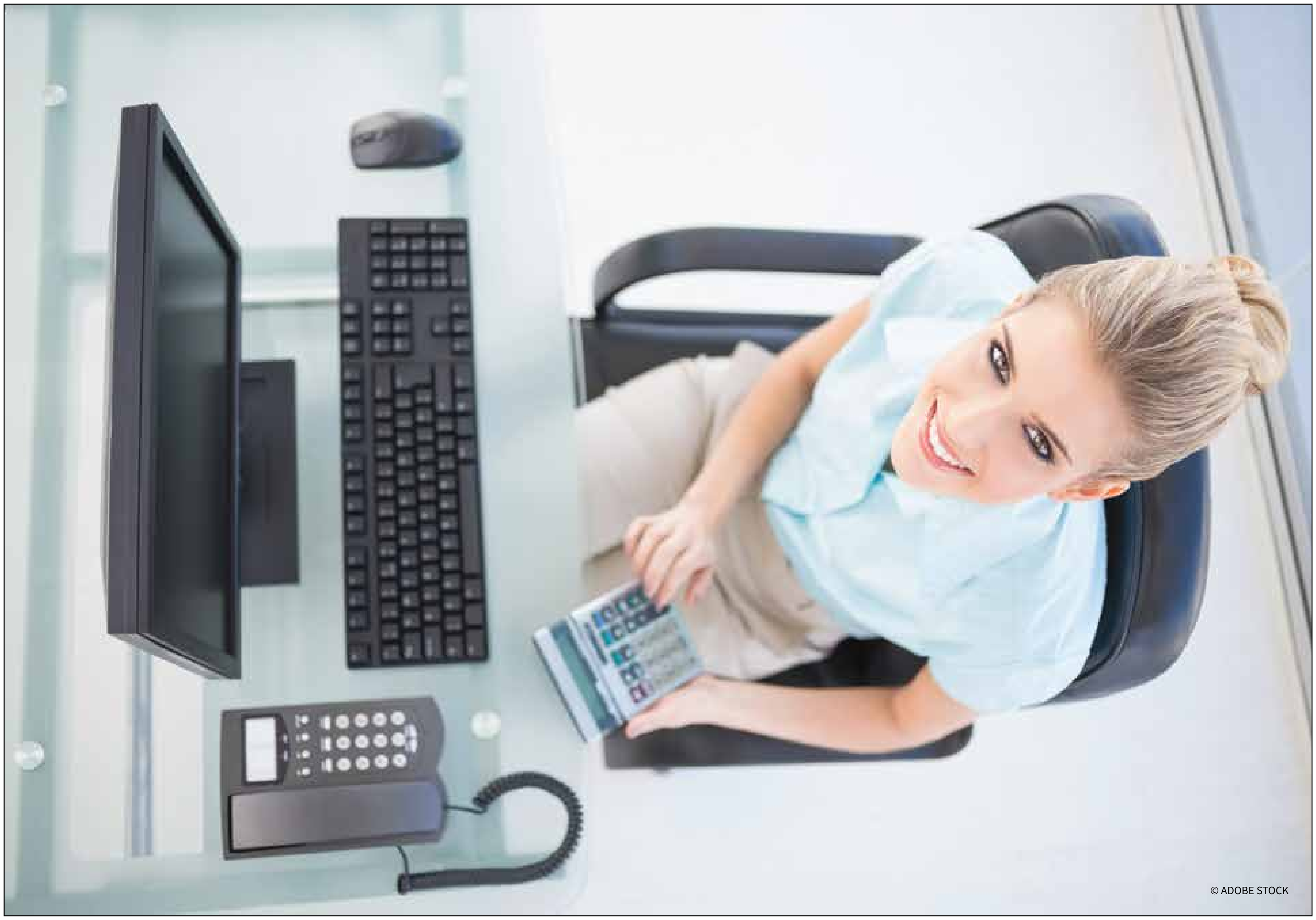
Tax Guide 2018

What Is a Tax Adviser?



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Tax advisers aren't just for the super wealthy. Hiring a local expert can be both affordable and advantageous to your personal tax situation.

When looking for a tax adviser — also known as a tax consultant – consider the amount of money you will be paying for the services compared to how much you could save in the process.

Especially for those with complex tax situations, the investment can be worth every penny.

LEVELS OF EXPERTISE

Just like hiring any other type of local professional, it's up to you to perform research on available services in your area.

There are many different credentials in the tax preparation industry, including the Certified Public Accountant (CPA) and Enrolled Agent designations. An enrolled agent is a professional who has worked for the Internal Revenue Service or has passed a comprehensive IRS exam.

This rigorous testing can give you peace of mind when choosing your tax advisor. Remember to always check in with two or three service providers before making your final decision. This bit of due diligence will ensure you finding the right fit for your particular situation.

WHY HIRE A TAX ADVISOR?

A good tax advisor helps keep you in the loop year round. They are able to keep you posted on any tax code changes that may impact your personal return.

They also can keep you in the know on any changes you should make to your withholdings, investments or retirement contributions. This advice is invaluable — especially if you're responsible for paying quarterly estimated taxes, which all self-employed professionals must do.

HOW TO CHOOSE A TAX CONSULTANT

The best place to start when searching for a quality local tax advisor is your friends, family members and colleagues. The closer someone is to you, the more you can trust their judgment and personal experience.

Ask those around you for recommendations. Be direct with your questions to make sure you are judging the personality, experience level and credentials of your prospective tax advisor.

You also can check the website of the National Association of Enrolled Agents. When searching, find out if the advisor has experience with your specific situation, including personal income taxes or small-business taxes.

You also can check with the Better Business Bureau to check out the credibility of the advisors you are considering.

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2017 Tax Rates

Every year, the Internal Revenue Service announces the annual inflation adjustments for a number of provisions for the tax year, including tax rate schedules, tax tables and cost-of-living adjustments for certain tax items.

The following facts and figures are applicable for the tax year 2017, which means they are effective Jan. 1, 2017. They are the numbers and rates you need to know to prepare 2017 tax returns in 2018.

STANDARD DEDUCTIONS

Below is information on standard deductions for the 2017 tax year, according to the IRS:

- The standard deduction for single taxpayers and married couples filing separately is $6,350 in 2017, up from $6,300 in 2016.
- For married couples filing jointly, the standard deduction is $12,700, up $100 from the prior year.
- For heads of households, the standard deduction is $9,350 for 2017, up from $9,300.
- For 2017, the additional standard deduction amount for the aged or the blind is $1,250.
- The additional standard deduction amount is increased to $1,550 if the individual also is unmarried and not a surviving spouse.
- For 2017, the standard deduction for a taxpayer who can be claimed as a dependent by another taxpayer cannot exceed the greater of (a) $1,050 or (b) $350 + the dependent's earned income.

OTHER CREDITS

There are a host of changes to credits affected by your life situation. Here are a few of the most notable from the IRS:

Earned Income Tax Credit (EITC): For 2017, the maximum EITC amount available is $6,318 for taxpayers filing jointly who have three or more qualifying children.

Child and Dependent Care Credit: For 2017, the value used to determine the amount of credit that may be refundable is $3,000 (unchanged). This is the value of the expenses used to determine the credit and not the actual amount of the credit.

Adoption credit: For 2017, the credit allowed for an adoption of a child with special needs is $13,570, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to $13,570.

Student loan interest deduction: For 2017, the maximum amount that you can take as a deduction for interest paid on student loans remains at $2,500.

Medical savings accounts: For 2017, "high-deductible health plan" means, for those with self-only coverage in a medical savings account, an annual deductible not less than $2,250 but not more than $3,350. For self-only coverage, the maximum out of pocket expense amount is $4,500.

Tips For Natural Disaster Victims

The year 2017 was devastating for residents of Florida and southeastern Texas. Victims of catastrophic storms Irma and Harvey were left with months — and in some cases years — of cleanup work in the wake of the hurricanes.

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Tax season might be the last thing on the minds of victims as they work on rebuilding their lives, but they can actually use the tax code to help with losses not covered by their home insurance.

According to the Internal Revenue Service, homeowners lacking insurance that covers flood damage can claim casualty losses as itemized deductions. This can help improve the outlook of their income tax returns when it's time to file.

The Wall Street Journal offers these tips for people living in flood-prone areas:

• **Keep accurate records.** Maintain a spreadsheet or running list of items you buy for cleanup. This means cleaning supplies, air mattresses and hotel costs. Don't forget to take photographs of ruined possessions. You might be able to use them as itemized deductions when filing your taxes. Think electronics, washers, dryers, furniture and carpeting,

• **Know how to determine a loss.** The legal term "cost to cure" is one to consider here. According to The Wall Street Journal article, a property loss equals the "cost to cure" the damage so long as repairs total less than the cost of the property plus adjustments.

A greater cost means taxpayers must use the cost of the property plus improvements. Understanding your insurance policy is key here.

THINK LOCAL

As always, speak with your local accountant or insurance representative to get a lay of the land. Knowing what your home insurance policy entails and how the tax code is set up to support victims of natural disasters are your first steps to protecting your assets.

Your local tax professionals can help. Your business is important to them because local relationships are what drive their success. Set up a consultation today to learn more about your specific situation.

Where's My Refund?

The Internal Revenue Service tries to process speedy electronic returns — generally within 21 days — but the process can take longer during peak tax season. Filing paper returns can take up to six weeks for processing. For someone waiting on a tax refund for an essential purchase, this can seem like a lifetime.

Fortunately, the IRS makes it easy to track your Federal tax refund. The IRS.gov website features a handy "Where's My Refund?" tool.

The tool is located on the right-hand side of the IRS homepage. You will see a column labeled "Filing & Payment." The first item in that column is "Where's My Refund?" Click on that and it will take you to the IRS refund status page. This is the only refund tracking site that is accurate and safe, according to the IRS. Taxpayers are urged to avoid any other services, as they may not be encrypted to protect your online identity.

WHAT WILL YOU NEED?

In order to use the "Where's My Refund?" tool to check on the status of your refund, the IRS requires the following information:

- Your Social Security number (for either spouse, if it's a joint return);
- Your filing status (single, married, head of household); and
- The exact amount of the refund you are owed.

If you are unable to answer all three questions correctly, the IRS will not give you any information on your refund.

"WHERE'S MY REFUND?" STATUS

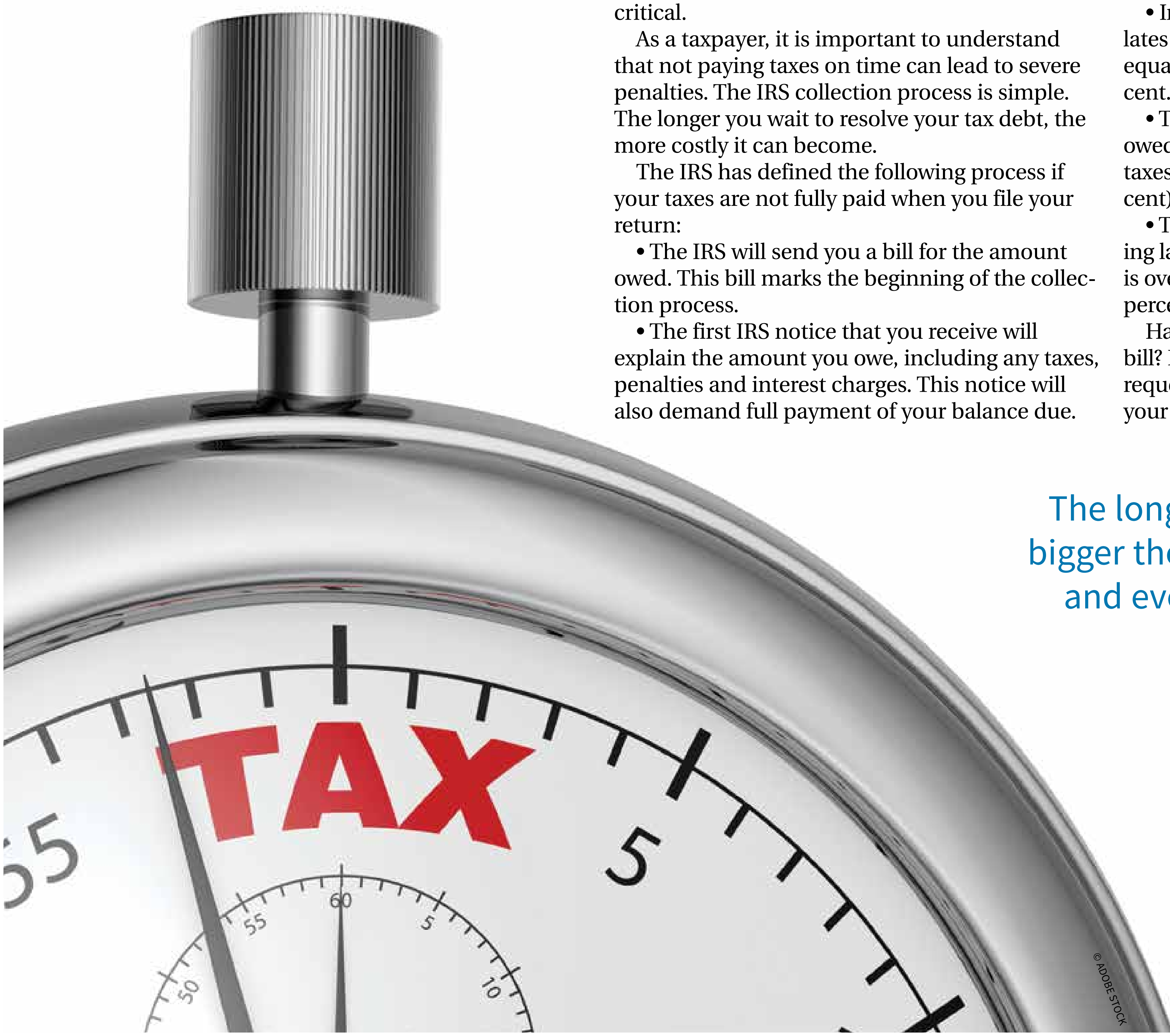
Here are the three statuses you may see after filling out your information, according to the IRS:

- **Return received:** The IRS has received your tax return and it is being processed.
- **Refund approved:** The IRS has completed processing your tax return and has scheduled your tax refund.
- **Refund sent:** Your tax refund is on its way to you.

The IRS states that if you filed electronically, you need to wait between 24 and 72 hours before you can use the "Where's My Refund?" tool. If you filed a paper tax return, it can take two weeks or more for any information to appear.

What Happens If You Don't Pay?

Paying your income taxes on time each year is critical to your public schools, construction projects and government programs.



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To protect programs and institutions, the United States government expects you to pay income taxes to the Internal Revenue Service each year.

For most Americans, taxes are withheld from their wages, which helps to avoid owing the IRS a large sum at the end of the year. For the growing freelance and self-employed population, paying estimated tax payments throughout the year is critical.

As a taxpayer, it is important to understand that not paying taxes on time can lead to severe penalties. The IRS collection process is simple. The longer you wait to resolve your tax debt, the more costly it can become.

The IRS has defined the following process if your taxes are not fully paid when you file your return:

• The IRS will send you a bill for the amount owed. This bill marks the beginning of the collection process.

• The first IRS notice that you receive will explain the amount you owe, including any taxes, penalties and interest charges. This notice will also demand full payment of your balance due.

PENALTIES FOR PAST DUE TAXES

There are tiers of penalties for not paying your taxes. With monthly late fees and interest charges, the amount you owe can grow rapidly.

The longer your taxes go unpaid, the bigger the ramifications. Asset seizure and even incarceration are possible outcomes in severe cases.

Here are some of the penalties and fees that apply to past due taxes, according to the IRS:

• Interest is compounded daily and accumulates on the owed amount. (The interest rate is equal to the Federal short-term rate, plus 3 percent.)

• The late payment penalty is .05 percent of the owed amount and increases each month the taxes remain unpaid (up to a maximum of 25 percent)

• The combined penalty for both filing and paying late is 5 percent of the tax owed (if your return is over 60 days late, the penalty may be up to 100 percent of the tax owed.)

Having trouble coming up with your full tax bill? If you cannot pay the amount in full, you can request a payment plan from the IRS. Work with your local accountant to navigate the process.

The longer your taxes go unpaid, the bigger the ramifications. Asset seizure and even incarceration are possible outcomes in severe cases.

Avoiding Phone Scams

The holidays and tax season are among the most popular for phone scammers. Criminals target everyday American citizens with too-good-to-be-true offers of tax relief.

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The Internal Revenue Service and the Treasury Inspector General for Tax Administration warn that thousands of individuals receive unsolicited phone calls every year from people claiming to be the IRS and demanding immediate payment of taxes via prepaid debit card or wire transfer.

The TIGTA reported 90,000 complaints about the IRS phone scam last year, estimating that fraudsters stole approximately $5 million from more than one thousand victims.

It is important to protect yourself from such scams. Here's how.

WHAT A PHONE SCAM SOUNDS LIKE

Victims have describe scammers as hostile and pushy. For the scam specific to the IRS, callers will insist that taxes are owed and threaten individuals with arrest, deportation or suspension of a business license.

Fraudulent callers often tell potential victims that tax is owed and must be paid immediately. They may also falsely tell victims that they are entitled to a large tax refund. Look out for repeated calls — especially if they sense you are vulnerable.

Here are some other telltale signs of a tax-related phone scam, according to the IRS:

- Scammers use fake names and IRS badge numbers. (They often use common names and surnames to identify themselves.)
- Scammers may be able to recite the last four digits of a victim's Social Security number.
- To make it look like the call is coming from the IRS, scammers may spoof the IRS toll-free number on caller ID.
- Scammers sometimes send fake IRS emails to victims to support their fraudulent phone calls.
- Victims may hear background noise of other calls being conducted, mimicking a call center.
- Scammers may threaten victims with jail time or driver's license suspension and then hang up, after which another scammer will call impersonating the local police or DMV.

WHAT TO KNOW

Taxpayers should know their first contact with the IRS will be through official correspondence sent through the mail — not a phone call out of the blue.

Other things to note, according to the IRS:

- The IRS never asks for credit card, debit card, or prepaid card information over the phone.
- The IRS never insists that you must pay your taxes using a specific payment method.
- The IRS never demands immediate payment over the phone and does not take enforcement action directly after a phone conversation.

If you suspect that a phone call might be a scam, hang up immediately. Contact the Federal Trade Commission and use the "FTC Complaint Assistant" at FTC.gov. Make sure to add "IRS Telephone Scam" to the comments of your complaint.

Tax Tips For Landlords

If you have been active in real estate investment, you know margins can be slim. As a landlord, long-term vision and good tenants can be the key to making sure your investment grows over time.

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Keeping an eye on your taxes also can be a great step to maximizing your investment.

All rental income must be reported on your tax return. If you are a cash basis taxpayer, you report rental income on your return for the year you receive it. If you use an accrual method, you generally report income when you earn it. According to the Internal Revenue Service, most individuals use the cash method of accounting.

No matter how you structure your real estate transactions and leasing agreements, working with an experienced local accountant to plan for taxes will help you stay on top of your investment portfolio and the returns it nets.

WHAT IS CONSIDERED RENTAL INCOME?

According to the IRS, you generally must include in your gross income all amounts you receive as rent. Rental income is defined as "any payment you receive for the use or occupation of property."

In addition to normal rent payments, there are other amounts that may be considered rental income and must be reported. They include advance rent, which is any amount you receive before the period its covers. For example, security deposits you collect from tenants who are about to move in are considered advance rent.

POSSIBLE RENTAL DEDUCTIONS

If you receive rental income, there are certain expenses you may deduct on your tax return, including the following:

- Mortgage interest;
- Property tax;
- Operating expenses;
- Depreciation; and
- Repairs.

You also can deduct the ordinary and necessary expenses for managing, conserving and maintaining your rental property.

The IRS defines ordinary and necessary expenses as:

- **Ordinary expenses:** Common and generally accepted expenses in the business; and
- **Necessary expenses:** Deemed appropriate, such as interest, taxes, advertising, maintenance, utilities and insurance.

The IRS states that you may not deduct the cost of improvements, as these expenses are considered to be recovered through depreciation.