

TAX SERVICE TIPS

E&R Tax and Business Services, Inc. - John P. Spinelli, CPA, CFR, PC

Tax Year 2018 Edition

Patchogue, New York

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Now More Than Ever....Let a Professional Prepare Your Return!

2018 Tax Code is Complex and Causes Taxpayer Confusion

This year tax code probably is the most significant change to the IRS Code in decades. The law reduces tax rates for individuals and corporations and repeals many deductions, thus simplifying filing for many taxpayers. Most of the individual changes will expire at the end of 2025 meaning the old tax code rates and deductions will return in 2026 unless Congress passes another law before then.

For 2018 Federal Tax Returns the following standard deductions are:

Married filing jointly	\$24,000
Head of Household	\$18,000
Single	\$12,000
Married filing separately	\$12,000

(See page two for senior & disability adjustments)

With the basic doubling of the standard deductions to the above rates for tax simplification and revenue purposes personal exemptions were eliminated. This may have a negative effect for families with many children or parents listed on their returns.

State and local income taxes, sales tax and real property taxes are together capped at \$10,000 which creates tax challenges for those living in high tax areas. Foreign real property taxes are no longer deductible.

The exclusion from gross income and wages for qualified moving expense
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reimbursement is repealed except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order. For the treatment of business, teachers, investment and casualty expenses, alimony payments and other deductions please contact your tax professional for most have been eliminated.

Though the first paychecks of 2018 had a lowering of withholding taxes, whether it benefits a taxpayer can not be truly determined until their 2018 tax return is completed. There is a fear that unless taxpayers adjusted upward on their own their tax withholding, some taxpayers may owe money at tax filing time rather than benefiting from the lower rate.

Fee for no Health Insurance

All taxpayers once again for year 2018 will be required to provide proof of health insurance (normally form 1095) in order to file a tax return. If one has no health insurance, there is a penalty. The basic fee is \$695 per adult and \$347.50 per child under 18. Unfortunately, there are few exceptions.

On major exception is for Seniors covered by Medicare. These penalties are expected to disappear in Tax Year 2019. Under the Affordable Care Act (ACA) a credit to offset the cost of health insurance premiums is still available. Those who obtained health insurance through government exchanges may qualify for a credit to subsidize the cost.
NYS & Federal go different ways

Because of the cap placed on state and local taxes (property) of \$10,000 the New York State legislature kept the 2017 tax system in place for NYS taxpayers

Medical expense deduction

A lowered threshold for medical expense deductions of 7.5% of AGI is now available for all 2018 taxpayers that itemize, not just for seniors. It might be worth a revisit to the family's medical expenses including health insurance and doctors/dentists/drug expenses.

Audit Issues

Computer correspondence audits, is on the increase for both the IRS and the states. IRS office audits has drastically declined, partially due to the 40,000 cut in IRS staff due to budget restraints. First step is to understand the correspondence sent by the IRS. The second step is to access and check the IRS computer data base. E&R staff are trained for this. Signed Powers of Attorney are needed. We may not be able to avoid a tax for income not declared but we can negotiate the size of penalties. There is a charge for this service.

What if I can't pay the tax?

If you don't have the money or can't get a bank loan, the IRS will allow you to pay them in monthly installments. Access to the IRS plan is quite easy. Set up fees charged by the IRS range from \$31 to \$225. Interest will be charged and the rate varies. (5 to about 7%) Normally the IRS expects a non-refundable upfront payment equal to the first payment with total payment within one to three years. The IRS prefers monthly electronic bank payments. You can also pay by credit card. Ask for more info

First Date for E-Filing is Unknown

Due to gov't shutdown & late tax code changes the date is not known.