

The Accountant's Office

Judith A Cobb, EA

Enrolled Agent
Accountant
Notary Public

Office Phone (608) 791-6910
E-mail: frontdesk@taolax.com
www.accountantsofficelax.com

1353 Caledonia Street
PO Box 2938
La Crosse WI 54602-2938

2017 TAX LETTER

How did this year manage to slip by so quickly? I know that most of you are wondering "How is this 'new' tax bill going to affect me?" As this bill relates primarily to 2018, we will try to focus on getting through 2017 at this time. As the final version of the bill is analyzed, we hope to be able to better advise you of its individual impact. A tax planning tool we were using has been eliminated and I expect more 'interpretations' and clarifications to surface shortly.

*Last year I told you that the IRS is raising revenue by assessing penalties on preparers, and that hasn't changed. In light of penalties that were assessed last year, **I will** continue to be diligent in my information collection, client information security, and Due Diligence.*

*We will again be requiring an Engagement Letter to be signed by you. Our Health Insurance Addendum must also be signed and the appropriate health insurance coverage information provided. By January 31, 2018 you should have received a 1095 form relating to health insurance –1095A comes from the Marketplace, 1095B comes from your insurance carrier, and 1095C comes from your employer. Depending upon your circumstances, you may receive more than one form and more than one type. PLEASE-provide ALL 1095 forms you receive. NO proof of insurance = Shared Responsibility Payment (aka Obamacare penalty). The penalty is the **greater of** 2.5% of household income that is above the filing threshold for your filing status or \$695 per adult (1/2 that per child).*

*Your 2017 tax appointment information is listed on the back of this organizer. **The Taxpayer Information, Address & Status, and Dependents sections are important to us so we ask that you complete at least that much of the organizer.** If your tax situation is similar to prior years, please feel free to drop off your taxes rather than wait for an appointment as we have a couple of people available to do some data entry, but you will still be asked to sign the Engagement Letter, Health Insurance Addendum, and provide some basic information. As always, if a scheduled appointment needs to be changed or cancelled, **please** call us as our time is so very valuable during the next 3 months. We again have low cost bank products to assist with your payment needs.*

Reminder Tax Issues

****Health Care Reporting Requirement**

For the upcoming filing season, the IRS will not accept electronically filed tax returns where the taxpayer does not address the health coverage requirements of the Affordable Care Act. In addition, returns filed on paper that do not address the health coverage requirements may be suspended pending the receipt of additional information and any refunds may be delayed. The IRS has a separate division that deals only with ACA issues. If the required coverage information is not provided that department holds the return until the requested information is provided to them. **REPEATING:** Please provide all 1095 forms you receive so your return isn't delayed in filing or processing!!

****Information Return Reporting Requirement**

An **information return** is a mandatory tax document used to notify the IRS about such transactions. The most common Information Return is Form 1099-MISC for persons who provided a service. If, in the course of your trade or business, you paid someone over \$600 to provide a service, you are **REQUIRED** to provide the IRS **and** the recipient with that information by **January 31, 2018**. Again, the penalties are per return (i.e., 5 forms not timely filed = 5 penalties) and exponentially increase the later the filing. If you need assistance filing these forms, please call us early in January.

****Form 1098-T, tuition statement requirements.**

Higher education institutions are 'required' to report the amount paid by or on behalf of the student for qualified tuition and related expenses. However, these institutions of higher education must be lacking in advanced computer software technology because they continue to beg for more time to be compliant! Consequently, you must ask your student to provide a copy of all charges and payments for tax year 2017 from whatever finance office records this information at their school in order for us to be able to determine your eligibility for the tuition credit.

****Form 1099-Q, Payments from Qualified Education Programs.**

This information details how much was removed from a qualified education savings program. The principle is never taxable because the contributions were never deducted, but some of the interest may be taxable if the

entire distribution was not used for qualifying education expenses. Consequently, we need to see the Form 1099-Q, the Form 1098-T, and the student's financial account with the school which may also show housing and meals.

Charitable Contribution Acknowledgment

Donors must have a bank record or written communication from a charity for any monetary contribution. If the donation is \$250 or more, a written acknowledgment from the charity is required showing the name of the charity, the date of the contribution, and the amount of the contribution. Several recent court cases denied donations because the written acknowledgment lacked the phrase "No goods or services were provided" or because the receipt was not dated or in hand prior to the filing of the tax return.

Employee Business Expenses.

The IRS prevailed in audits of claimed employee business expenses when there was no written policy in place that stated expenses would not be reimbursed or a written employer denial of a reimbursement request. Of course, this becomes a moot point in 2018 but audits are not caught up to 2016 yet so the IRS still has time!

W-2G, Gambling Income

U.S. taxpayers are required to report all their wins from each gambling session, regardless of whether an information return (W-2G) was received. Losses, to the extent of reported winnings, are not allowed to be netted against the wins and are deducted as part of itemized deductions. The exception to this is 'session gambling' and relates to slot machine play and electronic recording. A session can be a 24 hour period at the same casino. Midnight begins a new session. In order to net wins and losses in a session, the taxpayer must have a session report from the casino. This is an electronic record that can be printed showing all the transactions for the slot machines the taxpayer used that day in that casino. The end of year summary report will never satisfy an auditor!

Expiring Provisions

The following tax provisions expired 12/31/16:

- Credit for certain nonbusiness energy property
- Credit for residential energy property
- Cancellation of debt income exclusion for discharge of principal residence debt
- Deductibility of mortgage insurance premiums (PMI)
- Medical expense deduction floor of 7.5% for age 65+
- Deduction for qualified tuition and related expenses

New Tax Laws

Disaster Tax Relief and Airport and Airway Extension Act of 2017. The Act, signed 9/29/17 which had been passed by Congress the day before, provides temporary tax relief to victims of Hurricanes Harvey, Irma, and Maria. Since most of the tax provisions only apply to those affected by those hurricanes, I won't elaborate.

Charitable Deductions Limitations suspended:

Taxpayers who make donations for qualified hurricane relief will not be subject to charitable contribution limitations if contributions are made before December 31, 2017.

Additional Information

Standard mileage rate. The following rates are applicable for the 2017 and 2018 tax years:

	<u>2017</u>	<u>2018</u>
Business	\$.535	\$.545
Medical	.17	.18
Moving	.17	.18
Charitable *	.14	.14

*Set by statute and not inflation adjusted

Audit + No Log = NO DEDUCTION!

There are some terrific apps that can be used to help you satisfy your reporting requirements but the IRS also accepts a manual log with the same recorded information.

Meals, Entertainment, Travel & Lodging.

Your records must include the amount of the expense, the time and place of travel, the business purpose of the expense, and the business relationship between you and the persons entertained.

IRA contributions.

The limit on annual contributions to an IRA remains \$5,500. The additional catch-up contribution limit for individuals aged 50 and over remains \$1,000.

Other Tidbits:

- If you become eligible in December, 2017 to make health savings account (HSA) contributions, you can make a full year's worth of deductible HSA contributions for 2017 by 4/15/18. (2017 limits are \$3,400 for self-only coverage and \$6,750 for family coverage).
- Individuals at least 70½ years of age have the ability to make a direct transfer from an IRA to a charitable organization and exclude from gross income (up to \$100,000 per year) the qualified charitable distribution.
- You can give up to \$14,000 to as many people as you wish in 2017 (\$15,000 for 2018), free of gift or estate tax. You get a new annual gift tax exclusion every year, so don't let it go to waste. If you are married, you and your spouse can elect to "gift split" and use your exemptions together to give up to \$28,000 (for 2017) per beneficiary.

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.