Online Advisor

- MARCH 2018 -

MAJOR UPCOMING TAX DEADLINES

MARCH 15-

- 2017 calendar-year S corporation income tax returns are due.
- 2017 partnership returns are due.
- Deadline for calendar-year corporations to elect S corporation status for 2018.

STAYING ORGANIZED AT TAX TIME

Organizing your tax records not only makes filing your tax return easier, it also helps you find the financial documents you need through the year. Whether you've already

Greetings!

March is here; now is the perfect time to gather your tax documents and call our office if you haven't already done so!

Time is ticking...please fill out your tax organizer and send it to us with your tax documents.

Now is the time of year when friends and family may be asking who you use to prepare your taxes.

Refer friends and family that could benefit from our services and receive a special discount on your 2017 tax preparation fee and they will be entitled to a complimentary consultation.

The partners and staff of Couto DeFranco, P.A.

IF YOU LIKE US...."Like us" on Facebook! We will be posting up-to-date information and deadlines.

ALERT: EXPIRED HOME AND EDUCATION TAX BREAKS REVIVED

Congress passed a federal budget bill in early February that revived dozens of expired tax breaks for the 2017 tax year. They include a deduction for education expenses as well as several tax breaks for homeowners.

If you have not yet filed your 2017 tax return, please be aware these late changes are retroactive to the beginning of 2017. Check out this list of the most filed your tax return or are about to, here are some tips to get organized.

Go with the flow (of your tax return)

Try organizing your records in the same order as they are required to fill out your 1040 individual tax return, using these categories:

Income
Copies of W-2s, 1099s, Social Security statements, interest income and investment income.

Charitable donations
Charitable donation receipts, separated by cash and non-cash contributions. Include a copy of your charitable activity mileage log, if you have one.

Medical and dental
All documents related to medical expenses. You may also include a note calculating your medical deduction threshold (which is 7.5 percent of your adjusted gross income during 2017 and 2018).

Other itemized deductions
All proof of other itemized deductions, including state and local tax statements, mortgage interest, casualty and theft losses, unreimbursed business expenses and other miscellaneous itemized deductions. Note that miscellaneous itemized deductions are eliminated after the 2017 tax year, but keep any records for this tax season on file.

Business and hobby

beginning of 2017. Check out this list of the most useful tax breaks to see if they apply to your situation:

- **Tuition and fees deduction.**If you paid qualified tuition and related higher education expenses, you may be able to deduct as much as $4,000 of those costs. This can be done on a regular return (without itemizing). The deduction is capped at $4,000 for single filers with adjusted gross income (AGI) of $65,000 or less ($130,000 joint) and at $2,000 for single filers with AGI of $80,000 or less ($160,000 joint).
- **Mortgage insurance deduction.**If you paid mortgage insurance premiums, you can now once again deduct those amounts as an itemized deduction. This deduction begins to phase out for taxpayers with AGI of $100,000 or more.
- **Mortgage debt forgiveness exclusion.**If qualifying mortgage debt on your primary residence was discharged or forgiven, you can exclude that amount from your income.
- **Energy-efficient home improvement credit.**Energy-efficient home improvements (such as upgrades to windows, or heating and cooling systems), may be eligible for a tax credit equal to 10 percent of the amount paid, up to $500.

If you think any of these apply to you, bring all the related documentation to your tax filing appointment. If you have already filed, you may need to file an amended tax return to capture these very late law changes.

ANSWERS TO COMMONLY ASKED TAX QUESTIONS

With all of the headlines about the changes to tax law, you probably have lots of questions. Here are answers to some of the most common questions taxpayers have this year.

Q. I'm hearing about a lot of changes to 2018 taxes. What should I do?

A. You're right, there are a lot of changes in 2018 due to the passage of the Tax Cuts and Jobs Act (TCJA), including changes to the income tax brackets. The simple answer to the question "What should I do?" is to not make any major changes until you finish filing your 2017 taxes. Once you understand your 2017 tax obligation, you are in a better position to plan for 2018.

However, there are a few things you*can*start thinking about now. Depending on where you fall in the new income tax brackets, you may want to consider ways to lower your taxable income. This could include increasing your contributions to 401(k) retirement accounts or health savings accounts (HSAs). You'll also want to make sure your employer has adjusted your federal tax withholding so that you don't have to wait to receive a large refund (or tax bill) next year. You can review theIRS withholding

activity
Keep separate records for each hobby and business activity. Include records of related investments, expenses and mileage logs.

Education
Records of all education expenses, including invoices, tuition, materials (including for things such as books or music instruments) and fees.

Investments
Records of investments in tax-advantaged retirement accounts, as well as contributions to investable accounts such as health savings accounts (HSAs) and 529 education savings plans. Also include records of capital gains and losses, particularly for tax-loss harvesting purposes.

Odds and ends
Put all the miscellaneous receipts that don't fit anywhere else into this file. Depending on your situation, you may be able to get tax breaks for a variety of expenses.

BONUS TIPS!

How long should you keep your records?
For tax filings, the IRS requires you to keep your records on hand for at least three years after you file. Some states require you to keep records longer than that, and the federal government can ask you to keep records for six years if you understate your income.

Keep track by going digital.
If keeping track of your tax records year after

calculator using your latest pay stub data to make sure the changes are accurate.

Q. What is the penalty amount if I didn't have health insurance in 2017?
A. The penalty per adult is calculated as the greater of either $695 or 2.5 percent of your yearly household income, up to a maximum of $3,264 for individuals or $16,320 for a family of five or more. Note that the penalty *is* still in place for tax years 2017 and 2018. The TCJA eliminates the penalty for 2019 through 2025.

Q. Is Social Security taxed?
A. It depends. You won't pay tax on more than 85 percent of your Social Security income, but how much gets taxed depends on your income bracket. If your combined income is less than $25,000 for the year, you won't pay tax on Social Security income.

Q. When is the last day to do my taxes?
A. Technically, Tuesday, April 17. But don't wait until the last minute. Ask for help to get started now, or to file an extension so you have time to complete your tax return later. The sooner you file, the sooner you can get your refund. It usually takes about three weeks to arrive from the date you file. Also, remember you need to keep most tax-related documents for at least three years, so don't toss your paperwork after you file.

Q. The IRS contacted me, what should I do?
A. Ask for help. There are numerous scammers who impersonate the IRS during tax season. The real IRS will never contact you via social media, email or text message. In addition, an IRS agent will not contact you over the phone unless you first receive official correspondence in the mail. If you have received a notice in the mail, immediately ask for help to determine how to proceed.

These are just a few of the questions people have during tax season. If you have more, don't forget to bring them to your 2017 filing appointment.

NEW TAX LEGISLATION REQUIRES PLANNING

Though many taxpayers appreciate the income tax cuts in the Tax Cuts and Jobs Act (TCJA) passed late last year, others are skeptical that it will simplify their tax planning. With every simplification, there are many more tax issues that still require planning to realize extra tax benefits. Here are seven of them:

1. **Planning for all the moving parts**
   In many ways, the TCJA gives with one hand and takes away with the other. The "giving hand" provides a lower income tax rate structure and a higher standard deduction, while the "taking hand" gets rid of personal exemptions, suspends many itemized deductions and limits deductions that remain. There are many variables that determine whether you come out ahead or behind and a tax planning session can help you figure it all out.
2. **Getting creative and flexible about itemizing**
   Many itemized deductions remain the same, others were eliminated completely and some have new limits. For example, while charitable contributions are still a qualified deduction, there is now a $10,000 combined cap on state, local and property tax deductions. The new constraints mean considering creative solutions to maximize these deductions. One idea is to make better use of the donation of appreciated stock as part of your charitable giving.
3. **Dealing with new complexity in small business ownership**
   Small business owners and sole proprietors will have to do a complicated calculation to see how much of the 20 percent reduction to pass-through qualified business income they can take. It depends on your profession and your expenditures on capital and wages. This calculation can get complicated very quickly.

year sounds like a chore, at least things are easier in the digital age. You can scan your paper records and keep them digitally, but remember to keep your records backed up and secure from identity theft.

Make a checklist.
If you're still waiting for some tax forms to arrive, go back to last year's return and make a checklist of all the forms you received. Add items for any new accounts or vendors you added since then, and check off the forms as they arrive.

QUICK LINKS

Services

Resources

Financial Planning

Nelson Couto CPA, CFP™
Anthony DeFranco CPA, CFP™

CERTIFIED FINANCIAL PLANNERS™

Nelson J. Couto, CPA, CFP™

Anthony DeFranco, CPA, CFP™

quickly.

4. **Understanding the newly changed "marriage penalty"**
   The disadvantage for married couples within the tax code is still very much in place, but it is changing. For instance, the marriage penalty that had given unfavorable income tax rates to married joint filers when compared to single individuals goes away in the TCJA for most income levels. But it rears its head again in the $10,000 combined state, local and property tax limitation, which does not double for married joint filers. This is something you'll have to plan around.

5. **Getting credit for your kids**
   There are many new tax benefits for parents in the TCJA. The child tax credit doubles to $2,000 and the phaseout threshold jumps to $400,000 from $110,000 previously for joint filers, making it available to more taxpayers. Dependents ineligible for the child tax credit can qualify for a new $500 per-person family tax credit. On top of that, distributions from 529 education savings plans can now be used to pay private school tuition for K-12 students.

6. **Adjusting to disappearing tax breaks**
   You'll have to change your tax plan if it was built on any of the following expiring tax provisions: personal exemptions, miscellaneous itemized deductions, home equity interest, alimony deductions (expiring in 2019), the additional child tax credit, theft and casualty losses, and the domestic production activity deduction (DPAD).

7. **Facing the old complexities**
   Many areas of the tax code remain largely the same and contain both potential pitfalls and opportunities to find tax savings: Managing capital gains and tax-loss harvesting; charitable activity deductions; and a tax-advantaged retirement strategy are just a few areas where you can unlock extra value with smart planning.

The big changes to tax reform this year may be disconcerting at first, but in change there is opportunity. After the dust settles on the 2017 tax season, get ready to take a detailed look at what 2018 tax reform means for you.

We hope you found this information helpful. Call today to schedule your appointment to start getting into financial shape!

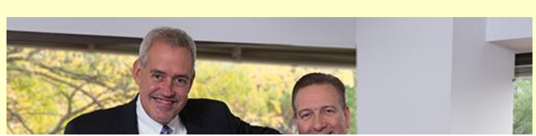
973.325.3370

Sincerely,

The Partners and Staff
Couto DeFranco, P.A.

EXCITING COUTO DEFRANCO NEWS:
We've been recognized as "Top Wealth Managers in NJ"

5th Year in a Row!!



View our profile on LinkedIn

Nelson J. Couto, Partner

View our profile on LinkedIn

Anthony DeFranco, Partner

Like us on Facebook

[Couto DeFranco Facebook]

For Interesting Tax Facts and Small Business Updates, be sure to "Like Us" on Facebook!

Like

Nelson Couto and **Anthony DeFranco** honored with a recognition by **NJ Monthly Magazine** in its selection of **"Top Wealth Managers In NJ 2018"**

Nelson Couto, CPA, CFP® and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2018 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2018. Out of the 5063 wealth managers in New Jersey who were seriously considered for the award, 672 were named. This is their fifth time winning this prestigious award.

"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey Monthly," says Nelson Couto. "We are proud that the work we have done for our clients has been recognized," says Anthony DeFranco.

Couto and DeFranco are recognized as leaders in the field of wealth management. They combine their knowledge of financial planning with over 30 years as CPAs, helping their clients with their wealth management and tax planning needs, along with assisting them with their financial goals and aspirations.

They believe the best way to help clients reach their financial goals is simple: to listen. "It is important to listen to where they are today and where they want to be tomorrow," says Nelson Couto. The partners feel that clients are paying them for their knowledge-both as NJ Certified Public Accountants and as Certified Financial Planner™ professionals-so it is their responsibility to develop a financial plan that is sound, objective and honest. This model has been their secret to success.

Starting a business? Tax Questions? Need Financial Planning?

Print out this certificate for a complimentary one-hour consultation.

COUTO DEFRANCO, P. A.

300 Executive Drive, Suite 200, West Orange, NJ 07052, USA.
Telephone: (973) 325-3370 Fax: (973) 325-3371
Email: info@coutodefranco.com