



JR'S NEWS & VIEWS — December 17 —

GOOD QUESTIONS... EVEN BETTER ANSWERS!

Tax changes are coming, if they can keep every Senator happy. The trouble is that with the very thin majority, every Republican Senator can threaten to vote no, killing the bill. Many horses are being traded as they work their wishlists. The initial bills have cleared the House and Senate, so now chefs from both kitchens work together to prepare a meal. Whether we'll want to eat it is up for grabs. I'll highlight what's likely to pass, but it's truly anyone's guess what sticks. And some issues are miles apart.

Details will change, but it looks like lower tax rates for most. By that, I mean that whatever income gets taxed will be at a lower rate. It does NOT mean you'll pay less taxes, since many cherished deductions and the personal exemptions are being eliminated. Rates may decrease, taxable income increases. Many will pay more.

- For those with large families of older kids, you'll lose with the exemptions gone. For those with younger kids, increased child credits will put you ahead.
- Since the standard deduction is increasing to 24,000, married/joint, the value of mortgage interest and property taxes diminish, unless you're a big charitable giver. And mortgage insurance is out.
- 2nd homes are gone. No mortgage interest or taxes. Even home equity interest may be gone, depending on which side wins.
- Property taxes will likely be limited to

10k, and only on one residence. That covers most of us, but we'll likely lose state income and sales tax deductions.

- There may be severe limits or total elimination of medical deductions and casualty losses, really hurting those already suffering with catastrophic health-care or home disasters. This is just cruel.
- Outside salespeople get gouged: no more employee business expenses. Really.
- Alimony may be gone. Both deduction for the payor, and income to the recipient. Old agreements may be grandfathered in.
- Moving expenses: *poof*
- Post-college tuition will be no more. No deductions, no credits after 5 years of undergrad. This is a big one.
- Tax free home sales will require, instead of owning and occupying 2 of the last 5 years, 5 of the last 8. This will slow down some flipping.
- Business provisions are really up in the air, the biggest one we're watching is pass-thru profits from LLC's and S corps. Both versions target these small businesses, either by mandating that all profit is salary! or by setting a split that weights heavily towards wages. The trouble is that wages are subject to SS tax. Added SS taxes will be enormous.

All that to say, you're probably best to pay state estimates, any property taxes you can, medical expenses, employee biz expenses, and tuition, by year end. Some of those may not exist in a few weeks.

Identity theft help: IRS will now permit masking of SS#’s on most pages, and drivers license info is still required, and will transfer over from prior year.

Custody per tax law has nothing to do with divorce law. Per IRS, the custodial parent is where the child lives for the majority of the year. That’s it. It has nothing to do with the decree or who’s paying what. All that counts is where the child spends the most nights. And you need to track it if there’s a dispute. If you and your ex have agreed to anything else, Form 8332 is required to transfer tax custody.

Green envelopes and Organizers will be sent separately. Use them to gather docs...and answer all the trick questions!

Annual reminders: I cannot make up mileage!! Grab MileIQ or a notepad or you get zero! All charitable contributions over \$250 require a thank you letter saying that you didn’t get anything in return. Don’t forget to issue 1099-Misc’s to unincorporated service providers to your company for \$600 or more for the year. And since it’s a new year, the time to get names, addresses, and SS #’s for those folks is before you start paying them! Privacy Notice: I don’t share your info with anyone anytime ever.

Scam alerts: IRS never ever calls or emails. They have now authorized 4 private debt collection services, so if you get mail, let me see it before you panic or pay. Most will be scams and spams.

Speaking of scams, there are a few outfits out there suggesting that you can buy real estate or business investments in your IRA’s or 401k’s. Don’t do it. Only bad things can happen, and they’re very bad. A mistake here, (and the promoters won’t care!) can disqualify your entire retirement plan, making it immediately taxable. Mail tens if not hundreds of thousands of dollars. Now.

Thank your Washington politicos that there’s no room for a joke this time. They sucked up all my space. I hate that.

No, this has nothing to do with taxes, or Christmas. But it’s my newsletter! This is my daughter, Rachael, and her husband, Erik, just a few days before their wedding in July. What a wonderful time.



So that’s our Merry Christmas this year.



A Díos!