



Happy New Year!

Welcome to the craziest tax year many of you have or will ever see. The Tax Cuts and Jobs Act was recently passed, it **does not** impact 2017, all tax changes began Jan 1, 2018. This list is not complete but should cover the major items affecting most of you, if you have questions about specific changes please give us a call. In theory, this should make filing for individuals easier however we are not sure about the actual "cut" you will receive. If you live in a high tax state like CA, NY, OH, or VA you are more likely to see a tax hike. It is complicated and new so please be patient as we work through the new challenges in front of us. Businesses will also be seeing a lower tax with the hope they will trickle down the savings to its employees and consumers.

STARTING IN 2018:

1. **WORK EXPENSES FOR EMPLOYEES** - No more write off's if you are an employee! This means if you have a job (W-2) and write off deductions like Mileage (including if partially reimbursed), Tools, Internet, Meals and Entertainment, Travel, Union Dues, Continuing Education, etc. you can no longer deduct these work-related expenses. Forever gone are the days of claiming exempt and writing off the world. If this is you, and there are lots of you, you need to start planning for the changes. Ideally you either ask for a raise to cover the costs or ask to be fully reimbursed for such costs. You will also need to change your withholding to offset this inability to deduct these costs. This is complicated, and they are still working on the charts to figure out how much to take out. If you're married you should be Married and 2, if you're single you should be Single 1. Call us to discuss this if it impacts you.
2. **MOVING EXPENSE** – In the past if you moved for work you could deduct the cost of the move. Starting in 2018 this is no longer allowed, if you are moving for work ask your employer to reimburse or pay to relocate you to the new work location.
3. **STATE TAX AND PROPERTY TAX "SALT"** – Previously you were able to deduct all the taxes you paid to the state, sales tax, DMV registration, property tax, etc. This year you are only able to deduct a maximum of \$10,000. Many of you will hit this via your payroll withholding or the property tax bill itself. If you go over the limit it is simply not deductible and there are no carryovers. Property taxes on your rental or investment property are still fully deductible even if over \$10,000 max.
4. **MEDICAL EXPENSES** – You are still able to use this deduction if you have large medical out of pocket costs. Please continue to keep track of all copays, prescriptions, nursing, mileage, parking, etc.
5. **DEPENDENTS**- There are no more claiming of kids or other dependents. If you have a dependent child under age 17 there is a credit of \$2000 (some restrictions apply), there is also a \$500 nonrefundable credit for claiming an elderly parent.
6. **REQUIRED HEALTHCARE REQUIREMENT** – This will no longer be a requirement and/or penalty for not having insurance *STARTING* in 2019. For 2017 and 2018 you will continue to be required to provide proof of insurance or pay the penalty.

7. **20% DISCOUNT ON PASSTHROUGH ENTITIES** – There will be a new tax credit for businesses, this is complicated. The deduction is for S-Corps, Partnerships, LLC, and Schedule C's. There are restrictions related to what you do for living, how much you pay in payroll, and of course if you make too much. We are still researching this and will have more specific answers as the IRS provides them.
8. **IDENTIFICATION** – Starting with tax year 2017, to file a tax return we have to include your Driver's license information. Please make sure you bring your ID with you when you file your return. Seems like a bad idea to us given the ID theft world we live in, but it is now required.
9. **BOOKKEEPING AND 1099's** – If you are self-employed it is imperative that you 1099 any subcontractor providing services whom you paid over \$600. Included in this is your landlord and we have recently had auditors specifically question this. We have also been hearing a lot of chatter about businesses now being required to have digital records in case of an audit. If your keeping track on your abacus it time to move into the modern world. In our opinion there will be more business audits in the future because there will be little to nothing for the individuals to write-off.
10. **DIVORCE AND ALIMONY** – Starting after December 31, 2018 if you file for divorce, alimony or spousal support it will no longer be deductible to the payor and will no longer be taxable income for the recipient.
11. **HOME EQUITY INTEREST** – You will still be able to deduct the equity interest paid in 2017 however starting 2018 you are no longer able to deduct this interest. It might be a great time to refinance your first and second mortgage to a new first mortgage only. If this equity interest is for a rental or business loan you can still deduct in full.
12. **MORTGAGE INTEREST** – Fortunately this deduction remains deductible however starting in 2018 you're able to deduct interest on loan maximums of \$750,000. If your loan is greater than this \$750,000 we will help you calculate the deductible portion. This is for loans starting Jan 1, 2018, if you have a loan already you're grandfathered in the \$1,000,000 max.

IRS has announced there will be some delays in refunds this year, we can still meet and complete your return as soon as you're ready. Please call to schedule your appointment as soon as possible. As in the past you can schedule a live appointment, phone appointment or email your information to your preparer.

We understand everyone will have a million questions this year about next year taxes. Our preparers will do their best to help get through the questions during your appointment for 2017, but please be aware that you may have to schedule another appointment for 2018 tax planning. 2018 will be easier to file your return but with such changes it may require additional time for planning.

Thank you, we look forward to meeting with all of you over the next couple of months.

WMA

Richard, Jessica, Kyle, Slavena, James, and Max

Circular 230 Disclosure: Any advice contained in this letter is not intended or written to be used, and cannot be used, for purposes of avoiding tax penalties that may be imposed on any taxpayer.

TAX CONSULTING ACCOUNTING FINANCIAL PLANNING

WMA Enterprises, Inc. | 3665 Ruffin Rd. Suite 204 | San Diego, CA 92123 | 858-565-0911

www.TaxRescue911.com | info@taxrescue911.com