

# Tax Facts News



Please don't wait until the last minute! Schedule your appointment today.

## Changes are coming ... Next year

Changes for tax year 2017, not so much; but changes are on the way. Congress has passed tax reform and the President has signed it into law. The IRS has a year to come up with the new forms, rules and regulations to match the new law, but – **good news!** – they are in the process now of re-writing the withholding tables employers use for payroll and most of you will see more in your paycheck before you come in to get 2017's tax return prepared. We have been reading all we can to try to be able to answer your questions, and some highlights are included later in this newsletter, but we are still learning, so please be patient with us!

More changes are coming! **Delila Tabet** is joining the staff at Tax Facts as I ease my way toward retirement. Delila is an enrolled agent with many years' experience. We are excited to have her join our team. All the other familiar faces are still here as well and we look forward to seeing yours again!

Don't forget our website! Please visit [www.taxfacts.com](http://www.taxfacts.com) for all the information and tax humor there. Clint has put a link to [SecureFilePro](#) to enable you to send us your tax documents encrypted and secure.

**As a final note:** E-Filing is currently closed, but the system will open on Jan 29. For our clients on extension for 2016 because of declared disaster areas: your extension expires on Jan 31, so get 2016 in to us before we get knee-deep into 2017 returns! For 2017 tax returns, **IRS is even slower this year than last year.** IRS will accept 2018 tax returns after Jan 29, but will delay issuing refunds for taxpayers with child, education, and low income credits until the end of February.

We look forward to preparing your tax returns once again. See you soon!

– Penny Tokash, EA

## FYI for 2017 (2018)

- **Business Mileage rate** is \$0.535 (\$0.545)
- **Medical/Moving mileage rate** is \$0.17 (\$0.18)
- **Volunteer mileage for charity rate** is \$0.14 (\$0.14)
- **Contribution to an IRA** max \$5,500  
Increase to \$6,500 if over age 50
- **Social Security Wage Max** is \$127,200 (\$128,400)
- **ACA Max Penalty** is \$2,085 (\$2,085)

## Tax Facts, Inc.

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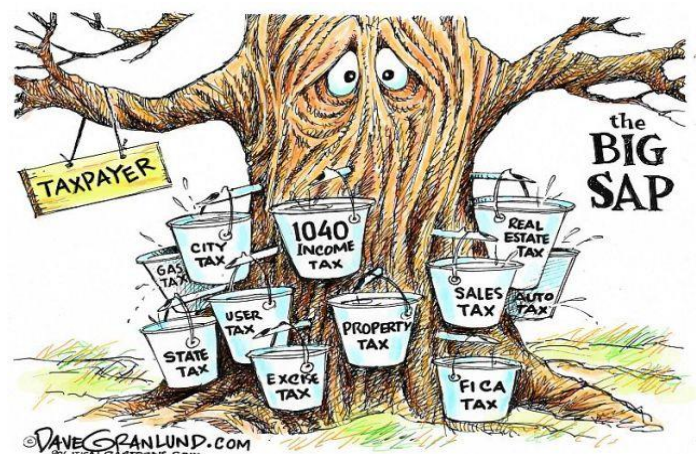
Our 2018 Tax Season hours will be:

Monday – Thursday	8:30–7:00
Friday	8:30–5:00
Saturday	8:30–2:00

Walk-ins are always welcome!  
Drop-Offs are encouraged!

If you are a prior client and comfortable that your tax situation hasn't changed much, **you can "drop off" your tax information** and we'll have your taxes prepared in a few days. You can find useful forms at our [website](#) or call us for a personalized [organizer](#).

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# Who Wins with “Tax Cuts”?

These changes are in effect beginning on **Jan 1, 2018**, so don't look for them when we prepare your taxes this spring, but good things are coming your way. We've been playing around with the numbers and guess what? This new tax cut bill is better than the lottery! Almost everyone is a winner! Here are some examples of who wins with the new Tax Cuts and Jobs Act.

**International Businesses for sure:** The corporate tax rate is dropping from 35% to 21%. The US has been the world's highest tax rate and is now in the middle. That means US businesses are now able to lower their prices against foreign-made products.

**Partners & S-Corp shareholders:** There is a 20% deduction from the gross income for those who receive a K-1 from a business, but not for attorneys, accountants, doctors, and consultants who make more than \$157,500 per year (\$315K if married).

**People who itemize deductions:** About 30% of taxpayers currently itemize their deductions. With the standard deduction doubling, fewer people will itemize. (Which means those with large mortgages or high property taxes may be the losers on this one).

**Bad News for Salesmen and Company Reps:** Along with doubling the standard deduction, several itemized deductions are limited or eliminated. Employee Business Expenses and other misc deductions are gone; mortgage interest on million-dollar houses are limited, as are local, state and property taxes.

**Families with Children:** Although the personal exemptions have gone away, the child tax credit is doubled and the dollar amount at which it phases out has gone from \$110,000 to \$400,000.

**College:** There are no changes to the American Opportunity and Lifetime Learning Credits. Student Loan Interest is still deductible and the phase-out still applies.

**529 Plans:** Last year 529 plans were expanded to allow dollars to be set aside for special needs dependents. That has been kept and 529 Plans can now be used for tuition for elementary and secondary schooling.

*(continued next column)*

**Alimony:** For agreements made after Dec. 31, 2018 – Alimony is no longer deductible when paid and it is not taxable to the receiver. Contracts in existence now or ones negotiated in 2018 are “grandfathered” and are deductible by the payor and taxable to the recipient.

**No Health Insurance?** The penalty for not having health insurance has been repealed **but not until 2019**. If you didn't have health insurance in 2017 and didn't sign up for 2018, you will owe a penalty.

**Tax Rates:** Taxpayers earning less than \$400,000 will see a 3% drop in their tax rate.

## My Postcard Income Tax Return

*ROFL – Yeah, right, this is our government we're talking about. The only way we'll ever have a postcard-sized tax return is if they just keep our entire paychecks! Kinda feels like they already are ☹️*

## How to “Fix” your paycheck

Despite the “Bad Press” about the Tax Cuts and Jobs Act recently passed, **almost all our clients will pay less taxes in 2018 than they pay in 2017**. That doesn't necessarily mean you will see a larger refund at the end of the year. Because the withholding tables will be revised as of Feb 2018, you will see more in your paycheck if you leave your withholding (W-4) as is. If you want to change that, here's how it works: For every dependent you claim, less tax is withheld. Your paycheck is larger, but your refund is less.

So, if you are currently claiming 3 (yourself and 2 children) and you want more refund at the end of the year, change your W-4 from 3 to 2 or 1 or even zero. Keep in mind that your paycheck will be less because more dollars are being withheld for taxes.

On the other hand, if you need more money in each paycheck, increase the number of deductions on your W-4. Instead of claiming 3 (yourself and 2 children) change it to 4 or 5. Your paycheck will be larger because less money is going into your withholding (and your refund will be less).

Remember, too, that if both husband and wife are working, you can't both claim all the children or you will owe tax at the end of the year!

