

HONECK
O'TOOLE

...where people count

1st Quarter 2018

10 WAYS YOUR TAXES MAY CHANGE IN 2018 WITH THE NEW ACT



With a great deal of fanfare, H.R.1 — “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” — was passed in December 2017. This new law brings sweeping changes related to tax rates, deductions, credits, and rules for individuals and businesses.

To help you understand how the “Tax Cuts and Jobs Act of 2017” might affect you, we’ve pulled together a list of the ten most common tax issues we see on our clients’ returns.

1. Standard Deduction

In 2017, the standard deduction for a single person was \$6,350 and the personal exemption was \$4,050. In 2018, the standard deduction for a single person is \$12,000 and the personal exemption has been eliminated for everyone. The standard deductions for Head of Household is \$18,000 and Married Filing Jointly is \$24,000.

2. Miscellaneous Itemized Deductions

The Act suspends all miscellaneous itemized deductions subject to the 2% floor.

Examples include:

- Tax preparation fees
- Investment fees and expenses
- Safe deposit box rental fees
- Clerical help and office rent in caring for investments

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revenue news

Ideas to help small businesses and individuals maximize income while minimizing taxes.

IMPORTANT: TAX SEASON 2018

Individual Returns:

We need ALL your information by March 16 so we can file your return by April 17.

- Send missing items (for the returns received by March 16th) before April 10th at the latest, please.
- If you’re unable to meet these deadlines, we can file an extension for you until October 15, 2018. Remember though, while you’ll have more time to file, you’ll need to send any IRS and state tax balances due on or before April 17. We can help you estimate the amounts.

Business Returns:

- We need your business entity information as soon as possible to file your return on time.
- Or, we can extend until September 17, 2018. Sooner is always better!

We’re required

to file all returns electronically. When we send your return to you, please sign and return the included authorization Form(s) 8879 no later than 5:00 PM on Friday, April 13th, 2018 so we can eFile your return before Tuesday, April 17. Every return has its own eFile form(s) every year, and they can only be signed once the returns are complete. Some states (not Maine) even have separate efile forms which must also be signed and returned to us. **Read your cover letter to see what you must do.** Email the signed form(s) (PDF or photo) to info@honeckotoole.com or **fax it to 207-773-2047**. Please don’t wait until April 17th to return the authorization form(s).

Got Your 2017 Tax Year Organizer?

In mid-January, we mailed out our annual Tax Organizer questionnaire, which you can use to gather the items we need to prepare your income tax return. If you didn’t receive your Organizer yet, or if you prefer to receive the E-Organizer (Non-Mac users only), please call or email us right away: **207-774-0882** or info@honeckotoole.com.

- Excess deductions (including administrative expenses) allowed a beneficiary on termination of an estate or trust
- Unreimbursed expenses attributable to the trade or business of being an employee

3. Medical Expenses

The medical expense deduction remains, however the Act reduced the floor to 7.5% for tax years 2017 and 2018. (Your combined medical deductions must be greater than 7.5% of your adjusted gross income to be deductible.)

4. Child Tax Credit

This credit has doubled from \$1,000 to \$2,000 per qualifying child. If you're supporting an adult

dependent attending college, you may qualify for a \$500 nonrefundable credit. The refundable portion (payable even without tax liability) is \$1,400 per child.

5. Home Mortgage Interest

The deduction for mortgage interest is limited to debt up to \$750,000 on new mortgages (\$375,000 for MFS), and the deduction for interest on home equity debt is suspended.

6. State and Local Taxes (aka SALT)

State, local and foreign property taxes — and sales taxes — are allowed in full only when paid or accrued in carrying on a trade or business. For individuals, a maximum of \$10,000

itemized deduction for the aggregate of a) state and local property taxes, and b) state and local income taxes (or sales taxes) is allowed.

7. Cash Contributions (Charitable)

The limit for cash contributions to public charities and certain private foundations is increased from 50% to 60% of adjusted gross income.

8. Moving Expenses Suspended

Qualified moving expense reimbursements and deductions are suspended except for members of the Armed Forces on active duty who move due to a military order.

9. Alimony No Longer Deductible

For a divorce or separation agreement executed after December 31, 2018 — or one executed before December 31, 2018 but modified after it — alimony and separate maintenance are not deductible by the payer and are not included in the income of the payee. (If a divorce or separation agreement is before 12/31/18 and not modified, the payer still gets the deduction and payee declares it as income.)

10. Education-related Provisions

Up to \$10,000 a year from a 529-plan can now be used for tuition at an elementary or secondary school. 📚

IMPORTANT: If You Use QuickBooks...

Our team includes several QuickBooks wizards who can work with your file as is, minimizing extra tax-prep work for you. Here's how to get us your 2017 tax information.

- If you use QuickBooks on a desktop, simply send us an Accountant's Copy with your password. Be sure to email it to John Lydon: jlydon@honeckotoole.com.
- Mac QuickBooks users cannot send an Accountant's Copy. Please send a backup copy with password to John.
- If you use QuickBooks Online, we have a new email account for you to use. Please send an "Accountant Invite" to QBOnline@honeckotoole.com.

Questions?

Call John Lydon at 207-774-0882. 📞



Get your tax information to us by March 16 to meet our April 17, 2018 filing deadline!

Questions? During tax season, we're incredibly busy, so it may take a little longer for us to get back to you. We appreciate your patience!

Thank you.

Phone: 207-774-0882

E-Mail: info@honeckotoole.com

YOUR HOUSEHOLD EMPLOYEE AND THE IRS

If you hire a caregiver for your parent or child, a gardener to mow your lawn, or a housekeeper to clean your home every other week, you may be subject to Domestic Employee rules.

The distinction on whether the individual is your employee is: Do they control what they do and how and when they work? If you control those, you may be an employer.

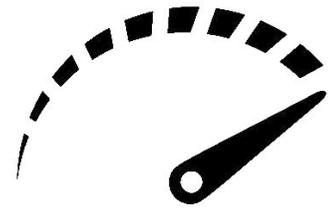
According to the IRS, anyone who employs a worker in the home is considered a "household employer" and must comply with the related regulations. **What does this mean, exactly?**

If you paid a household employee more than \$2,000 in 2017, you'll need to file IRS Schedule H (we can help you), and pay Social Security and

Medicare taxes on the wages you've paid. During the year, you're required to withhold the required amount from each employee payment and put aside an equivalent amount from your own funds.

Note: You shouldn't issue an IRS 1099-Misc Form to the employee if it's for personal services in your home. That's only for payments made to independent contractors in the course of conducting your business.

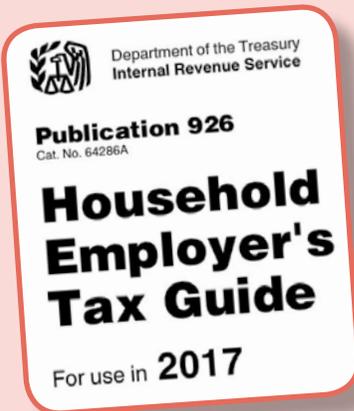
Questions? Not sure what to file when? Contact us at [207-774-0882](tel:207-774-0882) or info@honeckotoole.com.



NEW MILEAGE RATES FOR 2018

Beginning on January 1, 2018, the IRS standard mileage rates are as follows:

- 54.5 cents per mile for business miles driven, up one cent from 2017
- 18 cents per mile driven for medical or moving purposes, up 1 cent from 2017
- 14 cents per mile for charity, the same as in 2017



MEET OUR SEASONAL TEAM

Each year, we enlist the help of seasonal professionals to help us process, complete and file more than 1,800 individual tax returns in a very short time.

We're delighted to welcome back two of our long-time regulars for this tax season: **Jerry Yurko** and **Julie Bennett**. In addition, we're excited to welcome two new professionals. **Lori Carpenter**, from Cape Elizabeth, has passed all parts of the CPA exam and has been a Staff Accountant at Integrated Tax Consultants and a Bookkeeper at Monument Title Company. **Rebecca Gagnon**, of Pownal, is a small-business owner (Mainely Custard), where managing the staff payroll is among her many duties. Prior to this, she was a Tax Associate at local firms.

One or more of our seasonal staff members may be contacting you with questions about your tax return if needed.

Thanks in advance for helping them complete your return! 🇺🇸



DISCLAIMER: Any accounting, business, or tax advice contained in this communication are not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.

CLIENT PROFILES

DANA MORRIS-JONES

The Delphi Group, Inc.

Dr. Dana Morris-Jones, Principal and co-founder of The Delphi Group in Scarborough, is shaking things up in the organizational conflict resolution world. Her new book, *The Power of Difference: From Conflict to Collaboration in Five Steps*, offers a unique model for resolving differences and shifting cultures from damaging, self-serving competition to success-sustaining collaboration.

Dr. Morris-Jones explained what prompted her to write this book: "My client experiences over many years led me to feel they weren't using all the existing resources to solve their most significant differences; things that relate to how we work together to achieve our common goals. I have a background in both Organizational Development (based on Social Psychology) and mediation, which overlap significantly but have very different underpinnings. Realizing this, I pulled together what we know from these two fields to create a practical, user-friendly roadmap."

Since it's been published, several wonderful things have happened for her. She's received many glowing reviews on Amazon. She's been invited to teach at the Federal Executive Institute, with very high marks for her case-based approaches. And recently a Maryland-based leadership organization secured a grant to provide 150 copies of her book to its members.

She said, "It's such a relief to finally have the book be a reality. I hope it's helpful to leaders, managers, trainers, consultants, coaches, and others involved in conflict resolution." The book is on Amazon, but if you're a professional who works on conflict resolution with clients or students, Dr. Morris-Jones will gladly send you a review copy. Email her at dzmorr@TheDelphiGroup.com.



ELISE BOWER

Level Field Fund

The Ross Powers Foundation was founded in 2000 by professional snowboarder, Ross Powers, with the mission of providing financial support to Vermont athletes. It has expanded to the national level to help meet the growing need for athlete funding. In 2010, the Foundation established the Level Field Fund to help fill the gap in athlete funding across all sports with the help of founding partner, OrthoLite, and the support of additional champion athletes including Michael Phelps, Seth Wescott and Lenny Krayzelburg. The Level Field Fund strives to bridge gaps in funding for uniquely talented athletes, following the belief that opportunities to pursue excellence in sport should not be limited by an athlete's financial situation.

The significant impact of the Level Field Fund has positively affected athletes well beyond its roots in snowboarding — providing critical funding to hundreds of deserving athletes competing in sports ranging from snowboarding to skateboarding, skiing to kayaking, and skeleton to taekwondo. Thanks to the support of the Foundation, grant recipients have further advanced their athletic pursuits and achieved success that otherwise would not have been possible.

Since 2002, the Ross Powers Foundation and Level Field Fund have provided more than 350 grants to nearly 200 different athletes spanning 17 sports and totaling more than \$550,000. The Level Field Fund raises money for athletes with financial need through private and corporate donations, and through the organization's events and fundraisers.

To learn more and to donate, visit: www.levelfieldfund.org.



Call for Assistance Anytime!
We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.



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