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## Office Hours

**GERMANTOWN Office:**  
Monday, Tuesday and Thursday  
9:00 a.m. - 4:00 p.m.

**Wednesday**  
9:00 a.m. - 2:00 p.m.

**Friday**  
By appointment only

**MEQUON Office:**  
By appointment only

## Important Dates to Remember

**June 15, 2017**  
▪ 2Q17 Individual federal and state estimated tax payments due

**September 15, 2017**  
▪ 3Q17 Individual federal and state estimated tax payments due  
▪ Fiscal year 6/30/16 Corporate returns due

**October 15, 2017**  
▪ Extended 2016 Individual tax returns due

## FROM GEORGE'S DESK

Happy spring everyone! We hope all of you got through our winter and are enjoying our great summer so far.

We had another strong tax season. Data came in slowly, but we kept rolling right up to the end. Each year clients are more and more organized. That helps us and we appreciate it.

2017 is shaping up to be very interesting regarding how our new government officials will make changes. Regarding a major tax overhaul, we feel there will be some minor changes, but nothing that will make us change our current and future strategies we have in place with some of you. We expect some change in the tax rates, but maybe not as much as they would like to see. We also expect 2017 be close to 2016 with regard to how the financial markets will react. Contact us when you are tax planning and if you have any questions. We enjoy helping.

Sending warm wishes and cool summer breezes!



A handwritten signature in red ink that reads "George H. Herro".

## 2016 TAX SEASON

This year got off to a slow start and marched along into April. Reasons for the slow start could have been a delay in tax documents and a sentiment of not being in a big hurry. Here are some comments about the season:

1. **Identity theft** has spooked all of us. This year, we did not have one return rejected due to this! WOW! Much of this success was due to the IRS and State of Wisconsin strengthening their internal processes. In addition, our tax software had some new built-in features, and we all had a heightened awareness of the situation. Unfortunately, we do not expect this problem to go away any time soon.
2. Clients did a better job keeping track of their **educational expenses** so we could match them to statements from schools. Remember to keep those 1098T's!
3. We found **information reporting** for investments were in good shape again this year. Unfortunately, we still saw a delay in some clients receiving them.
4. We had very few clients who could not **identify cost basis** of securities sold during the year. Please continue to work with your investment advisor to help with this.
5. We did not see a lot of **unemployment** statements which means more clients have found jobs.

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## TAX SEASON (*continued*)

6. For **non-cash donations** like Goodwill, we still had clients providing us with blank forms. Please document items donated, determine their value and take photos.
7. Federal form **1095 for health insurance coverage** was more accessible this year as most clients had this document when they dropped off their tax data. Employers have shouldered this new reporting requirement and it appears to be tracking well.
8. We continue to see more and more **clients leave Wisconsin** to winter in warmer locations. We work with clients before they leave to help manage their tax preparation.
9. **The week of April 1<sup>st</sup> through April 13<sup>th</sup>** continues to be a very busy and challenging time for us. We need to get returns already in the office completed, picked up and sent, along with processing returns that have been mailed or emailed, and deal with returns that have not yet been picked up. Also, we need to complete and file extensions for clients and prepare 1<sup>st</sup> quarter estimated tax payments. If you are traveling during this time, please plan accordingly.
10. We had the help of our CPA friend, Karl Ayer again this year. Thanks to those who have worked with him.

Our staff performed exceptionally well again this year and I owe them a lot of thanks for picking up the slack while I was gone. How was your experience? Please let me know.

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## 2017 TAX NEWS

- Auto mileage rate is 53.5¢ per business mile driven.
- Social Security wage base has increased to \$127,200, but there is no increase in FICA or Medicare tax rates.
- HSA contribution limits are \$3,400 for a self-only plan and \$6,750 for family. For those over 55, the catch-up is still \$1,000.
- Pension plan limitations like a 401(k) will remain the same at \$18,000.
- Annual gift exclusion remains the same at \$14,000 per donee.

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## CLIENT CHECKLIST

**Identity theft** should continue to be on the top of our minds throughout the year. Consider these tips and be watchful:

1. Make sure your anti-virus software and firewall on your computers are up to date.
2. Keep your records safe by shredding documents no longer needed.
3. Do not share personal or financial information on the Internet.
4. Change passwords regularly and create strong ones by using capitalization, numbers and symbols.
5. Use only secure, trusted Wi-Fi networks.
6. Do not click on an external link from an email sent to that you do not know.
7. The IRS and State only initiates communication through the mail. Contact the Treasury Inspector General at (800) 366-4484 to report any questionable calls or emails you receive.
8. For those who operate a business, contact your insurance agent to investigate if you need *Cyber Liability with Data Breach* coverage added to your business owner's policy.

**Did you get a notice from the state or IRS?** Let us know right away. Please mail, scan and email, fax and/or just drop off the notice. We will be happy to let you know what needs to be done.

**CLIENT CHECKLIST** *(continued)*

**How long do I keep records?** Copies of tax returns and all supporting documents need to be saved for seven (7) years. Shred the rest.

**For Business Clients**, here are a few items to think about:

1. Keep a good **mileage log** for those using their personal vehicle for business or using a business vehicle. Also keep good records for all business expenses. Recent audits and court cases are revealing taxpayers failed to keep “adequate records” like an account book, diary, log, statement of expense, trip sheets or similar records, when combined with other documentation to support the deduction. We must have it to claim the deduction on your return.
2. For those who use the help of a **subcontractor**, DOCUMENT what they will do for you in a simple agreement and have them sign and return a W-9 form before you pay them. You will need to give them a 1099 if you paid them more than \$600 in a calendar year.
3. In spite of talks of repealing or changing the **Affordable Care Act(ACA)**, business owners still need to comply with current law.
4. If your business offers a **medical reimbursement plan** or pays for part or all of an employee’s health insurance, please check with your insurance agent to make sure your plan is compliant.
5. Please send us your **financial statements** on a regular basis so we can review and share our thoughts.
6. Let us know if you purchase any **new assets** during the year.

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**TAX & FINANCIAL PLANNING IDEAS FOR 2017**

1. Consider **adjusting or timing your income and tax deductions!** If you expect major changes in 2017, change your withholding status on your W-4. We might have to consider other options as well.
2. Consider putting more into your 401(k), 403(b), or maxing out an IRA. This will help reduce your current year taxes and help to increase your retirement savings.
  1. Consider contributing to a Roth IRA or convert some traditional IRA funds to a Roth. Planning is the key here, especially if your tax situation will change during the year like getting married, receiving a big bonus, or other life altering events.
  2. Don’t forget to take out your **Required Minimum Distribution (RMD)** if you are older than 70½. Have you ever considered giving some of your RMD to your favorite charity?
  3. Consider the tax impact of financial transactions in 2017. Did you sell any real estate, investments or start a new business? Are you thinking about exercising some stock options? Will you get a commission or bonus before the end of the year?
  6. Accelerating a charitable donation before the end of the year helps you and your favorite charity.
  7. When life events happen such as getting married, welcoming a new child, or the passing of a spouse, here are some things to think about:
    - Review beneficiaries of your 401(k), IRAs, insurance policies and other assets
    - Review your Will and Powers of Attorney
    - Assess your debts and how they will impact your future

There are other things to consider. Not sure where to start? Start making notes and contact a good advisor. For years we have surrounded ourselves with professionals in various areas such as legal, Investment, and Insurance, all to help our clients. Let us know if you would like a referral.

## **FIRM NEWS**

A brief note on our fee structure. We take pride in being as transparent as possible when it comes to fees.

- ☑ Our fees to prepare a tax return begins at a base price and increases with the complexity.
- ☑ For a new business client, we like to meet to discuss your needs and then design our fees based on what services you require.
- ☑ For existing business clients, we keep track of time spent during the year and will adjust the fees for the following year, or bill you at year end.
- ☑ For meetings, consulting, and analysis during the year, we charge our hourly rate and will bill you after we provide service.
- ☑ For simple and quick calls or emails, we are willing to give you a quick answer, free of charge, and will let you know when your question needs more attention.

Most of you know and come to understand the value we provide each time we meet, talk on the phone or respond to an email. We have many years of experience, attend many hours of continued professional education and surround ourselves with talented professionals and peers; all to help you. We would be happy to discuss our fees at any time. Just give us a call.

We continue to meet existing and new clients at our **Mequon office**. Please let us know if you would like to meet there for an appointment. We are located inside Partnership Bank on Port Washington Road.

**Do you know someone who needs help?** We are always looking for new clients and the best ones come from you. We appreciate your recommendation and confidence in us.

**Do you have a question,  
concern or comment?**

**Let us know.**

***We enjoy serving you!***

### **GEORGE H. HERRO, CPA, S.C.**

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## **Our Mission**

*To provide services that help clients  
conserve capital and minimize taxes.*