

TAX UPDATE

2017 Year End



ROESNER | KENNEY
TAX & ACCOUNTING

Value, Quality & Commitment

10818 River Road NE, Hanover MN 55341
(763) 210-9956
www.roesnertax.com

January 2018

Greetings to clients and friends! Once again a new year is behind us and income taxes are coming.

Tax organizers will be available in your secure portal. Please see the "Client Portal Quick Start Guide" on page 5 for more information. If you prefer to use a blank organizer, please visit our website at www.roesnertax.com/client-tax-packet/ to access a blank organizer and forms for your appointment. Don't hesitate to call if you have questions or wish to discuss your situation.



Tax Filing Due Date Reminders

- ◇ Partnerships and LLC's ▶ Due March 15th
- ◇ C Corporations ▶ Due April 15th
- ◇ Annual Reporting of Foreign Bank Accounts (FBAR form 114) ▶ Due April 15th

2018 Refund Delays

In 2016 tax law changes mandate that some refunds will be held by the IRS until **February 15th**.

This extra time will be used by the IRS to help prevent revenue loss due to identity theft and fraudulent returns being filed.

If your return claims an **Earned Income Tax credit** or the **Additional Child Tax Credit**, your [Entire Refund will be held until February 15th.](#)

Filing early can help avoid bottlenecks in getting the refunds issued timely.

Your tax return will be processed as soon as it is received, only the refund will be held until February 15th.



Deductions & Other Information

Security & Identity Theft

The IRS has determined that tax preparation companies are one of the prime targets of data theft. In order to protect you and our data, we have implemented a no click, no open policy for emails. We will no longer open any attachments or click on links in emails that we receive. **We will now only accept data from you in 4 ways: Mail, Drop-Off, Fax, or Upload to our Web Portal.**

Health Care Deductions

The amount of your medical expenses in 2017 & 2018 must be more than 7.5% of your income before we can deduct anything. In 2019 the limit is raised back to 10%.

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 include the date, amount of contribution and should also state that *no goods or services were received* in return for the contribution.



Foreign Accounts

If you have an account, retirement account, or business interest valued over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are **substantial** penalties for failure to disclose.

MN Deductions & Credits

The 2017 MN Legislative session resulted in the passage of many tax law changes. We have summarized them below:



***529 College Savings Credit**—equal to \$500 or 50% of net contributions. Anyone can put funds into a students account subject to income phaseouts.

***Student Loan Payment Credit**—available to residents & part year residents. Only the student who attended college & paid their own payments is eligible.

***Education Loan Discharge Subtraction**—the amount of the loan discharged can be subtracted from MN taxable income.

***Social Security Benefits Subtraction**—the amount of this will vary depending on filing status and income.

***First Time Homebuyer Savings Credit**—the interest earned on a qualified account is not taxable for qualifying homebuyers

***Wisconsin Tax Paid Credit**—available to MN residents who earn income from personal or professional services in WI.

***Teachers Master Degree Credit**—must have a MN teaching license when they start and end the degree program

***Child Care Credit Modification**—increased AGI used to determine eligibility(62-74k)

***Working Family Credit Modification**—American Indians do not need to apportion their income to calculate credit.

***Property Tax Refund Modification**—must reduce property tax paid if claiming business use deduction on Federal return.

***MN Residency Changes**—excludes the location of the attorney, accountant, & bank from being used to determine residency.

See page 4 and 5 for important
2018 tax information

As always, there are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. We request that everyone have their tax information to us as soon as they have everything together, and no later than **March 24, 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,

Christina Kenney, E.A.

2018 Tax Reform

As you may have heard, the president signed the Tax Cut & Jobs Act bill into law in December. This will result in many changes for tax years 2018 and beyond.

We have included a special page with this newsletter to provide you with a summary of the changes (see page 3 and 4).. Keep in mind that these tax changes could be impacted by corrector bills during 2018 or later years.

Affordable Care Act

Minimal Essential Coverage is still required for tax years 2017 and 2018. Individuals who do not have this coverage will be subject to a penalty on their Federal Tax Return

We **must** have all copies of the 1095 forms that you receive.

As of the date of this letter the Tax Cuts and Jobs Act has repealed the penalty beginning tax year 2019.

Oak Grove Office Closes

Earlier this year Marianne sent out a letter to all existing clients announcing her retirement at the end of 2017. **As of January 1, 2018 the Oak Grove office is closed.**

A welcome letter was sent out to inform clients of the options available for your tax appointment and return preparation this year which include:

- **Visit our Hanover Office**, by appointment, at:
10818 River Road NE, Hanover MN 55341
- Upload /Download your documents via our **Secure Portal** (see the quick start guide on page 4)
- **Fax** your documents to us at (763) 753-6666
- **Mail** your documents to us at: 10818 River Road NE
Hanover MN 55341



RATES

	2017	2018
Standard Deductions		
Married Filing Joint	\$12,700	\$ 24,000
Head of Household	\$ 9,350	\$ 18,000
Single	\$ 6,350	\$ 12,000
Married Filing Sep	\$ 6,350	\$ 12,000
Elderly/Blind Deduct		
Single	\$ 1,550	\$ 1,600
Married	\$ 1,250	\$ 1,300 per person
Personal Exemption	\$ 4,050	\$ 0
Child Tax Credit	\$ 1,000 (per child)	\$ 2,000 (per child)
Mileage Rates		
Business	53.5¢	54.5¢
Charitable	14.0¢	14.0¢
Medical/Moving	17.0¢	18.0¢
Section 179 Deduct	\$510,000 (Max)	\$ 1 Mil (Max)
Annual Gift Exclude	\$14,000	\$15,000
Retirement Contrib.		
IRA	\$ 5,500	\$ 5,500
IRA (50 & over)	\$ 6,500	\$ 6,500
Simple IRA	\$12,500	\$ 12,500
Estate Tax Exclusion	\$5.49 Mil	\$11.2 Mil

Subscribe to Our Quarterly Newsletter...

Don't miss out on important information and updates throughout the year! Visit our website at www.roesnertax.com to subscribe.



Our newsletters are packed with valuable and up-to-date information such as:

- ⇒ Current year tax figures
- ⇒ Tips for finding often overlooked deductions
- ⇒ Key tax changes for the current year
- ⇒ Fraud prevention tips
- ⇒ Next year tax figures
- ⇒ And much more!
- ⇒ Upcoming tax changes

SPECIAL REPORT:

2018 TAX LAW CHANGES

JANUARY 2, 2018



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On December 22, 2017 President Trump signed the Tax Cuts and Jobs Act bill into law. This law reduces tax rates for many individuals and corporations and repeals many deductions. Most of the individual changes take effect on January 1, 2018 and expire at the end of 2025.

It is important to note, that many expect some of the changes to be modified with corrector bills in the coming year. We will stay up to date on any changes and inform you of them.

Below is a summary of the most notable changes (as of the date of this document) that take effect after December 31, 2017:

INDIVIDUAL CHANGES

Tax Brackets and Tax Rates— There are seven tax rates: 10%, 12%, 22%, 24%, 32%, 35%, and 37%

SINGLE Filing Status		Married Filing Joint		Married Filing Separate		Head of Household	
Taxable Income Between	Tax Bracket	Taxable Income Between	Tax Bracket	Taxable Income Between	Tax Bracket	Taxable Income Between	Tax Bracket
0—\$9,525	10%	0—\$19,050	10%	0—\$19,050	10%	0—\$19,050	10%
\$9,526—\$38,700	12%	\$19,051—\$77,400	12%	\$19,051—\$77,400	12%	\$19,051—\$77,400	12%
\$38,701—\$82,500	22%	\$77,401—\$165,000	22%	\$77,401—\$165,000	22%	\$77,401—\$165,000	22%
\$82,501—\$157,500	24%	\$165,001—\$315,000	24%	\$165,001—\$315,000	24%	\$165,001—\$315,000	24%
\$157,501—\$200,000	32%	\$315,001—\$400,000	32%	\$315,001—\$400,000	32%	\$315,001—\$400,000	32%
\$200,001—\$500,000	35%	\$400,001—\$600,000	35%	\$400,001—\$600,000	35%	\$400,001—\$600,000	35%
\$500,000 +	37%	\$600,001 +	37%	\$600,001 +	37%	\$600,001 +	37%

Standard Deduction:

Married filing jointly \$24,000
 Married filing separately \$12,000
 Head of Household \$18,000
 Single \$12,000
 Over age 65, Blind or Disabled
 Add an additional
 \$1,600 (single) or \$1,300 (per spouse)

Student Loan Interest Deduction:

Maximum Deduction remains at \$2,500

Education Credits:

No Changes

Teacher Expenses:

No Changes

IRA Recharacterizations & 401K Loans

If these may apply to you, please
 contact us to discuss these changes

Itemized Deductions Allowed:

State & Local Income Taxes } Limited to
 Local Property Taxes } \$10,000
 Mortgage Interest
 Medical Expenses
 Disaster Losses (federal declared only)
 Charitable Donations (increase to 60%)
 Other Deductions not subject to 2% of AGI
 Wagering Losses (includes travel exp)

Child Tax Credit—Increases to \$2,000 per qualifying child. Refundable up to \$1,400. Phaseouts begin with adjusted gross income more than \$400,000 for married taxpayers and \$200,000 for all other taxpayers.

Repealed or No Longer Allowed:

* Personal Exemptions * Itemized Deductions not listed above * Moving Expenses * Alimony deduction (starting with divorce in 2019)
 * Affordable Care Act Penalty (starting in 2019) * Employee Business Expenses * Alimony income (starting with divorce in 2019)

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CORPORATIONS AND BUSINESSES

Pass-through Businesses: Includes Partnerships, S-Corporations, Sole Proprietors, and Trusts or Estates with qualified business income. Allows a 20% deduction of business related income starting in tax year 2018. The deduction is taken after AGI is calculated and will not reduce self employment tax (if applicable). The deduction is not allowed for businesses offering certain personal services. There is an income phase out and limitation for the deduction. If you have one of these entities, please consult with us at your tax appointment for further details.

Like Kind Exchanges: Limited to Real Property Only (i.e. buildings and land—no longer allowed for vehicles)

Entertainment Expenses: No deduction is allowed for any (1) activity generally considered to be entertainment, amusement or recreation (2) membership dues to any club organized for business, pleasure, recreation or other social purposes, or (3) a facility or portion thereof used in connection with any of the above items.

Qualified Employee Transportation Fringe: No deduction allowed unless necessary for ensuring the safety of employees

Domestic Productions Activity (DPAD): Repealed (No longer allowed) for tax years beginning after December 31, 2017

Net Operating Losses: Limited to 80% of taxable income for losses in tax years after December 31, 2017. The carryback provision is repealed (no longer allowed). Carryover are allowed indefinitely.

Section 179 Expenses: Maximum increases to \$1 million. Qualified property has been expanded to include roofs, heating, ventilation and air conditioning property, fire protection and alarm systems and security systems.

Corporation Tax Rates— The tax rate for corporations (non passthrough entities) is reduced to 21% beginning January 1, 2018 and is permanent

Dividends Received Deduction: Reduced to 65% and 50%

Alternative Minimum Tax: Corporations are no longer subject to AMT.

Carried Interest: The holding period for certain partnership interests transferred in connection with the performance of services is increased to three years.

There are many changes in the new tax bill. This document is a summary. We encourage you to contact us to discuss your situation.

CLIENT PORTAL QUICK START GUIDE



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This quick start guide is intended to help you get setup and working with your secure portal right away. For more detailed instructions see the complete portal users guide at <https://c09614528.preview.getnetset.com/files/Client-Portal-User-Guide.pdf>.

In order to use this guide, you must have been granted access to use the Roesner | Kenney Tax & Accounting secure portal. If you are unsure whether you have access, please contact us at (763) 210-9956 or roesnertax@roesnertax.com

1. Setup initial access to your secure portal

- a. Check your email for a notification that you have been added
- b. Click the link in the email and verify your information
- c. Setup your password
- d. This will bring you to your home screen (secure folder/portal)

2. Login to your secure portal

- a. Go to our website at <http://roesnertax.com/portal/>
- b. Click on "Client Portal Login"
- c. Enter your username and password
- d. This will bring you to your home screen (secure folder/portal)

3. Retrieve a file from us

- a. Check your email for notification that a file(s) are available for you to download
- b. Click the link in the email
- c. Enter your username and password
- d. Click the box in front of the file(s) you want to download
- e. The download box will appear on the bottom left corner of your screen
- f. Click the arrow next to the file(s) and select show in folder
- g. The Downloads window will open and you can open and view the file(s) from there. (Note: large files may take a few minutes to download)

4. Upload a file to us

- a. Go to our website at <http://roesnertax.com/portal/>
- b. Click on "Client Portal Login"
- c. Enter your username and password
- d. This will bring you to your home screen (secure folder/portal)