

LMM & Associates, Inc. | 2017 Year End Letter

A new Tax Bill was introduced in early November and we can be sure of at least one thing: future tax rates are going to change. Because this is a year-end 2017 letter, our guidance in this letter is aimed at 2017 tax planning rather than predicting 2018, but one thing we are pretty sure of is that tax rates will be lower in 2018. As we wait for specifics the general guidance for most taxpayers is to accelerate expenses into 2017 and delay (where possible) income until 2018. The new tax bill may modify that guidance as the year comes to an end, so we strongly suggest that you speak with us near year end to make confident tax planning decisions for 2017 and 2018. We are once again making our Tax Organizers available in early January via Smart Vault. The Tax Organizer may not be enough however, and we wanted to bring some special items to your attention below.

Affordable Care Act

Contrary to popular belief you must still have qualified health insurance for all family members in 2017 or pay a penalty. Many Americans are joining “Health care sharing ministries” for health insurance, but there is no tax deduction allowed with these types of plans, even though they keep you from paying a penalty for not having insurance. ***If you received a Form 1095 from any issuer or agency we MUST have all copies to prepare and process your 2017 tax return.***

Charity

ALL deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250, and should also state that no goods or services were received in return for the contribution.

Required Minimum Distributions (RMD)

If you are over 70 and $\frac{1}{2}$ with an IRA please contact us before the end of the year before you make any charitable contributions, so we can lower your tax bill with a simple action on your part.

Mortgage Interest

New rules may change home mortgage interest deductions, so for any refinancing, equity line draws or new loans we must know if the money was spent to buy, build, or improve your personal residence. We also must obtain Form 1098 from you when you pay mortgage interest. Additionally, we must obtain refinancing closing statements.

Stock Gifts and Losses

We find many clients that have stock they purchased many years ago in companies that have gone bankrupt. Go through your records and memory and let us know if you have any “worthless” stock so that we can deduct the losses now. Additionally, if you have a stock whose value has increased you may wish to donate it to a charity by the end of the year instead of donating cash in order to obtain much better tax treatment.

Roth IRA Conversions

You will be continuing to hear from lots of “experts” this year that you need to convert your retirement accounts to Roth IRAs. While there are many advantages to conversions, there are an equal number of disadvantages that carry some major tax consequences. Please do not convert your accounts in 2017 without coming in to see us for an appointment to discuss both the positives and negatives. ***All conversions for 2017 must be completed by December 31, 2017.***

Tax Planning

The simplest and most effective tax planning tool for all Americans of all income levels is full participation in retirement plans. Make sure you maximize your 401k deferral if available, contribute to tax-deductible IRAs.

Check your employee handbook and see what other fringe benefits are available at work and call us if you aren’t sure if it will benefit you. Some of the best fringe benefits provided by employers include cafeteria (or 125) plans, as well as child care plans and wellness programs. Many taxpayers have unused amounts left in pre-tax healthcare flex spending (cafeteria/125 plans). If this includes you get your check-ups, shots, dental work or new glasses taken care of before the end of the year.

Future Income Tax Rates & Other

We highly recommend that when you are getting your information to us for your 2017 Federal tax return that we make sure that you are on the list for a “Tax Tune Up” (after tax season) to examine tax and estate planning strategies. Because of the new tax bill if your family income is over \$100,000 it is imperative that we meet for future tax planning because of surtaxes.

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. Because of these changes we are requesting everyone to try to have their tax information in to us at least two weeks earlier than normal, and no later than April 1, 2018. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Sincerely,

The Staff at LMM & Associates, Inc.