



January 2018

Greetings to Clients and Friends!

Tax filing season is quickly approaching. This Tax Update newsletter provides information on the tax law changes and key exemptions and deductions. Please call, email or text to schedule your tax appointment. -Miriam Woods, Enrolled Agent

Key Exemptions and Deductions

Personal Exemptions:

Personal Exemption for each qualifying dependent for 2017 is \$4,050. In 2018, there are no personal exemptions.

Standard Deductions:

The standard deductions for those who do NOT itemize are as follows:

	<u>2017</u>	<u>2018</u>
Married Filing Joint	\$12,700	\$24,000
Head of Household	\$9,350	\$18,000
Single	\$6,350	\$12,000

Standard Mileage Rates

The standard mileage rates for 2017 and 2018 are:

	<u>2017</u>	<u>2018</u>
Business	\$.535	\$.545
Medical/Moving	\$.17	\$.18
Charitable Work	\$.14	\$.14

Social Security Earning Limits

The maximum amount of income subject to social security tax is \$128,400 in 2018.

Individuals under 66 can earn up to \$17,040 without losing benefits.

Individuals who turn 66 in 2018 (or full retirement age) can earn up to \$45,360

Earned Income Credit Amounts

The 2018 maximum amount of earned income and qualify for the credit is

\$49,298 with three children (\$54,998 if married filing joint)

\$45,898 with two children (\$51,598 if married filing joint)

40,402 with one child (\$46,102 if married filing joint)

What's New for 2018 tax year?

New Tax Bill Creates Many Changes

The Tax Jobs & Cuts Act of 2017 was signed into law by President Trump on December 22, 2017. This new legislation does NOT affect the 2017 tax filing season. All the changes are for 2018 and beyond. IRS has not released final regulations based on this new law, but here are a few of the changes.

New Income Tax Rates

The amount of tax owed is based on your taxable income. We currently have seven tax brackets: 10%, 15%, 25%, 28%, 33% 35% and 39.6%. The new tax brackets are 10%, 12%, 22%, 24%, 32%, 35% and 37%. A breakdown of each bracket is included on page 2.

Standard Deduction

The standard deduction will increase to almost double for taxpayers. Before the tax reform, the standard deduction would have been \$6500 for Individuals, \$9550 for Heads of Households, and \$13,000 for Married Filing Jointly. Under the new law, the 2018 standard deduction amounts are \$12,000 for Individuals, \$18,000 for Heads of Households, and \$24,000 for Married Filing Jointly.

Personal Exemption

In 2017 each person claimed on a tax return is given a personal exemption of \$4,050. Under the tax reform, personal exemptions will disappear.

Child Tax Credit

In 2017 the child tax credit is \$1000 for each child under the age of 17. The Tax Jobs & Cuts Act of 2017 increases the child tax credit to \$2000 for each child with \$1400 being refundable. The phase outs for the child tax credit begin with adjust gross income of more than \$400,000 for married filing jointly and \$200,000 for all other taxpayers.

Health Insurance

Currently there is an Obamacare Individual Mandate where you are required to pay a penalty if you do not have minimum health care coverage. Under the new law the penalty is eliminated.

Medical Expense Deduction

Currently you can deduct qualifying medical expenses that exceed 10% of your adjusted gross income when you itemize deductions. Under the new law, the percentage is lowered to 7.5%

Foreign Bank Accounts

A person who holds a foreign bank account may be required to file a FBAR if there is

activity of over \$10,000. The penalty for NOT filing is up to 50% of the account balance. Let me know if you have a foreign bank account so the form can be filed by April 15.

Refunds May be Delayed

A new law requires IRS to hold refunds claiming the Earned Income Tax Credit and the Additional Child Tax Credit until February 15. This change helps ensure that taxpayers get the refund they are owed by giving the IRS more time to help detect and prevent fraud.

IRS warns that since they have to wait to release the refund until February 15, the taxpayer may not actually have access to their refund up until the week of February 26 due to banking holidays, weekends and the volume of refunds being processed.

Individuals can check on their refund by visiting IRS.gov/refunds

Due Dates Changed for Corporations and Partnerships

As with 2016, Form 1065, US Return of Partnership Income is due on March 15. Also S Corporation tax returns, Form 1120S, are due on March 15. K-1s from these returns are due to their partners and shareholders by March 15.

Corporation tax returns had a due date of March 15 but that is now changed to April 15.

IRS Letter

If you receive a letter from IRS or State of Michigan, contact Woods Tax & Accounting Service. We are here to serve your tax needs. Miriam Woods is an Enrolled Agent and can represent you before IRS and assist in an IRS audit or inquiry.



All returns will be electronically-filed FREE!

Checklist of what to bring to your tax appointment

- All W-2 forms
- Social Security numbers and birthdays for taxpayer, spouse & children
- Amount of interest, dividends and capital gains received (income or losses)
- Amount of state & local refunds received last year
- All income and expenses related to your business
- All equipment purchases related to your business (date & cost of purchase)
- Mileage for business and total mileage on vehicle
- All 1099 forms received showing income from retirement, disability, gambling winnings
- Amount of Unemployment Compensation received
- Amount of Social Security Benefits received
- Amount of rental property income and expenses
- Amount of IRA contributions
- Amount of Student Loan interest paid
- Amount of teacher provided supplies for classroom
- Amount paid for child care including provider's SS# or Fed. ID# and address.
- Amount of higher education expenses (tuition, fee & required materials) paid in 2017
- Tuition Statement Form 1098-T showing tuition paid
- Amount of health insurance premiums paid (after taxes)
- Health Insurance Forms 1095-A, 1095-B or 1095-C received
- Real estate property tax bills showing amount assessed/paid for your property in 2017
- Amount of Michigan Sales Tax paid in 2017 if you purchased a car, boat or motorcycle
- 2017 Taxable value of your home (for MI Homestead Credit)
- Amount paid for auto license fees (autos, trailers, boats, etc)
- Year-end statement of mortgage interest (Form 1098) and escrow activity on mortgage
- Charitable contributions (cash, non-cash gifts, mileage)
- Sale of Home in 2017 - closing papers when bought & sold
- Amount of job related expenses & union dues
- Amount of energy efficient home improvements: windows, doors, insulation
- Amount of 2017 Estimated Tax Payments (Federal, State & City)
- Amount of purchases bought on Internet/ catalog (for MI Sales & Use Tax)
- Amount of rent paid in 2017, name and address of landowner
- 2016 income tax return (unless prepared by Woods Tax & Accounting Service)
- Direct Deposit information: bank account number & routing number

2018 Tax Rates

The following shows the 2018 income brackets for each tax rate.

Tax Rate	Single	Married Filing Joint	Head of Household
10%	\$0 to \$9,525	\$0 to \$19,050	\$0 to \$13,600
12%	\$9,526 to \$38,700	\$19,051 to \$77,400	\$13,601 to \$51,800
22%	\$38,701 to \$82,500	\$77,401 to \$165,000	\$51,801 to \$82,500
24%	\$82,501 to \$157,500	\$165,001 to \$315,000	\$82,501 to \$157,500
32%	\$157,501 to \$200,000	\$315,001 to \$400,000	\$157,501 to \$200,000
35%	\$200,001 to \$500,000	\$400,001 to \$600,000	\$200,001 to \$500,000
37	\$500,001 and up	\$600,001 and up	\$500,001 and up



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