapter 50 are shown so you can see the tax rate that applies to all levels of taxable income. Do not use the Tax Rate Schedules to figure your tax. Instead, see [chapter 31](#).

- **Joint return responsibility.**

Generally, both spouses are responsible for the tax and any interest or penalties on a joint tax return. In some cases, one spouse may be relieved of that responsibility for items of the other spouse that were incorrectly reported on the joint return. See [chapter 2](#).

- **Include your phone number on your return.**

The IRS can promptly resolve any questions they have in processing your tax return, by calling you. So, it can be helpful to enter your daytime telephone number on your tax form next to your signature and occupation. If you are filing a joint return, you can enter either your or your spouse's daytime phone number.

- **Third-party designee.**

You can check the "Yes" box in the "Third Party Designee" area of your return to authorize the IRS to discuss your return with a friend, family member, or any other person you choose. This allows the IRS to call the person you identified as your designee to answer any questions that may arise during the processing of your return. It also allows your designee to perform certain actions. See [chapter 1](#).

- **Frivolous tax submissions.**

The IRS has published a list of positions that are identified as frivolous. The penalty for filing a frivolous tax return is \$5,000. See [chapter 1](#).

- **Filing erroneous claim for refund or credit.**

You may have to pay a penalty if you file an erroneous claim for refund or credit. See [chapter 1](#).

- **Payment of taxes.**

You can pay your taxes online, by phone, or by check or money order. You can make a direct transfer from your bank account or use a credit or debit card. See [chapter 1](#).

- **Faster ways to file your return.**

The IRS offers fast, accurate ways to file your tax return information without filing a paper tax return. You can use IRS e-file (electronic filing). See [chapter 1](#).

- **Free electronic filing.**

You may be able to file your 2016 taxes online for free. See [chapter 1](#).

- **Change of address.**

If you change your address, notify the IRS. See [Change of Address](#) in chapter 1.

- **Private delivery services.**

You may be able to use a designated private delivery service to mail your tax returns and payments. See [chapter 1](#).

- **Refund on a late filed return.**

If you were due a refund but you did not file a return, you generally must file your return within 3 years from the date the return was due (including extensions) to get that refund. See [chapter 1](#).

- **Customer service for taxpayers.**

You can set up a personal appointment at the most convenient Taxpayer Assistance Center, on the most convenient business day.

- **Privacy Act and paperwork reduction information.**

The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and the Paperwork Reduction Act of 1980 require that when the IRS asks you for information, the IRS must first tell you what its legal right is to ask for the information, why the IRS is asking for it, how the information will be used, what could happen if the IRS does

not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory under the law. A complete statement on this subject can be found in your tax form instructions.

- **Preparer e-file mandate.**

Most paid preparers must e-file returns they prepare and file. Your preparer may make you aware of this requirement and the options available to you.

- **Secure your tax records from identity theft.**

Identity theft occurs when someone uses your personal information such as your name, SSN, or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund. For more information about identity theft and how to reduce your risk from it, see [chapter 1](#).

- **Protect yourself from suspicious emails or phishing schemes.**

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common form is the act of sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request detailed personal information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts. If you receive an unsolicited email claiming to be from the IRS, forward the message to: phishing@irs.gov. You may also report misuse of the IRS name, logo, forms, or other IRS property to the Treasury Inspector General for Tax Administration toll-free at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338). Visit www.irs.gov and enter "identity theft" in the search box to learn more about identity theft and how to reduce your risk.

- **Treasury Inspector General for Tax Administration.**

If you want to confidentially report misconduct, waste, fraud, or abuse by an IRS employee, you can call 1-800-366-4484 (call 1-800-877-8339 if you are deaf, hard of hearing, or have a speech disability, and are using TTY/TDD equipment). You can remain anonymous.

- **Tax questions.**

If you have a tax question, visit www.irs.gov or call 1-800-829-1040. For TTY/TDD, call 1-800-829-4059.

How to avoid 25 common errors

1. Most importantly, check your math.
2. Double-check that your social security number has been correctly written on the return. If you are married, check that your spouse's social security number is properly listed, whether filing a joint or separate return.
3. Include your social security number on each page of the return so that if a page is misplaced by the IRS, it can be reattached.
4. Check that you have claimed all of your dependents, such as elderly parents who may not live with you. See [chapter 3, Personal exemptions and dependents](#).
5. Include on the return the social security numbers for all dependents, including those born during 2016. In addition, for each child under age 17 who is a qualifying child for the child tax credit, make sure you checked the box beside the child's name indicating the child is a qualifying child for the child tax credit.
6. If you are single and have a dependent who lives with you, check to see if you qualify for the lower tax rates available to a head of household or surviving spouse.
7. You may be eligible for the earned income credit if you do NOT file as married filing separately. If you have one qualifying child and your earned income and modified adjusted gross income for 2016 are less than \$39,296 (\$44,846 if married filing jointly), you may qualify. If you have two qualifying children, you may qualify for the earned income credit if your earned income and modified adjusted gross income for 2016 are less than \$44,648 (\$50,198 if married filing jointly). If you have three or more qualifying children, you may qualify for the earned income credit if your earned income and modified adjusted gross income for 2016 are less than \$47,955 (\$53,505 if married filing jointly). If you do not have a qualifying child, but are over age 24 and under age 65, and your earned income for 2016 and modified adjusted gross income are less than \$14,880 (\$20,430 if married filing jointly), you may qualify as well. See [chapter 38, Other credits including the earned income credit](#).
8. If you are married, check to see if filing separate returns rather than a joint return is more beneficial.
9. Attach all copies B of your W-2 forms to your return in order to avoid correspondence with the IRS. If you received a Form 1099 showing federal income tax withheld, attach copy B of that form as well.
10. You may be eligible to claim the additional standard deductions if you are blind or 65 years of age or older.
11. Be sure to sign your check and write your social security number, the form number, and the tax year on the face of any checks made out to the United States Treasury. (Example: "000-00-000-2015 Form 1040.")
12. Be sure that your Form W-2 and all Form 1099s are correct. If they're wrong, have them corrected as soon as possible so that the IRS's records agree with the amounts you show on your return.
13. If you worked for more than one employer, be sure to claim a credit for any overpaid social security taxes withheld from your wages.
14. If you received a state tax refund or a refund of interest you paid on a mortgage in an earlier year, make sure you have not included too much of your refund in your income. These refunds may not be taxable if you did not get a tax benefit from deducting them. If, for example, you used the standard deduction in the year in which the taxes or interest were paid, you do not have to include the refund in income this year. In addition, if you were subject to the alternative minimum tax in the prior year, a portion, or all, of your state income tax refund may not be taxable.
15. Deductible real property taxes should be distinguished from assessments paid for local benefits, such as repair of streets, sidewalks, sewers, curbs, gutters, and other improvements that tend to benefit specific properties. Assessments of this type generally are not deductible.
16. Make sure that you sign and date your return and enter your occupation. If you are filing a joint return, be sure that your spouse also signs as required.
17. Only a portion of your social security benefits may be taxable. If your income does not exceed a certain amount, none of it may be taxable.
18. Check last year's tax return to see if there are any items that carry over to this year, such as charitable contributions or capital losses that exceeded the amount you were previously able to deduct.
19. If you can be claimed as a dependent on someone else's return, do not claim a personal exemption on your return. Your standard deduction may be limited as well. See [chapter 21, Standard deduction](#).
20. Fill out Form 8606, Nondeductible IRA Contributions, for your contributions to an IRA account, if you don't claim any deduction for the contribution.
21. Recheck your basis in the securities that you sold during the year, particularly shares of a mutual fund. Income and capital gains dividends that were automatically reinvested in the fund over the years increase your basis in the mutual fund and thus reduce a gain or increase a loss that you have to report. Also, any "front-end" or purchase fees are still considered part of your cost basis for tax purposes, even though they reduce your investment in a mutual fund.
22. Recheck that you have used the correct column in the Tax Rate Table or the right Tax Rate Schedule for your filing status.
23. Don't miss deadlines: December 31—set up a Keogh plan; April 18—make your IRA contribution; April 18—file your return or request an extension. Check the tax calendar periodically. See the [2017 Tax Calendar](#).
24. If you regularly get large refunds, you're having too much withheld and, in effect, giving the IRS an interest-free loan. Increasing the number of allowances you claim on Form W-4 will increase your take-home pay but lower your refund next year.
25. Keep copies of all documents you send to the IRS. Use certified mail for all important correspondence to the IRS. Don't forget to keep your records in good shape so that you can find answers to any IRS questions about your return.

50 of the most easily overlooked deductions

The following list will serve as a reminder of some deductions you can easily overlook when you prepare your return. It is not intended to be all-inclusive, nor applicable to everyone. The circumstances of your situation will determine whether you qualify. See the chapter reference following each item for a complete explanation.

1. Accounting fees for tax preparation services and IRS audits ([chapter 29](#))
2. Alcoholism and drug abuse treatment ([chapter 22](#))
3. Amortization of premium on taxable bonds ([chapter 29](#))
4. Appraisal fees for charitable donations or casualty losses ([chapters 25 and 26](#))
5. Appreciation on property donated to a charity ([chapter 25](#))
6. Casualty or theft losses ([chapter 26](#))
7. Cellular telephones ([chapter 29](#))
8. Cleaning and laundering services when traveling ([chapter 27](#))
9. Commissions and closing costs on sale of property ([chapter 14](#))
10. Contact lenses, eyeglasses, and hearing devices ([chapter 22](#))
11. Contraceptives, if bought with a prescription ([chapter 22](#))
12. Costs associated with looking for a new job in your present occupation, including fees for résumé preparation and employment of outplacement agencies ([chapter 29](#))
13. Depreciation of home computers ([chapter 29](#))
14. Dues to labor unions ([chapter 29](#))
15. Education expenses to the extent required by law or your employer or needed to maintain or improve your skills ([chapters 28 and 29](#))
16. Employee contributions to a state disability fund ([chapter 23](#))
17. Employee's moving expenses ([chapter 20](#))
18. Federal estate tax on income with respect to a decedent ([chapter 29](#))
19. Fees for a safe deposit box to hold investments (e.g., stock certificate) ([chapter 29](#))
20. Fees paid for childbirth preparation classes if instruction relates to obstetrical care ([chapter 22](#))
21. Fifty percent of self-employment tax ([chapter 39](#))
22. Foreign taxes paid ([chapter 23](#))
23. Foster child care expenditures ([chapter 25](#))
24. Gambling losses to the extent of gambling winnings ([chapter 29](#))
25. Hospital services fees (laboratory work, therapy, nursing services, and surgery) ([chapter 22](#))
26. Impairment-related work expenses for a disabled individual ([chapter 22](#))
27. Breast pumps and lactation supplies ([chapter 22](#))
28. Investment advisory fees ([chapter 29](#))
29. IRA trustee's administrative fees billed separately ([chapter 29](#))
30. Lead paint removal ([chapter 22](#))
31. Legal fees incurred in connection with obtaining or collecting alimony ([chapter 29](#))
32. Long-term care insurance premiums ([chapter 22](#))
33. Margin account interest expense ([chapter 24](#))
34. Medical transportation, including standard mileage deduction ([chapter 22](#)) and lodging expenses incurred for medical reasons while away from home ([chapter 22](#))
35. Mortgage prepayment penalties and late fees ([chapter 24](#))
36. Out-of-pocket expenses relating to charitable activities, including the standard mileage deduction ([chapter 25](#))
37. Health insurance premiums if self-employed ([chapter 39](#))
38. Penalty on early withdrawal of savings ([chapter 7](#))
39. Personal liability insurance for wrongful acts as an employee ([chapter 29](#))
40. Points on a home mortgage and certain refinancings ([chapter 24](#))
41. Protective clothing required at work ([chapter 29](#))
42. Real estate taxes associated with the purchase or sale of property ([chapter 23](#))
43. Seller-paid points on the purchase of a home ([chapter 24](#))
44. Special equipment for the disabled ([chapter 22](#))
45. Special schools and separately stated fees for medical care included in tuition ([chapter 22](#))
46. State personal property taxes on cars and boats ([chapter 23](#))
47. Subscriptions to professional journals ([chapter 29](#))
48. Theft or embezzlement losses ([chapter 26](#))
49. Trade or business tools with life of 1 year or less ([chapter 29](#))
50. Worthless stock or securities ([chapter 16](#))

Individual tax organizer

The following schedules should help you organize the data you need to prepare your 2016 federal income tax return. They are intended only to provide general guidelines and should not be regarded as all-inclusive.

Taxpayer information

Personal data	
Your name:	
Your spouse's name:	
Social security number:	Spouse's social security number:
Marital status at year end: <input type="checkbox"/> Married <input type="checkbox"/> Single <input type="checkbox"/> Widowed after 2014 with qualifying child <input type="checkbox"/> Divorced <input type="checkbox"/> Married but separated	

Dependent children			
Qualifying children: Children age 18 or younger (age 19-23 if attending school full time for at least five months during the year) who lived with you more than half the year and who did not provide more than half of their own support (or a permanently and totally disabled child).			
(Qualifying children)			
Name (address if different from yours)	Social security number	Date of birth	Married filing a joint return? ¹

¹ Dependent must be unmarried (or if married, does not file a joint return).

Other dependents					
(Qualifying relative)					
Name (address if different from yours)	Social security number	Relationship	Months lived in your home	Is dependent's income over \$4050?	Did you provide more than half of support?

Payments and refunds of income taxes						
	FEDERAL		STATE		CITY	
	Date paid	Amount	Date paid	Amount	Date paid	Amount
2016 estimated payments, including overpayment credited from 2015 return						
Tax refunds received in 2016 ¹						

¹ Do not include interest received on refunds. Detail these amounts in the interest income section of this organizer.

Compensation

Indicate recipient: H=Husband; W=Wife

H W	Employer name	Gross earnings	Federal income tax withheld	Social security tax withheld	Medicare tax withheld	State tax withheld	City tax withheld

Interest income

Indicate ownership: H=Husband; W=Wife; J=Joint.

Report all interest received by you or for your account on Forms 1099-INT or other statements of total interest received. Failure to record any such income could result in a notice from the IRS.

If the amount of interest reported on Forms 1099-INT includes interest accrued on bonds at the time of purchase, adjustments can be made. If you invested in a tax-exempt municipal bond fund, note the fund's schedule of percentage of income related to each state.

H W J		Amount
	Savings accounts, credit unions, and certificates of deposit	\$
	U.S. savings bonds and other U.S. government securities	\$
	Corporate bonds	\$
	Other interest ¹	\$
	Tax-exempt interest	\$
	Interest received on tax refunds	\$

¹ If you received interest income from seller-financed mortgages, you will need the payer's name, address, and social security number.

Dividend income

Indicate ownership: H=Husband; W=Wife; J=Joint.

Report all dividends received by you for your account on Forms 1099-DIV or other information statements received. Failure to record any such income could result in a notice from the IRS.

H W J	Name of corporation [Identify foreign corporation with (F)]	Indicate: T (taxable) C (capital gain distribution) N (nondividend distribution) U (U.S. obligation) X (exempt) Q (qualified)	Dividends received	U.S. taxes withheld

Sale of residence

Did you sell your residence during the year or within the last two years?

☐ Yes

☐ No

If you answered "Yes," see [chapter 15](#), *Selling your home*.

Sale of stocks and bonds

Indicate ownership: H=Husband; W=Wife; J=Joint.

Note: Gross proceeds from sales reported here should reconcile with Forms 1099-B received from your broker. You should explain any discrepancies to prevent an IRS inquiry stemming from their matching program.

H W J	Description (including numbers of shares, common or preferred, and par value of bonds)	Date		Gross sales price ¹	Cost or other basis plus expenses of sale ²	Gain or (loss) ³	Covered security ⁴
		Acq.	Sold				<input type="checkbox"/>

¹ List proceeds of sale or cash received in lieu of fractions on receipt of stock rights or stock dividends.

² The basis of stock should be decreased by all nontaxable dividends and increased by any reinvested dividends. See [chapter 13](#), *Basis of property*.

³ Have you acquired stock, securities, contracts, or options to sell or acquire stock or securities substantially identical to stock or securities sold at a loss within a period beginning 30 days prior to and ending 30 days after the date of sale? ☐ Yes ☐ No

If "Yes," see the discussion of "Wash Sale" in [chapter 14](#), *Sale of property*.

⁴ Transactions reported on Form 1099-B with basis reported to the IRS and box 6b checked.

Other transactions

Did you exchange securities for other securities or exchange any investment property for any other property? Did any security held by you or any amounts due to you become worthless during the year? Did you sell your vacation home or other property during the year? Did you realize a gain or a loss on property, in whole or part, by destruction, theft, seizure, or condemnation (including the threat or imminence thereof)? Did you engage in any commodity transactions (including open positions on December 31) during the year? Did you engage in any transactions involving traded options? If you answered "Yes" to any of these questions, read the applicable portions of this book.

Sale of other property

H W J	Description	Date		Gross sales price	Cost or other basis plus expenses of sale	Depreciation or depletion	Gain or (loss)
		Acq.	Sold				

Installment sales

Did you make sales during the year for which the receipt of all or part of the sales price was deferred until future years? ☐ Yes ☐ No

If "Yes," discuss with your tax advisor.

Did you collect on any installment obligations from sales made prior to 2016? ☐ Yes ☐ No

For more information, see [chapter 14](#), *Sale of property*.

Rent and royalty income

Location/Description of property	Active participation ¹	Rent/Royalty income received	Expenses	Fair rental days	Personal use days

Did you make any payments (generally over \$600) requiring Form 1099 to be filed? ☐ Yes ☐ No

If yes, these forms are required to be filed by February 28, 2017, if filing by paper, or March 31, 2017, if filing electronically.

¹ For more information on active participation, see [chapter 9](#), *Rental income and expenses*.

Partnerships (P), small business corporations (S), and estates and trusts (E/T)

Retain all Forms K-1 or other information relating to entity listed below.

P S E/T	H W J	Name	Tax shelter registration number	I.D. number	Income or (loss)

Pension and annuity income

Did you receive any payments from a retirement plan? ☐ Yes ☐ No

If yes, write in the amount received during the year and any taxes withheld.

\$

Did you roll over a profit-sharing or retirement plan distribution into another plan? ☐ Yes ☐ No

What was the starting date of your annuity?

What is the amount received in the current taxable year?

\$

Did you receive any IRA distributions during the year? ☐ Yes ☐ No

Retain all Forms 1099-R or other information relating to each distribution.

Did you convert all or any part of a regular IRA into a Roth IRA during 2016?

☐ Yes ☐ No

If yes, write in the amount converted.

\$

Other income		
Description		Amount
Alimony or legal separation payments received		\$
Disability payments		\$
Other tax refunds not shown elsewhere		\$
Unemployment insurance compensation		\$
Social security benefits		\$
Other ¹ (describe)		\$
¹ The types of other income include, but are not limited to, net income from self-employment, director's fees, prizes, cancellation of debts, gambling winnings, jury fees, punitive damages (unless awarded in a wrongful death action where state law so provides), and receiver's fees. Also, include gross income from oil and gas working interests, as well as any expenses relating to them. For more information see chapter 12 , Other income.		
		Amount
Did you receive any income from a foreign source?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Did you own shares in a mutual fund that retained your share of capital gains and paid the tax on it?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Did you have any income from farm property?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Did you have any bartering income?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Did you have Schedule C business income (see chapter 39)?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$

Deductions

Adjustments to income		
Alimony or legal separation payment made in current year		Amount
Recipient's last name _____	Social security no. _____	
Penalties for early withdrawal of savings		\$ _____
Education-related expenses		
<input type="checkbox"/> Student loan interest		\$ _____
Individual retirement arrangements (IRAs) ¹		
Did you contribute to your own IRA?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$ _____
Type:		
<input type="checkbox"/> Regular		\$ _____
<input type="checkbox"/> Roth		\$ _____
Did you participate in a retirement plan maintained by your employer?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$ _____
Did your spouse contribute to his/her own IRA?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$ _____
Did your spouse participate in a retirement plan maintained by his/her employer?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Did you and your spouse contribute to a spousal IRA?	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$ _____
Self-employed Keogh (HR-10) plan	Yours	Spouse's
Amount contributed	\$ _____	\$ _____
Self-employed health insurance ²	\$ _____	\$ _____
Have you incurred moving expenses in connection with starting work at a new permanent location? See chapter 20 , Moving expenses.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Health Savings Account (amount contributed)		\$ _____
¹ Depending on your (and your spouse's) income level and whether you (or your spouse) are an active participant in an employer-maintained retirement plan, your IRA deduction may be limited.		
² If you were self-employed and had a net profit for the year, were a general partner (or a limited partner receiving guaranteed payments), or if you received wages from an S corporation in which you were a more than 2% shareholder, you may be able to deduct the amount paid for health insurance on behalf of yourself, your spouse, and dependents.		

Medical expenses

Note: You will qualify for a federal deduction only if your total unreimbursed medical expenses exceed 10% (7.5% if you or your spouse are age 65 or older by the end of the year) of your adjusted gross income.

List even if reimbursed	Amount
Medical or health insurance premiums (including amounts paid by payroll deductions)	\$
Medicare premiums	\$
Premiums paid for long-term health care ¹	
For you	\$
For your spouse	\$
Prescription drugs and insulin	\$
Doctors and dentists	\$
Hospitals	\$
Other medical expenses (eyeglasses, contact lenses, hearing aids, travel and lodging expenses)	\$
Reimbursements for medical expenses through insurance or other sources	()

Note: If you are divorced or separated, have a child, and paid medical expenses for that child, include these amounts whether or not you are entitled to the dependency exemption. For more information, see [chapter 22](#), Medical and dental expenses.

¹ See [chapter 22](#) for limitations on deduction.

Taxes

Item	Amount
Real estate taxes	\$
Personal property	\$
Vehicle licenses (allowed in some states). State of:	\$
State or local income taxes	\$
State and local sales taxes	\$
State disability tax	\$
Foreign income taxes ¹	\$

¹ Generally, you can take either a deduction or a credit for income taxes imposed on you by a foreign country or a U.S. possession. For more information on deducting foreign income taxes, see [Foreign Income Taxes](#) in [chapter 23](#), Taxes you may deduct. For more information on claiming a credit for such taxes paid, see [Foreign Tax Credit](#) in [chapter 38](#), Other credits including the earned income credit.

Interest expenses

Item	Payee	Amount
Home mortgage paid to financial institutions		\$
Home mortgage paid to individuals ¹		\$
Mortgage points on principal residence ²		\$
Mortgage insurance premiums on qualified residence ³		\$
Prepayment penalty on loans		\$
Brokerage accounts		\$
Investment interest		\$
Other (itemize)		\$

¹ You need name(s) and social security number(s).

² Include only points, including loan organization fees, on the purchase or improvement of your principal residence. If you paid points to refinance your mortgage, see [chapter 24](#), Interest expense.

³ Premiums you paid or accrued during 2016 for qualified mortgage insurance may be deductible. See [chapter 24](#), Interest expense.

Charitable contributions

In addition to outright gifts of cash or property, deductible contributions also include out-of-pocket expenses incurred for charity; for example, transportation, meals, and lodging away from home, and cost and upkeep of special uniforms and equipment required in the performance of donated services. Contributions of cash, regardless of the amount, are allowed only if you have appropriate substantiation such as a canceled check, credit card statement, or receipt from the charity. In addition, you need a contemporaneous written acknowledgment from the charity to which a contribution or contributions of \$250 or more was made during the year. A canceled check does not constitute adequate substantiation for contributions in excess of \$250. If you have sold any property to a charity for less than the property's fair market value, you will need details. For more information, see [chapter 25, Contributions](#).

Cash Contributions

Recipient	Amount

If total noncash contributions have a value in excess of \$500, you may need the following information:

The name and address of the donee; the date of the gift; a description of the property; how it was acquired by you, and when it was acquired by you; your tax basis; its value at the time of the donation and how the value was ascertained. Indicate ☐ if any property was held by you one year or less.

If you made noncash contributions of property in excess of \$5,000 in value, use Form 8283, Noncash Charitable Contributions, with Section B, *Appraisal Summary*, completed.

☐ Yes ☐ No

If you contributed a motor vehicle to charity, see [chapter 25, Contributions](#).

Casualty losses

Note: You will qualify for a deduction for a personal casualty loss only if it exceeds 10% of your adjusted gross income and only for the amount not covered by insurance reimbursements. However, special rules apply if you are in a federally declared disaster area. See [chapter 26, Casualty and theft losses](#), for details.

Casualty losses include such items as losses from automobile collisions; damage from storms, fires, and floods; and damage from vandalism, theft, and other casualties.

A disaster loss is a loss that occurred in an area determined by the President of the United States to warrant federal disaster assistance. See [chapter 26, Casualty and theft losses](#).

Describe the casualty and loss and its approximate date and location:

Indicate (✓) type of property: ☐ business ☐ investment ☐ personal

Other deductions

Note: In general, you will qualify for a federal deduction only if your total other miscellaneous deductions exceed 2% of your adjusted gross income.

Item	Amount	Item	Amount
Investment expenses		Educational expense (to maintain or improve skills required by employer)	
Investment counsel fees		Tax advice/return fees	
Safe deposit box		Dues for professional organizations	
Union dues		Business publications	
IRA fees		Office-in-home expenses ¹	

¹ See [chapter 29, Miscellaneous deductions](#).