February 2018

Taylor Financial Group's Monthly Planning Letter

Tax Month

February is Tax Month at Taylor Financial Group

Did you know that as of last year the tax code was nearly 3.7 million words long and has been the subject of 5,000 revisions since 2001? It is no wonder that taxpayers spend an average 3.8 billion hours per year complying with Federal income tax laws. If that wasn't enough, the Tax Code recently underwent its most sweeping revisions since 1986.

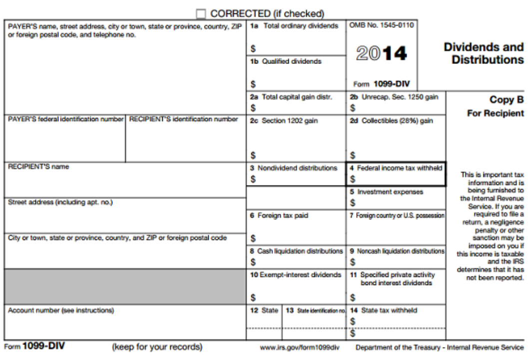
We all know that tax time isn't fun. In fact, it can be frustrating and time consuming. We hope that this short newsletter will help you to get organized for preparing your 2017 taxes and give you some ideas for 2018.

Should you have any questions, do not hesitate to contact our office.

Debbie

Monthly Planning

You will be receiving your 1099 statements this month.


CORRECTED (if checked)
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.
1a Total ordinary dividends $
1b Qualified dividends $
OMB No. 1545-0110
2014
Form 1099-DIV
Dividends and Distributions
2a Total capital gain distr. $
2b Unrecap. Sec. 1250 gain $
Copy B For Recipient
PAYER'S federal identification number
RECIPIENT'S identification number
2c Section 1202 gain $
2d Collectibles (28%) gain $
RECIPIENT'S name
3 Nondividend distributions $
4 Federal income tax withheld $
5 Investment expenses $
Street address (including apt. no.)
6 Foreign tax paid $
7 Foreign country or U.S. possession
City or town, state or province, country, and ZIP or foreign postal code
8 Cash liquidation distributions $
9 Noncash liquidation distributions $
10 Exempt-interest dividends $
11 Specified private activity bond interest dividends $
This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Account number (see instructions)
12 State
13 State identification no.
14 State tax withheld $ $
Form 1099-DIV (keep for your records) www.irs.gov/form1099div Department of the Treasury - Internal Revenue Service

Please be alert over the coming weeks for the receipt of Form 1099's for the 2017 tax year. All 2017 Form 1099's must be mailed by February 15, 2018.

Though you may receive 1099's in February, you should not rush to file your taxes as it is not uncommon to receive a corrected 1099 all the way through mid-March.

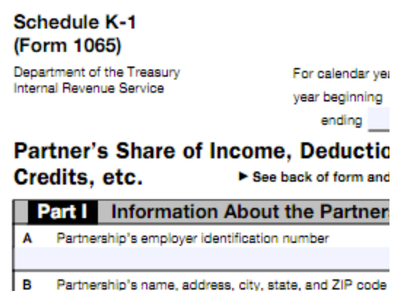
If you have any trouble accessing your 1099 statements, please do not hesitate to contact our office and we would be happy to send you a copy.

Deducting investment management fees.

Investment management fees may be deductible for tax purposes (the amount that exceeds 2% of your Adjusted Gross Income, if you are not subject to AMT) on your 2017 Income Tax Return, but only if they are paid using non-retirement funds. Your investment management fees will be listed on your 1099 statement received from the custodian(s). You should ensure that your tax preparer is aware of your investment management fees paid using non-retirement funds. If you have any questions, please do not hesitate to contact our office. ***Please note that going forward, investment management fees will no longer be an allowable itemized deduction starting in 2018.***

Watch for K-1 Statements

A Form K-1 Statement is a tax document prepared by an entity and distributed to the owners of a partnership, LLC, S-Corp, or other "pass through" entities. For those of you who may have invested in Master Limited Partnerships (MLP's), or even certain ETF's that are structured as partnerships, you will receive a K-1 Statement for use when filing your tax return. K-1 Statements do not have to be mailed until the Tax Filing deadline but you will generally receive these statements by late-March.


Schedule K-1
(Form 1065)
Department of the Treasury
Internal Revenue Service
For calendar ye
year beginning
ending
Partner's Share of Income, Deductio
Credits, etc.
▶ See back of form and
Part I Information About the Partner
A Partnership's employer identification number
B Partnership's name, address, city, state, and ZIP code

IRA and 401(k) Contributions

If you haven't contributed funds to your Individual Retirement Account (IRA) for 2017, or if you have put in less than the maximum allowed, you still have time to do so. You have until April 17, 2018 to contribute to either a 2017 Traditional IRA or Roth IRA.

For 2017, you can contribute the lesser of $5,500 or all of your earnings to an IRA (this limit is $6,500 if you are age 50 or older). You can fund a Traditional IRA, a Roth IRA (if your income is below the threshold), or a combination, but your total contributions cannot exceed the amounts mentioned above. And, it is never too early to consider making your IRA contribution for 2018. The 2018 contribution limits have remained the same and are $5,500 (under 50) and $6,500 (50 or older) respectively.

You can file your tax return claiming a Traditional IRA contribution before the contribution is actually made. However, the contribution must be made by the due date of your return (April 17, 2018), not including extensions.

While it is too late to reduce your 2017 taxable income by making contributions to your 401(k) or other workplace retirement plan, you should visit with your Human Resources department to make sure you are maximizing your 401(k) contributions. For 2018 you can contribute up to $18,500 ($24,500 for those aged 50 or older).

You should also ask your Human Resources Department if your 401(k) Plan allows for "additional after-tax contributions." If so, you may be allowed to make additional contributions to your 401(k) Plan (for a possible total contribution of $55,000) using after-tax dollars. The earnings and growth on these investments will continue to grow tax deferred and can be rolled over to an IRA when you retire, or separate from service. In addition, the original principal (after-tax contributions) can be withdrawn tax free, or rolled over to a Roth IRA, when you retire, or separate from service.

Maximizing your retirement savings is a critical goal for all investors. Please be sure to consult with your tax advisor prior to making any Traditional IRA or Roth IRA contributions. Let us know if you have any questions or would like more information.

Are you organized for your 2017 income tax filing?

- ☐ In 2017 you will need to provide proof of health insurance coverage with your income taxes. If you secured coverage through the Healthcare Marketplace, you should have received a Form 1095-A. If you obtained insurance coverage through your employer or a private plan, you should have received a Form 1095-B or C.

- ☐ Have you received your W-2 wage statement from your employer?
- ☐ Have you received your 1099 statements for all of your bank accounts and investment accounts?
- ☐ Have you received your 1099-R statements for any IRA distributions, Roth IRA conversions, or annuity withdrawals?
- ☐ Have you received any K-1 statements from partnerships or trusts?
- ☐ Have you paid for higher education expenses this year? Ask your tax advisor if you qualify for deductions or tax credits related to higher education expenses.
- ☐ Have you been married, divorced, moved or had a child this year? Let your tax advisor know.
- ☐ Do you have a mortgage? Did you receive your Form 1098, which outlines the interest you paid on your home mortgage?
- ☐ Do you have a record of the state and local income taxes you paid in 2017?
- ☐ Do you have a record of real estate and personal property taxes that you paid in 2017?
- ☐ Do you have a record of your medical and dental expenses for 2017?
- ☐ Do you have a record of your charitable contributions made in 2017?

What is changing in 2018?

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which was, for better or worse, the most sweeping tax reform in more than a decade. The Tax Cuts and Jobs Act cuts the top corporate tax rate from 35% to 21% and reduces the top individual tax rate from 39.6% to 37%. In addition to cutting income tax rates, it nearly doubles the standard deduction, eliminates personal exemptions, and reduces the amount of itemized deductions available to those who itemize their deductions. The corporate cuts are permanent while the individual changes expire at the end of 2025. We outline some of the major changes for you, below.

Individual Tax Brackets Reduced

Change of Tax Brackets (Single)

2017		Current Law	
10%	$0 - $9,525	10%	$0 - $9,525
15%	$9,526 - $38,700	12%	$9,526 - $38,700
25%	$38,701 - $93,700	22%	$38,701 - $82,500
28%	$93,701 - $195,450	24%	$82,501 - $157,500
33%	$195,451 – $424,950	32%	$157,501 - $200,000
35%	$424,951 - $426,700	35%	$200,001 - $500,000
39.6%	Over $426,700	37%	Over $500,000

Change of Tax Brackets (Married Filing Jointly)

2017		Current Law	
10%	$0 - $19,050	10%	$0 - $19,050
15%	$19,051 - $77,400	12%	$19,051 - $77,400
25%	$77,401 - $156,150	22%	$77,401 - $165,000
28%	$156,151 - $237,950	24%	$165,001 – $315,000
33%	$237,951 - $424,950	32%	$315,001 - $400,000
35%	$424,951 - $480,050	35%	$400,001 - $600,000
39.6%	Over $480,050	37%	Over $600,000

Standard Deduction Nearly Doubles, Personal Exemptions Eliminated

The Standard Deduction for tax filers will nearly double starting in 2018 driving more tax filers to use the standard deduction (especially in light of some of the limits imposed on itemized deductions). For single filers, the standard deduction will rise from $6,350 to $12,000 and for those married filing jointly it will rise from $12,700 to $24,000. In addition to the rise in the standard deduction, personal exemptions of $4,050 are eliminated. This will hurt larger families as they will lose out on a $4,050 per family member reduction to their taxable income.

Mortgage Interest Limited

Mortgage interest was previously deductible on up to $1,000,000 of debt. Going forward, interest on only up to $750,000 in debt will be allowed (existing loans are grandfathered), and interest on existing and future home equity loans will no longer be allowed. This is expected to potentially put strain on the luxury housing and vacation home markets.

SALT Deduction Capped

Under the old tax laws, those who itemized their deductions could deduct their property taxes and the greater of their state income or sales tax (and there was no limit on the deduction, though those affected by AMT did see a reduction in their property tax deduction). Under the new tax laws, filers can deduct up to $10,000 of state and local tax in any combination of property, income, and sales taxes. This will disproportionately affect taxpayers in high tax (and historically Democratic) states such as New York, New Jersey, California, Illinois, and Massachusetts.

Medical Deductions Expanded (Temporarily)

Under old tax laws, medical expenses in excess of 10% of adjusted gross income could be deducted for those who itemize their deductions. For example, if you earned $100,000 and had out of pocket medical expenses of $12,000, you could deduct $2,000 from your income. That 10% hurdle was lower at just 7.5% for seniors. Under the new tax laws, the hurdle for deduction of out of pocket medical expenses is just 7.5% for all taxpayers in 2017 and 2018. In 2019, the old laws requiring a 10% floor will be reinstated.

Miscellaneous Itemized Deductions

Under old tax laws there were several itemized deductions that could be taken to the extent that they collectively exceeded 2% of adjusted gross income. These included things such as investment expenses (if paid with non-retirement funds), unreimbursed job expenses, job search expenses, and moving expenses (if moving for work). For example, if you earned $100,000 and had a total of $5,000 in miscellaneous itemized deductions, you could deduct $3,000 from your income. Starting in 2018, deductions for these items will be eliminated.

Charitable Giving Expanded

For clients who are charitably inclined, you can still receive a tax deduction for contributions to qualifying charitable organizations. In fact, these deductions were expanded. Under old tax laws you could generally deduct up to 50% of your adjusted gross income for charitable contributions. That limit is now 60%.

Reduction of the Effect of the AMT

The Alternative Minimum Tax (AMT) was enacted to ensure that high-income wage earners were unable to take full advantage of all available deductions and credits and set a minimum tax that must be paid. The new tax laws raise the exemption from AMT for single filers from $54,300 to $70,300 and for those married filing jointly from $84,500 to $109,400 meaning less taxpayers will be affected by the AMT.

What should I consider in 2018?

Careful Planning of Expenses to Bunch Deductions

With the limitations placed on itemized deductions, and the doubling of the standard deduction, many tax filers who previously itemized their deductions will likely be taking advantage of the higher standard deduction going forward. For a married couple who recently retired and has very few deductions other than their property taxes, they will now likely start utilizing the increased standard deduction. If they, for example, incur high medical expenses in 2018, they may want to consider accelerating future charitable contributions and other expenses that are allowable tax deductions to take full advantage of the tax benefits in 2018 before going back to the standard deduction in the following year.

Accelerate Income

While the Tax Cuts and Jobs Act is the law of the land, we live in an ever-changing political landscape. Many in Congress have been very vocal that they will do whatever they can to amend the changes to the tax code. For clients who are able, they should consider accelerating taxable income to take advantage of lower rates for as long as they are available.

Small Business Owners

Small Business Owners may consider shifting income to lower earning children or spouses. If they have ample cash flow from their businesses and do not need to take all of the profits as income, a C Corporation may be a consideration to reduce the tax on business profits.

Roth Conversions

Were you considering a Roth IRA conversion? With lower tax rates, it may make sense to consider a Roth conversion this year. However, be careful, as the ability to undo a Roth conversion is no longer available under the new tax law.

Questions?

The new tax bill introduces sweeping changes to the tax code. Should you have any questions, or wish to review how the changes to the tax code may affect your individual situation, please do not hesitate to contact our office.

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