

TaxUpdate

2017 YEAR END NEWSLETTER

Kim R Michael-Lee, CPA,CGMA

website: KimMichaelLee.com

359 Erie Cir

Bloomington, IL 60108-8815

PHONE: 630-924-0881

FAX: 630-924-0882

E-MAIL: taxteacher@sbcglobal.net

Greetings! Thank you for your friendship and goodwill throughout 2017. To help you prepare for the upcoming tax-filing season, here are some helpful ideas and key tax law changes.



Reminder: Health Care Penalties Still in Place

You still can be penalized if you don't have health insurance. Here are the facts.

Nearly every taxpayer will receive a Form 1095 that serves as proof of insurance. The version of the form will differ depending on whether you're insured through a large employer, a small employer, or through a sponsored health insurance exchange.

The penalty is still there

If you weren't insured, you will owe a shared responsibility payment to the IRS. It's at least \$695, or as much as 2.5 percent of your income, whichever is higher.

Penalties remain in place even though a presidential executive order asked the IRS to "minimize the unwarranted economic and regulatory burdens" of the ACA until Congress repeals it. That congressional repeal has yet to be made.

Look for your 1095

Form 1095 needs to be mailed by Jan. 31, 2018. Review it to make sure there aren't any mistakes. If you don't receive your copy shortly after that date, contact your provider.

Tax Year 2017: Full of Changes?

Not so fast...

There has been a lot of saber rattling about major tax reform. At print date, it hasn't happened yet. While we wait to see what happens, here is what we currently know about the 2017 tax-filing year.

2016 tax provisions end

A number of tax breaks that have been repeatedly extended are now a thing of the past. These include the tuition and fees deduction, the mortgage insurance premium deduction, and the mortgage debt-forgiveness tax break enacted during the financial crisis to help homeowners.

Small inflation adjustments

Because inflation remained relatively tame, there were only small adjustments to tax brackets and other tax figures. Review the charts on the reverse side of this newsletter for commonly used amounts.

IRS focus on identity theft

The IRS has made strides to lower the risk of identity theft and fraudulently filed tax returns. This includes delaying refunds on tax returns with the Earned

Income Tax Credit and the Additional Child Tax Credit until mid February.

In addition, if you receive a one-time-use security code from the IRS as identity protection, provide it with your other forms to avoid any tax-filing problems.

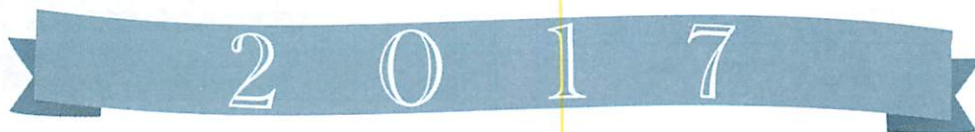
New 10-percent rule for seniors

Beginning this year, those age 65 or over will not be able to deduct medical expenses as an itemized deduction until they surpass 10 percent of adjusted gross income. In 2016, this threshold was 7.5 percent.

Mileage down but Section 179 up

Business owners will see some adjustments to the popular deductions for mileage and the Section 179 deduction. The *standard mileage rate for business travel* drops ½ cent per mile to 53 ½ cents. If using the Section 179 deduction, up to \$510,000 of qualified business capital purchases can be expensed in 2017.

Rest assured, any other significant tax changes enacted by Congress in the coming months will be addressed during the tax filing season.



Still Time to Make Retirement Contributions

You have until the April 17, 2018 tax-filing deadline to make contributions to your 2017 retirement plans.

Traditional IRA – You can contribute up to \$5,500 a year to a Traditional IRA, or \$6,500 if you are age 50 or more, and

potentially deduct that contribution from your taxes.

Roth IRA – The same deadlines apply to Roth IRAs, which also have the same maximum contribution rules. Unlike the Traditional IRA, Roth IRA contributions are made with after-tax dollars.

Key Tax Information

2017



Six Often-Overlooked Tax Breaks

This tax season, spend a little time reviewing your records to make sure you are not overlooking a possible tax break. Here are six commonly overlooked deductions. Some require you to itemize your deductions. Others can be claimed by anyone who qualifies.



Personal Exemption			
Item	2017	2016	Change
Personal Exemption	\$4,050	\$4,050	—
Exemption phase-out <small>Reduce exemptions by 2% for each \$2,500 (or any part there-of & \$1,250 MFS) over the phase-out threshold amounts listed below.</small>			
Single	261,500	259,400	+\$2,100
Married joint/widow	313,800	311,300	+\$2,500
Head of household	287,650	285,350	+\$2,300
Married filing separate	156,900	155,650	+\$1,250

Standard Deductions			
Item	2017	2016	Change
Single	\$6,350	\$6,300	+\$50
Married joint/widow	12,700	12,600	+\$100
Head of household	9,350	9,300	+\$50
Married filing separate	6,350	6,300	+\$50
Elderly/blind: married	+\$1,250	+\$1,250	—
Elderly/blind: unmarried	+\$1,550	+\$1,550	—

Deduction phase-out			
<small>Itemized deductions can be reduced by 3% of the amount AGI exceeds the applicable thresholds listed below. Maximum deduction is 80% of itemized deductions.</small>			
Item	2017	2016	Change
Single	261,500	259,400	+\$2,100
Married joint/widow	313,800	311,300	+\$2,500
Head of household	287,650	285,350	+\$2,300
Married filing separate	156,900	155,650	+\$1,250

Mileage Rates			
Item	2017	2016	Change
Business	53.5¢/mi	54.0¢/mi	-0.5¢
Medical/moving	17.0¢/mi	19.0¢/mi	-2.0¢
Charitable	14.0¢/mi	14.0¢/mi	—

Section 179			
Limits	2017	2016	Change
Section 179	\$510,000	\$500,000	+\$10,000
Property limit	\$2.03 million	\$2.01 million	+\$20,000

Long Term Capital Gains			
Tax Rate if in...	2017	2016	Change
10% - 15% income tax brackets	0%	0%	—
25% - 35% income tax brackets	15%	15%	—
39.6% income tax bracket	23.8%**	23.8%**	—

** Includes Net Investment Income Tax

Maximum Earned Income Tax Credit			
	2017	2016	Change
No child	\$510	\$506	+\$4
One child	3,400	3,373	+\$27
Two children	5,616	5,572	+\$44
Three+ children	6,318	6,269	+\$49

1 Non-cash charitable contributions.

You can deduct the value of items you donate to charity. This also can include out-of-pocket expenses for volunteering with a qualified charity, such as the cost of supplies or equipment rental. Even mileage for charitable activities can be deducted.

2 Home office expense.

Many home businesses miss this deduction because they believe it is too complicated and presents a possible audit risk. New rules in this area simplify the reporting and make it easier to take.

3 Educator deduction.

Every qualified teacher is entitled to reimbursement of out-of-pocket classroom expenses. This deduction is available even if you do not itemize.

4 Miscellaneous deductions.

Miscellaneous deductions are often overlooked because in total they must exceed 2 percent of your adjusted gross income. But there are so many miscellaneous deductions available that they can add up fast. They include things like professional fees (such as tax preparation), uniform costs, unreimbursed

employee expenses, union dues, job hunting expenses, casualty losses, theft losses, safety deposit box fees, and hobby expenses.

5 Child and Dependent Care Credit.

Many taxpayers can get reimbursed for as much as \$5,000 in child care expenses through their employer's benefit package. However, they often forget they can offset an additional \$1,000 in qualified child care expenses as an additional credit on their tax returns.

6 Correct cost of investments.

Investment companies often incorrectly report your investment costs on 1099 forms when you reinvest dividends. You may save money by double-checking your 1099s and correcting any errors that understate your investment costs.

Income Brackets for 2017 Tax Rates

Tax Rate	Single	Married filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1 - 9,325	\$1 - 18,650	\$1 - 13,350	\$1 - 9,325
15%	9,326 - 37,950	18,651 - 75,900	13,351 - 50,800	9,326 - 37,950
25%	37,951 - 91,900	75,901 - 153,100	50,801 - 131,200	37,951 - 76,550
28%	91,901 - 191,650	153,101 - 233,350	131,201 - 212,500	76,551 - 116,675
33%	191,651 - 416,700	233,351 - 416,700	212,501 - 416,700	116,676 - 208,350
35%	416,701 - 418,400	416,701 - 470,700	416,701 - 444,550	208,351 - 235,350
39.6%	Over \$418,400	Over \$470,700	Over \$444,550	Over \$235,350

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.