



HONECK ·
O'TOOLE

...where people count

revenue news

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

3rd Quarter 2018

NO MORE MISCELLANEOUS ITEMIZED DEDUCTIONS

Here's what you need to know for tax year 2018:

Many of our clients — perhaps including you — have taken advantage of personal "Miscellaneous Itemized Deductions" each year to offset annual income taxes. Starting with tax year 2018 and continuing through 2025, taxpayers will not be able to deduct certain expenses such as union dues, investment fees, or unreimbursed employee business expenses.

These were previously deductible when they exceeded 2% of a taxpayer's adjusted gross income (AGI). But nearly all miscellaneous deductions were eliminated in the Tax Cuts and Jobs Act (TCJA) of 2017. There are a few exceptions, which we'll get to in a moment.

How do the eliminated deductions affect you?

If you've been deducting any of the following expenses in the past, you'll need to plan around NOT having the deductions when you file your 2018 tax return.

Unreimbursed employee business expenses

Let's say your employer wasn't reimbursing you for the following expenses related to your job. It didn't matter because you could deduct them from your personal income taxes each year.

But now, since those deductions are gone, you'll want to ask your employer to reimburse you or raise your salary/pay to compensate you for these out-of-pocket expenses (as long as the taxes on your raise don't cut into the expense amount). Keep all receipts and track all mileage, etc., because your employer will need proof of the expenses.

Your job or work-related expenses may include:

- Airfare and other forms of transportation, including mileage for job-related driving of your own car
- Travel, lodging and meals
- Training and education fees

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2018 TAX YEAR:

Big Changes for You?

In this issue, you'll find information on a number of changes due to the Tax Cuts and Jobs Act (TCJA) of 2017. We'll also cover more changes in our Q4 issue of *ReveNEWS*.

If you'd like to take this opportunity to look over the changes with us and see how they apply to your specific personal or business tax situation (or both) — we'd love to help. This is the perfect time of year to sit with us and adjust your tax plans, if needed, before the end-of-year crunch-time is upon us.

Contact us for an appointment:

207-774-0882 | Email: info@honeckotoole.com

Your Honeck O'Toole Team

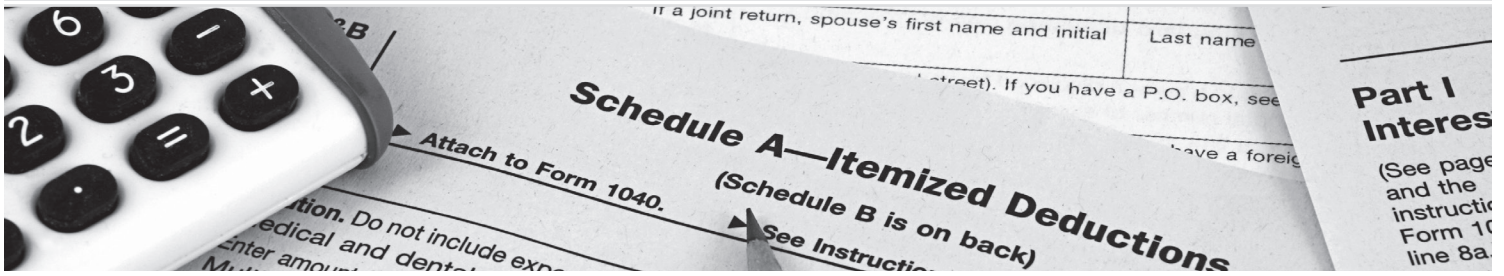
REMINDERS FOR EXTENDED TAX FILING

September 15: Extended due date for calendar year Partnerships & S Corporations

September 30: Extended due date for calendar year Trusts and Estates

October 15: Extended due date for Individual tax returns & calendar year C Corporations

Got a letter from the IRS? Don't panic! These days, the IRS staff is usually quite helpful and will work with you to come up with a solution if you owe taxes. We can also help if you're not sure what to do next.



- Union and professional dues
- Computer and cell phone expenses (including depreciation) when it's required that you use those items for your job
- Home office expenses (for instance, if you work remotely and use your own office)
- Trade or business journal/membership subscriptions
- Tools, supplies, and any required clothing (uniforms, etc.)
- Business liability insurance premiums and job-related legal fees

Tax preparation fees

In the past, you've been allowed to deduct qualifying costs of hiring a professional tax preparer, buying tax software, and filing your return. Not anymore, starting with tax year 2018.

However, that's just for your personal tax return. You CAN deduct costs for preparing your business return, so if we're doing that for you — ask for a separate bill related to the business.

Investment expenses

The following investment-related expenses are no longer deductible: fees for investment advisory, management, legal and tax-related services; trustee fees to manage IRAs and other investment accounts; and rental fees for a safe deposit box.

IRS conflict fees

Until this year, if you had to pay for a lawyer, accountant, postage, etc. related to helping you resolve a conflict with the IRS, you could deduct those expenses. Those deductions are gone, starting in 2018.

What's left?

Gambling losses: As always, you'll need to report the full amount of any gambling winnings as income, and then claim your losses (up to the amount of winnings) as an itemized deduction.

Questions about your specific deductions?

We understand that this news may be confusing. If you need help in determining exactly which of your expenses are still deductible and which are not — contact us to make an appointment. We can review your past returns, identify specific areas that will change starting in 2018, and determine how they'll affect your 2018 tax return. 📞

**207-774-0882 or
info@honeckotoole.com.**

GROUP OF STATES SUING OVER THE \$10,000 TAX LIMITATION

Fascinating fact: Connecticut, Maryland, New Jersey, and New York have sued the U.S. government over the TCJA's \$10,000 limit on state and local tax deductions.

The states' complaint is basically this: the federal limitation is "interfering with the States' sovereign authority to make their own choices about whether and how much to invest in their own residents, businesses, infrastructure, and more... and violates the Tenth Amendment and 'foundational principles of federalism' because it 'deliberately seeks to compel certain states to reduce their public spending,'" according to the complaint.

We'll be watching this story to see how it unfolds! 📺



WAYFAIR AND THE "PHYSICAL PRESENCE" SALES TAX RULE

This just in from Maine Revenue Services (MRS): New guidelines for remote/online sellers.

On June 21, 2018, in *South Dakota v. Wayfair, Inc., et al.*, the United States Supreme Court ruled that out-of-state sellers with any substantial nexus with a State can be required to collect and remit sales and use taxes, **without regard to physical presence in that State.**

This reinforces Maine statute (Title 36 M.R.S.A. § 1951-B), which requires a person selling tangible personal property, products transferred electronically, or taxable services for delivery into Maine to collect and remit sales tax in the same manner as a retailer with a physical presence in Maine.

If you sell products online for delivery in Maine, you'll want to register as a Maine retailer and begin collecting and remitting Maine sales and use tax to avoid any tax penalties. For details, visit this website: www.maine.gov/revenue/salesuse/salestax/Remotesellers.html 📺

MEALS & ENTERTAINMENT CHANGES FOR TAX YEAR 2018

With the Tax Cuts and Jobs Act (TCJA) of 2017, major changes take effect starting this year for business Meals & Entertainment expenses. In a nutshell, most entertainment expenses are no longer deductible. And, nearly all meals are deductible at just 50% (in the past, some were deductible at 100%).

The new rules also change how you classify meals when listing them for deduction. For instance, if you take a client to lunch

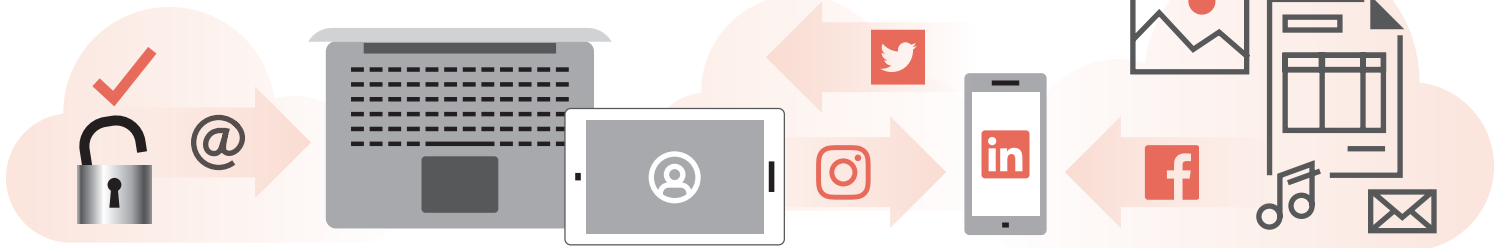
and you discuss business, it qualifies as a "Meal." If you don't discuss business, it's considered "Entertainment."

The same is true if you have a meal with coworkers (and you discuss business or don't). UNLESS... if you're having a company picnic or other type of celebration, it's 100% deductible when classified as "Meals-Celebratory."

Yes, it can be complicated, but we're here to help you determine what's what for your business. Call us for assistance: **207-774-0882**.



WILL ALERT: WHO CAN ACCESS YOUR DIGITAL ASSETS?



These days, it's very likely that you're using a cell phone/smartphone, a computer or tablet, and a Facebook account. You may also be storing family photos in the cloud on Dropbox, keeping your personal music library on iTunes or Amazon, paying your bills each month through your bank's online bill-pay service, and using many other digital assets for your daily life.

If you're in business, you may be in charge of your business website, the hosting account for your website and email, the domain account for your web address (www.yourwebsite.com), and you may be using a "project management" account such as Basecamp or Asana, and other digital tools for your business.

What's scary is — it's possible that nobody else knows how to access those important assets.

What happens to those assets if you're suddenly incapacitated or gone? We're hearing more and more about families being "stuck" when a loved one passes away. They can't close a LinkedIn profile or Amazon account, for instance, or get access to their Dropbox files. Or the estate may incur ongoing fees for accounts that can't be closed.

And if it's business-related, colleagues can't close business accounts, notify clients, or switch account "owners"... simply because they can't access the digital assets.

It's a nightmare, to be sure. But it can be avoided.

The simple solution: add your digital assets to your will.

We recommend creating a "Separate Writing" that goes with your will, filing with your lawyer and possibly

storing it in a bank safe deposit box. You'll want to list each digital asset with account information and passwords (or password hints). And, notify a family member (and business associate if applicable) that your attorney has this information. This way, if anything happens, someone you trust can get access to your online accounts, close them if it makes sense, notify clients, and maintain your business accounts, etc. according to your wishes.

We urge you to consider doing this right away to save your family and colleagues from major headaches.

NOTE: Check with your attorney to make sure you're following the right guidelines for providing online account access information to others. There may be specific rules for each type of online account and the state where you live.

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

REBECCA GAGNON

Mainely Custard

Fascinating fact from Rebecca Gagnon:

"Custard is similar to any other ice cream except it uses egg as an emulsifier. This makes the product a lot smoother and creamier." Now you know why Mainely Custard is a popular destination every summer in Freeport and Kennebunk.

Rebecca told us she didn't create the business, but she had worked at the original Freeport location since she was 14 and knew the ins and outs of the business. She said, "After I picked accounting as my career and attended Franciscan University, the former owner was beginning to talk about selling the business. My parents and I decided it would be a good investment with possible growth in the future."

In 2015, Rebecca, Jim, and Lisa Gagnon became the new owners of Mainely Custard and Classic Cookout. They're committed to maintaining the highest level of fresh, quality ingredients in everything they make, along with the fast, warm, and friendly service that their customers have come to know and expect.

Throughout the summer months, they offer a special "flavor of the day," which may include delicious sounding Tahitian Vanilla, Key Lime, Chocolate Malt, Blackfly Raspberry, or Brownie D'Lite. The business has been doing wonderfully well in Freeport, and they opened a Kennebunk location in July 2017. Rebecca mentioned, "We are not year-round because it gets so cold in the winters." Visit www.mainelycustard.com for hours, flavors, and more. 📍



DID YOU KNOW...? WE DO MUCH MORE THAN TAXES!

At one time or another, everyone could use financial advice from a trusted professional. How about you?

No matter what stage of life or business you're in, we can help you make a smart plan to save on taxes while building wealth and protecting your assets. Our team includes Certified Public Accountants who've earned their PFS (Professional Financial Specialist) designation. This is an AICPA (American Institute of CPAs) credential granted solely to CPAs who complete extensive training and testing, and demonstrate specialized experience in integrating client goals and financial plans in a holistic way.

With expert guidance from your dedicated Honeck O'Toole advisor, there's a good chance you can reduce your tax burden and financial planning worries. We offer guidance on the following aspects of your financial life:

- Minimizing federal and state(s) income tax liabilities
- Insurance planning
- College funding
- Planning for elderly parents
- Real estate investments
- Managing cash flow
- Estate planning

This is a great time to look at your financial plan, before the holidays and year-end tax planning!

Contact us to make an appointment:

207-774-0882 or info@honeckotoole.com. 📍

We welcome your questions about taxes, financial planning, estate planning, making the most of QuickBooks, or anything else related to your money.

Call for Assistance Anytime!



Web: honeckotoole.com
Email: info@honeckotoole.com
Phone: 207-774-0882
Fax: 207-773-2047
Mail: PO Box 7980 DTS,
Portland, ME 04112

511 Congress Street
Suite 900
Portland, Maine 04101
www.honeckotoole.com

