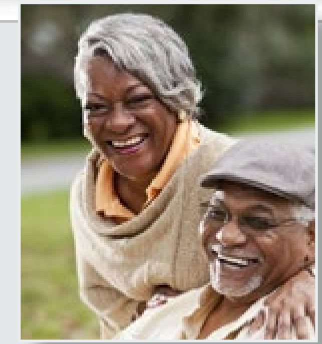
Over 70? Here Is Your RMD Guide

Tax-deferred retirement saving is one of the best tools at an investors' disposal, but you can't simply let your money grow forever – at some point, you must start withdrawing it. This is known as required minimum distributions (RMDs), which is an IRS rule that says you need to start taking distributions from certain retirement accounts beginning at age 70 1/2.

Generally, you take each year's RMD by the end of the calendar year. The only exception is for your first RMD, which must be taken by April 1 following the calendar year during which you turn 70 1/2. For example, if you turn 70 1/2 during 2018, you technically have until April 1, 2019, to take your first RMD. ("technically" because there's a good reason not to wait until the last minute)

You can choose to take your RMD however you want. You can take a series of payments throughout the year, or you can take your RMD in a lump sum. And if you have more than one account

See "RMD Guide" on Page 3 >



Your Masthead, CPA, EA

Company services, Affiliations

Phone: (111) 222-3333
Email: company@email.com
123 Elm Street
Anytown, USA 12345

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Your Tax Calendar

Jun 15 2nd quarter estimated tax payments due.
Sep 15 3rd quarter estimated tax payments due.
Sep 15 Deadline for extended S-Corporation and Partnership returns.
Oct 15 Extended Returns for 2018due.

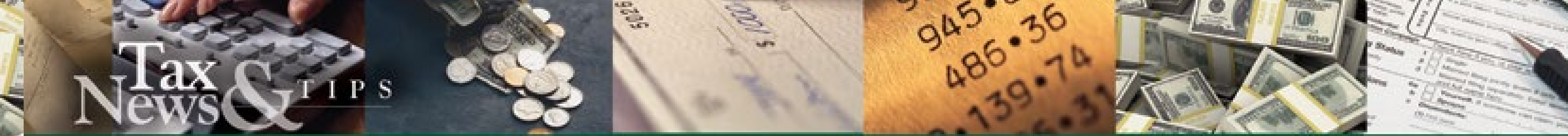
Anytime you have any questions, don't hesitate to call me. I am here for you!

Still Searching For That Refund?

You may contact the IRS Website www.irs.gov at the "Where's my Refund?" link to check the status of your refund.

On No! I Forgot...

If you forgot some key information, I can file an amended return. You have 3 years after the filing deadline to change your return. Most 2014 & earlier returns have passed their deadline for filing an amendment. Call me if you have discovered tax documents or information that you originally omitted from a previously filed Tax Return.



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Tax Reform Has Become A Reality!

This is the first significant reform of the U.S. tax code since 1986.
Changes included in the legislation have been made to both individual and corporate tax rates.

Most of the individual provisions in the new legislation technically expire by the end of 2025, though a future Congress could extend them. Most of the corporate provisions are permanent. Many of the major changes are highlighted below. Some of the provisions of the new tax laws are not included as there are too many to list.

Although none of these changes affected your 2017 taxes; taxpayers may need to change their 2018 Federal withholding immediately. Most of the new laws will first be applied to 2018 taxes.

TAX REFORM

✔ Seven Tax Brackets For Individuals Continue, But The Rates Have Changed
Taxpayers will continue to be placed in one of seven tax brackets based on their income for their top dollar. The rates for some of these brackets have been lowered. The new rates are: 10%, 12%, 22%, 24%, 32%, 35% and 37%.

✔ The Standard Deduction Has Nearly Doubled
For single filers, the standard deduction has increased from $6,350 to $12,000; for married couples filing jointly, it's increased from $12,700 to $24,000.

✔ Personal Exemptions Are Eliminated
Previously, you could claim a $4,050 personal exemption for yourself, your spouse and each of your dependents.

✔ The State And Local Tax Deduction Is Now Capped
The state and local tax deduction (SALT) remains in place for those who itemize their taxes, but now there's a $10,000 cap. Previously, filers could deduct an unlimited amount for state and local property taxes, plus income or sales taxes.

✔ The Child Tax Credit Has Been Expanded
The child tax credit has doubled to $2,000 for children under age 17. It's also now available, in full, to more people. The entire credit can be claimed by single parents who make up to $200,000, and married couples who make up to $400,000.

✔ There's A New Tax Credit For Non-Child Dependents, Like Elderly Parents
Taxpayers may now claim a $500 temporary credit for non-child dependents. This can apply to people for whom you provide support, such as children over age 17, elderly parents or adult children with a disability.

The Standard Deduction Has Nearly Doubled

✔ Fewer People Will Be Subjected To The Alternative Minimum Tax (AMT)
The alternative minimum tax ensures people who receive a lot of tax breaks still pay some federal income taxes. It still remains for individuals; however, fewer people will have to worry about calculating their tax liability under the AMT because the exemption has been raised to $70,300 for singles, and to $109,400 for married couples.

✔ The Mortgage Interest Deduction Has Been Lowered
Current homeowners are in the clear. Anyone buying a new home will only be able to deduct interest on the first $750,000 of their mortgage debt. The previous limit was $1 million. Some Loan Refis may affect deductibility. Home equity interest deduction is mostly eliminated (some home equity interest remains deductible… *check with me*).

✔ Student Loan Interest Is Still Deductible
The deduction for student loan interest is still available up to a $2,500 limit.

✔ You Can Still Deduct Medical Expenses And The Threshold Has Been Reduced
The deduction for medical expenses wasn't cut. It will be expanded for only two years. Taxpayers can deduct medical expenses that exceed more than 7.5% of their adjusted gross income. The threshold for taxpayers was 10% (and will be again in 2019) of adjusted gross income.

✔ Teachers Can Still Deduct Classroom Supplies
The deduction for teachers who spend their own money on school supplies has been unchanged. Educators can continue to deduct up to $250 for what they spend on classroom materials.

✔ The Electric Car Tax Credit Remains Unchanged
Drivers of plug-in electric vehicles can still claim a credit of up to $7,500, depending on the model of their new car. The full amount is good on the first 200,000 electric cars sold by each automaker.

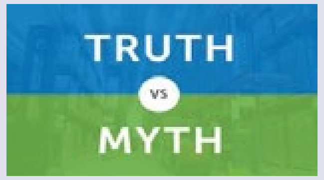
✔ Home Sellers Who Turn A Profit Keep Their Tax Break
Homeowners who sell their house for a gain will still be able to exclude up to $500,000 (or $250,000 for single filers) from capital gains, so long as they're selling their primary home and have lived there for two of the past five years.

✔ Tuition Waivers For Grad Students Remain Tax-Free
Graduate students still won't have to pay income taxes on the tuition waiver they get from their schools. Such waivers are typically awarded to teaching and research assistants.

✔ The Tax Deduction For Alimony Payments Is History
Alimony payments are no longer deductible for the person making the payments. Likewise, recipients of alimony will not be required to claim those payments as income. This

See "Tax Reform" on Page 2 >

INSIDE THIS ISSUE OF *TAX NEWS & TIPS*



Myth: You won't be penalized if you don't provide proof of health insurance.
Truth: You need proof or you face a penalty on 2017 & 2018 returns.

The tax reform law repealed the Affordable Care Act mandate that requires Americans to have health insurance or pay a penalty. But such changes aren't immediate. If you didn't have health insurance in 2017, and you don't claim a waiver or exemption, you'll still face a penalty.

That will also be true for the 2018 tax return that you file next spring in 2019.

Myth: Bigger paychecks mean you don't have to tinker with your withholding.
Truth: You're risking an unexpected, and possibly unpleasant, surprise next year – if you don't review your withholding now.

Some taxpayers will want to adjust the amount of money that's being withheld by their employers by updating their W-4 forms. If they don't, some risk a smaller refund next year or maybe even a bigger than expected refund. Many different outcomes are possible because unique circumstances in a taxpayer's life influence the appropriate withholding. The changes in the withholding tables that took place as a result of tax reform do not mean that you're all set and should bank on a similar refund when you file your taxes next year.

Myth: I had some of my credit card debts cancelled. That's the end of that!
Truth: Unfortunately, for many consumers, once the debt collector leaves, the tax man appears. Cancellation of a debt may occur if the creditor can't collect, or gives up on collecting, the amount you're obligated to pay.

In general, if you have cancellation of debt income because your debt is canceled, forgiven, or discharged for less than the amount you must pay, the amount of the canceled debt is taxable and you must report the canceled debt on your tax return for the year the cancellation occurs. The canceled debt may be excluded from your income in certain circumstances…call me for details.

Myth: Child support is tax deductible.
Truth: Child support payments are neither deductible by the payer nor taxable to the payee.

Myth: Alimony payments will no longer be deductible under the new Tax Reform Act.
Truth: In divorce situations, one spouse or ex-spouse may become legally obligated to make payments to the other party. Because these payments are often substantial, locking in tax deductions for the payer has often been an important issue. Before the new Tax Cuts and Jobs Act (TCJA), payments that met the tax-law definition of alimony could always be deducted by the payer for federal income tax purposes. And recipients of alimony payments always had to report the payments as taxable income.

This old-law treatment continues for alimony payments made under pre-2019 divorce agreements. But for payments made under post-2018 agreements, things will change dramatically. Here's the story. TCJA eliminates deductions for alimony payments required by post-2018 divorce agreements.

For payments required under divorce or separation instruments that are executed after Dec. 31, 2018, the new law eliminates the deduction for alimony payments. Recipients of affected alimony payments will no longer have to include them in taxable income.

For individuals who must pay alimony, this change can be expensive – because the tax savings from being able to deduct alimony payments can be substantial.

No change in tax treatment for payments required by pre-2019 divorce agreements… business as usual!

There's no change in the federal income tax treatment of divorce-related payments that are required by divorce agreements that are executed before 2019. However, for these payments to qualify as deductible alimony, payers must still satisfy the time-honored list of specific tax-law requirements. If those requirements are met, alimony payments can be written off on the payer's federal income tax return. Payment recipients must include alimony payments that are required by divorce agreements executed before 2019 in their taxable income. So, this is a continuation of business as usual.

> *"Tax Reform" from Page 1*

provision will apply to couples who sign divorce or separation paperwork after December 31, 2018.

✔ The Deduction For Moving Expenses Is Eliminated

There may be some exceptions for members of the military. But most people will no longer be able to deduct the cost of their work-related move.

✔ Casualty Losses Will Be Limited

Losses sustained due to a fire, storm or theft that aren't covered by insurance used to be deductible if they exceeded 10% of adjusted gross income. Now through 2025, taxpayers can only claim a deduction if they've been affected by an official national disaster.

✔ Almost Everyone Is Now Exempt From The Estate Tax

Before tax reform, few estates were subject to the estate tax, which applies to the transfer of property after someone dies. Now, even fewer people will be affected. The amount of money exempt from the tax -- previously set at $5.6 million for individuals, and at $11.2 million for married couples -- has been doubled.

✔ The Individual Mandate On Health Insurance Has Dropped

The elimination of the Obamacare individual mandate, which penalizes people who do not have health care, goes into effect in 2019.

✔ Corporate Tax Rates Are Coming Down

The corporate tax rate has been cut to 21% starting next year. The alternative minimum tax for corporations is eliminated.

✔ Pass-Through Entities Also Get A Break

The tax burden by owners, partners and shareholders of S-corporations, LLCs, sole practitioners and partnerships, who pay their share of the business' taxes through their individual tax returns has been lowered via a 20% deduction.

✔ Executive Pay At Nonprofits

The legislation includes a new 21% excise tax on nonprofit employers for salaries they pay out above $1 million.

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Tax Tips For You... *Now!*

✔ ***Revisit 401K, 403B, 457, Roth IRA, Simple IRA & Traditional IRA Contributions.*** These plans are a great way to not only reduce your tax but, at the same time help you save for your retirement. There are many rules surrounding contributions including provisions for higher limits available to older taxpayers (usually those age 50 or older).

Contribution Limits for 2018	Individuals under 50	Individuals 50 and older
Traditional or Roth IRA	$ 5,500	$ 6,500
401K, 403B or 457	$ 18,500	$ 24,500
Simple IRA	$ 12,500	$ 15,500

✔ ***Health Care Deduction/ Exclusion/Credit Maximize Contributions.*** Health Savings Accounts (HSAs) are available to people who have a qualifying, high-deductible health insurance plan (HDIP).

The IRS defines HDIPs as plans with an annual deductible of more than $1,350 for individuals and a maximum out-of-pocket expense of $6,650. For families, the plan must have an annual deductible of more than $2,700 and a maximum out-of-pocket expense of $13,300.

Contribution Limits are $3,450 for self-only coverage or $6,850 for family coverage. Additional contribution limit increased by $1,000 for age 55 and older.

Contributions are pre-tax… allowing you to reduce your tax bill and remain available until used for qualified medical expenses.

A Flexible Spending Account offers the same savings and pretax benefits as an HSA, but to someone in a higher cost health plan — one with a higher premium and lower deductible. It essentially works the same as an HSA, but you can't contribute as much money to it — a maximum of $2,650 a year — and the funds generally do not roll over if they are not used during the year…use it or lose it! There are a couple of exemptions on this so check with your HR Department.

✔ ***Max Wages Subject to Social Security Tax.*** The Social Security Administration (SSA) announced that the 2018 COLA marks the first significant increase in Social Security benefits in several years following a paltry 0.3% hike in 2017 and no increase in 2016.

For some beneficiaries, their Social Security increase may be partially or completely offset by increases in Medicare premiums. The maximum amount of wages subject to Social Security taxes will increase from $127,200 in 2017 to $128,700 in 2018. Earnings above the $128,700 amount are not subject to the Social Security portion of the payroll tax or used to calculate retirement payouts.

2018 Marks The First Significant Increase In Social Security Benefits In Several Years

✔ ***Earnings Limits Have Increased.*** The annual earnings limit for those who both work and claim Social Security benefits will increase to $17,040 in 2018 for individuals who opt to receive benefits early (ages 62 through 65). For those who turn 66 in 2018, the earning limit increases to $45,360.

April 18 Has Come And Gone… Can We Relax? *Not Yet…*

Your return or Request for Extension has been filed. ***BUT***, you may not be finished with all the steps related to your 2017 tax return.

Extension Filed? October 15 is the extended return filing deadline but April 18 was the deadline for your tax payments. Continue to gather documents that were missing earlier and search for any items necessary to verify Schedules with incomplete information. Let's file as soon as we have all your information.

Retirees Must Watch For Income -Related Medicare Premium Adjustments. Medicare premiums are set each fall to take effect the following Jan. 1. Retirees can be subject to a Medicare premium surcharge in 2018 if their income from 2016 spiked. Your monthly Medicare premium could rise from the standard $134 per month to as high as $428.60 per month.

If you are on Medicare, call me before initiating financial transactions that may create large spikes to your income such as large investment gains, sale of a vacation home, or converting a traditional retirement account to a Roth IRA. Even large withdrawals from an IRA or 401K could create Medicare premium issues.

Victims of Identity Theft. Taxpayers can submit Form 14039 (Identity Theft Affidavit) to report to the IRS that they are an actual or potential victims of identity theft. This will allow the IRS to mark the taxpayer's account to identify questionable activity. Taxpayers should be alert to possible identity theft if:

- They received an IRS notice saying more than one tax return was filed for them.
- They have a balance due, refund off-set or collection actions taken against them for a year they did not file a tax return.
- IRS records indicate they received wages from an employer they do not know.

The IRS will issue a six-digit identity protection (IP) PIN to the taxpayer to enter on their tax return. A new PIN will be issued every year for three years after the identity theft incident.

> *"RMD Guide" from Page 4*

subject to RMD rules, you can choose to withdraw your total RMD from just one account, or from a combination of them, if the overall minimum amount is withdrawn during the year.

If you turn 70 1/2 in 2018, be careful about waiting. Keep in mind that withdrawals from retirement accounts that have RMD requirements are considered taxable income. Here is where waiting ("technically") can get you into trouble. Let's say that you'll turn 70 1/2 in 2018. This means that you have until April 1, 2019 to take your first RMD. However, your second RMD will be due by the end of 2019. By waiting until 2019 to take your first RMD, you'll have two big withdrawals in the same calendar year, which could easily bump you into a higher tax bracket…or increase your Medicare premiums as discussed earlier in this newsletter.

The Point: If you turn 70 1/2 during 2018, it may be a smart tax move to take your first RMD by the end of the year, even though you aren't required to do so.

Finally, don't forget the tax advantages of having your RMD paid directly to a charitable organization. You satisfy the RMD distribution rules and you also can get a deduction for a charitable contribution without itemizing!

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