



JR's NEWS & VIEWS — December 18—

GOOD QUESTIONS . . . EVEN BETTER ANSWERS!

Nothing like 8" of the heaviest snow I've seen in some time to wake you up that, as a neighbor put it, "Autumn has finally arrived in Chicago." I guess I'll put away my shorts.

Hopefully by now you've heard that there's a new tax law! For those of you who actually review your forms, you're in for some trouble now. This new 'postcard' style 1040 alone is expanded from 2 to 8 pages. Half pages, yes, but 8 of them. There's a lot of back and forth, and missing subtotals, making it hard to follow. You'll need magnifying glasses, rulers and a flowchart.

Reminders: No moving expense except for military. No employee biz expenses or form 2106 except for reservists. No entertainment deductions, for anyone, anytime. All meals, including the office coffee and donuts for those of you so privileged, are all 50% deductible. Company events, however, are 100%. (No, we don't know how many you can have...lol.) There's one more year of reporting health coverage. 2nd home interest IS ok, but total mortgage cannot be more than 750k and only amounts used to acquire and improve the properties. There is still the 10k overall state and local tax deduction limit. This is for ALL income and property taxes. For 2018 only, the medical deduction is 7.5% of adjusted gross income. Back to 10% next year. Alimony rules change next year, so if you enter into a new agreement, it's no longer taxable to the recipient, nor deductible to the payor.

Technology has gotten to the place where I'm now portable! (I know many of you are wondering what took so long...lol. Suffice it to say that the accounting and tax business hardware we need didn't lend itself well to portability.) It now feels like a return to the old days where we could do returns in front of clients. I'm not pushing it that far, but I do intend to rough things in as we go thru your papers, if we meet. I'm NOT charging just to meet, so if you want meet rather than dropping off or mailing your package, let's set up a time. I love the efficiency of getting packages in the mail and dropped in the door...but I think we can both benefit by more face to face time, especially with this new law.

Another plea to just say no to Publicly Traded Partnership (PTP's) investments. The entry work is crazy and most don't have more than a handful of dollars on the lines! If they're in a retirement fund, you can run into UBIT, which is an excise tax of sorts as well.

The biggest new tax item is the QBI, or Qualified Business Income deduction. It's generally 20% of biz profit, but there's a lot of math involved, some limits, and professional interpretations to boot! 98% of biz owners will get the QBI deduction. High income folks (315k+) have limits requiring a LOT of math! One thing we've learned is that rental real estate does NOT qualify for QBI. That's not huge since most rentals don't generate much profit anyway. While the QBI was figured when we ran projections, some of the limits weren't included at that time. So you know. All to say: "Your results may vary" . . .

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Custody for tax purposes has nothing to do with divorce agreements. Per IRS, the custodial parent is where the child sleeps the most nights. That's it. It has nothing to do with the decree or who's paying what. You need to track this if there's a dispute. If you and your ex have agreed to anything different, Form 8332 is required to transfer tax custody.

The other BIG thing with the new law is the elimination of personal exemptions and the increased standard deductions with lower tax rates. There will be many folks no longer itemizing if you've paid down your deductible mortgage, unless you give a lot to charity. You may want to consider 'bunching' your contributions into one year so that you can itemize, and ease off the next to fully use the standard deduction. This is the same technique used for medical expenses. For those 70 1/2 and over, you will want to consider making contributions directly from your IRA's unless you'll have enough to itemize. Otherwise, you'll pick up your required minimum distributions (RMD's) in income, with no deduction to offset. For those under 70 1/2, give appreciated stocks or mutual funds out of non-retirement funds. Instead of cashing them and paying capital gains, the charity will sell them and pay no tax, and you'll get full deduction for fair market value on the date of the gift, and no tax!

Thank your Washington politicians that there's no room for a joke this time. They sucked up all my space.

Green envelopes and Organizers will be sent separately. Use them to gather docs...Please answer all the questions! Things have changed significantly, so you can't just dial it in as usual. The mortgage deduction alone will drive most of us crazy.

Sadly, Congress and IRS just keep piling on more work, rules, and requirements on the tax pros. The worst are the Due Diligence rules for now 4 separate things! Earned Income Credit, Child Credits, all the college tuition credits, and Head of Household status. There are pages of questions to answer. So the time has come: I must bump fees for these, especially the college tuition, since those require reviewing the actual student account statements from each school. I can only base it on the prior year, so if you see an increase, but your kids are now gone, just holler! And for those who suddenly have kids in college, sorry, but there will be an add-on.

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. It's a good time to check with your planner about selling loser investments to offset any gains. 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.

Autumn in Chicago will likely end soon (lol), so Merry Christmas. I pray that you find peace and joy in spite of whatever troubles you're experiencing. See you soon!



¡A Dios!