

# E&R TAX SERVICE TIPS

Tax Year 2018 Edition

Patchogue, New York

January, 2018

**Now More Than Ever....Let a Professional Prepare Your Return!**

## **Tax Cuts and Jobs Act 2017 Highlights Complex Tax Code & Taxpayer Confusion**

The Tax Cuts and Jobs Act 2017 is arguably the most significant change to the IRS Code in decades. The law reduces tax rates for individuals and corporations and repeals many deductions, thus simplifying filing for many taxpayers. Most of the individual changes will expire at the end of 2025, meaning the old tax code rates and deductions will return in 2026 unless Congress passes another law before then.

**NOTE: For 2017 Tax Returns the new changes are not applied. All the old rules and deductions are basically the same as taxes prepared in 2016.**

For 2018 Federal Tax Returns the following standard deductions are:

Married filing jointly	\$24,000
Head of Household	\$18,000
Single	\$12,000
Married filing separately	\$12,000
Additional-over 65/Blind	
Disabled - single	\$ 1,600
- Each if married	\$ 1,300

With the basic doubling of the standard deductions to the above rates for tax simplification and revenue purposes Personal Exemptions were eliminated. State and local income taxes, sales tax and real property taxes are together capped at \$10,000 which creates tax

challenges for those living in high tax areas. Foreign real property taxes are no longer deductible.

The exclusion from gross income and wages for qualified moving expense reimbursements is repealed except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order. For the treatment of business, teachers, investment and casualty expenses, alimony payments and other deductions please contact your tax professional.

The uncertainty of the new tax code is best stated by a January 2<sup>nd</sup> news dispatch from Reuters: "The first paychecks of 2018 will be dispatched soon, but it may be weeks or months before taxpayers and payroll processors know how the new U.S. tax laws will affect your take-home pay."

### **Changing your W-4 Form**

Though the IRS has stated it would work with existing W-4s and individuals may want to change their W-4 forms at work to reflect their understanding of lower taxes, it may be premature. Because of the loss of other deductions (i.e. property taxes) one may wind up owing taxes at the end of the year. Remember the staff of E&R is available year round to help.

### **Health Insurance Documentation**

All taxpayers once again for year 2017 will be required to provide proof of health insurance (normally a form 1095) in order to file a tax return. If one has no health insurance, there is a penalty..

Unfortunately there are few exceptions. One major exception is for Seniors covered by Medicare. These penalties will disappear in Tax Year 2018.

Under the Affordable Care Act (ACA) a credit to offset the cost of health insurance premiums is still available. Those who obtained health insurance through government exchanges may qualify for a credit to subsidize the cost.

### **Audit Issues**

Audits of tax returns in IRS offices continue to decline. Partial audits by computer correspondence, is on the increase. The IRS computer data base needs to be checked. E&R staff are trained for this. We may not be able to avoid a tax for income not declared but we can negotiate the size of penalties. There is a charge for this service.

### **First Date for E-Filing is Jan 29th**

Due to late changes in tax code IRS first acceptance is Monday Jan 29<sup>th</sup>.

### **Tax Deadline is Tuesday April 17**

April 15<sup>th</sup> is a Sunday & the 16<sup>th</sup> is Emancipation Day, a Federal holiday.

## **Visit Our Web Site**

[www.ertaxinc.com](http://www.ertaxinc.com) is the address of our web site. Not only does the site give information on the services of E&R Tax and Business Services, it also has some handy tools that will help you with financial planning and tax preparation.

## **What if I can't pay the tax?**

If you don't have the money or can't get a bank loan, the IRS will allow you to pay them in monthly installments. Access to the IRS plan is quite easy. Set up fees charged by the IRS range from \$31 to \$225. Interest will be

charged and the rate varies. (5 to about 7 %) Normally the IRS expects a non-refundable upfront payment equal to the first payment with total payment within one to three years. You can also pay by credit card. Ask for more info.

## The Numbers for Tax Year 2017

### Standard Deduction

The standard deduction for joint returns is at \$12,700; single taxpayers \$6,350; married filing separate \$6,350 and “kiddie” tax-payers \$2,100 (age limit is up to 18 years of age unless a student - age 19-23); head of household is now \$9,350.

### Exemptions

You are allowed a \$4,050 deduction for each exemption which you are entitled. However, your exemption amount could be phased out if you have high income.

### Child Tax Credit

The \$1,000 Child Tax Credit remains for 2017 and is partially refundable. The credit is limited by your modified adjusted gross income- \$110,000 for married filing jointly, \$75,000 for Single/Head of Household and \$55,000 for Married Filing Separate.

### Education Credit

Maximum AOTC (Hope) Credit for college tuition remains at \$2,500.

## Saving for Future Retirement Saves on Taxes Today

Putting money in a Regular or Simple IRA, 401k, 403b plan will not only help you in your retirement years it will also lower your taxes because your contribution will not be taxed in the year you make the payment. Taxes will be taken at the time of distribution, when most people are in a lower tax bracket or may not be taxed by New York State at all. E&R works with Investment Counsellors to help you through the retirement maze.

## Do I Need to File A Tax Return?

You may not need to file a return because of the need to pay federal income tax, but tax returns are necessary when setting up payment plans with the government. They are also helpful for Seniors applying for Property Tax Relief. Likewise they are useful when interfacing with various financial institutions.

## A Tax Quote

“All told, over the period 1932-1980, nearly half a century, the top federal income tax rate in the United States averaged 81 percent.” *(Today the top rate is 39.6%)*

— Thomas Piketty, Capital in the Twenty-First Century

**NOTE: E&R Guarantees Quality Tax Preparation with Fees that are competitive with the National Tax Preparation Chains**

## Missing a W-2 or 1099?

It doesn't have to be a crisis if you have lost your W-2 form. The easiest and best way is to contact your employer and ask for a duplicate copy. They are required by law to provide W-2 information. If that is not possible speak to your E&R tax consultant. With time W-2 information can be obtained directly from the IRS and NYS.

## Needed: e-mail Addresses

Not just the US, but the world has gone digital. To ensure that we are able to communicate with you in a timely manner re refunds, unreported income, audit issues, etc. we need your e-mail address. If you haven't given it to us send it by e-mail to [info@ertaxinc.com](mailto:info@ertaxinc.com)

## The Growing Need for Caution

A warning has been once again issued about a fraudulent scheme targeting Electronic Federal Tax Payment System users. The scheme uses an e-mail claiming that the user's tax payment was rejected and directs the user to a website for additional information. The website contains malware that will infect the user's computer.

The IRS **does not** initiate taxpayer communications through e-mail. Nor does it call taxpayers by telephone. Nor does it demand immediate payment of back taxes or penalties. If anyone receives such a message claiming to be from the IRS, do not reply.

Report and identify these callers or other phishing, e-mail scams by forwarding the information to the IRS and let the E&R office know of the situation so we can help you thru this painful process. For those with identity theft it may take a year for you to get your refund

### Let E&R save you time and worry!

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