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2017 Newsletter #1
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Welcome to the first Newsletter of 2017!

I probably should have done this long ago. It has been years since this newsletter (formally called the summer newsletter) has actually gotten out when it was really summer. Therefore from now on the newsletters will be simply numbered and this one will just be called this the first of the three newsletters that will come out for the year. So here it is the first newsletter of 2017.

From my point of view

I can sum it up in one word-disappointment. I remember 8 years ago when the former occupant of the white house moved in and then promised a change, I thought maybe this could work out. We definitely need a change in our government. Maybe this guy will pull this off. What we got was someone single handedly pushing thru his own agenda via gross misuse of the executive order privilege which completely circumvent all of the checks and balances put in our system to protect from that very thing. He also created a national debt to assure his reelection that at some point that same debt will crush our country. And of course who can forget, He led our government to get involved in healthcare which when done by any other government in the world has resulted in disaster and now our system has just added to that list. Then this new guy, even as surprised as I was when he won, promised 2 things-lower taxes and get rid of the horrible Obamacare. Now it appears the real politicians are determined not to let any of that happen and all we are left with is in-fighting which is leaving us a lot worse off than we were just 8 short years ago. Oh please bring back the 80's. Then our state of Illinois has to get in the act so they can have more money to misuse. I could go on but I am going to get to some important issues. There is a tax proposal from the white house I will get into latter but I have to address Obamacare. I really thought this was going to be gone for good. My health insurance cost has gone from a total with premiums, deductibles and co-pays to just over 7k a year to a total cost of 30k for 2017 and that number is again projected to go up. This has been a serious drain on our small business finances. It has been 9 years since we increased any of our prices anywhere but that will come to an end in 2017. Some of you that have been with me for a while may find that comment very strange because return prices have gone up. 6 years ago the reporting requirement for sale of stock quadrupled which caused an increase in the price of the return by about $100 to $150 for everyone that sold stock and that is most of you. Then 4 years ago the Obamacare taxes kicked in and BAMO- the cost for returns went up a minimum of another $100 per return. All had nothing to do with our pricing but everything to do with satisfying new government regulations. I also noticed I was spending a lot more time to get the same tax returns out. This was due to the increased complications which even with my very expensive tax program- took a lot more time to get all the information recorded that was required. So what we did is stop accepting new clients unless they were referred from you. This allowed us to do the extra work because we were doing less returns. We are very happy with our client base and good clients give good referrals. By the way you know we feel this way about you because you wouldn't be getting this newsletter if we didn't. But now we are left with having to cover ever increasing cost. Other cost have gone up about the way they should have but healthcare is killing me and we now are left with no their options. I know many of my business clients have felt the same pain. A pain I sincerely hope goes away sometime very soon.

Some #'s

The numbers for next year (2018) have come out. The ones that affect some of you are standard deductions for joint return will be 13k, head of household 9,550. Single and married filing separate is 1/2 of the joint. Add another $1300 if you are over 65 or blind. Kiddie tax will be the same as 2017 ($2100) personal exemption will be $4150. There are many more changes but those are the main ones.

Trump tax reform (Yes disappointment again)

If you listen to the news on Obamacare repeal appears to be gone, Trump has moved to his second promise of tax reform. Why disappointment you ask-It is because his recent speeches have REALLY backed off what he has proposed just months before the election. That proposal was reportedly directly in line with what the Congressional Republican leadership also wanted to see. Now it appears only fragments of that plan are even being talked about. HIGHLY DISAPPOINTING. The only positive is Trump has urged Congress to move on this -- And yes he sent that message to congress via a tweet.

Late filing - Maybe not

In a somewhat unprecedented move the IRS has issued potential relief for partnership returns filed late. Starting last tax season the due date for partnership returns was March 15th and not April 15th as it was in the past. IRS has announced it will grant a onetime relief if this was not followed. Note it is very clear-just 1 time.

The boogie man has nothing on them

As you can tell as was the case over the past several years there is very little to report on new tax stuff so here I go with the stories. The IRS hates businesses defaulting on payroll taxes more than anything. If you are a business and you mess up payroll taxes you will have both a boatload of notices and eventually the IRS knocking on your door. Poor Dr Moore-a dentist got behind in his payroll taxes. Over several years he tried to get caught up but never quite did. Eventually he found himself in court. Our kind and gentle IRS went after Dr. Moore with a viciousness only found with the IRS as they wanted to seize his practice and stop him from practicing dentistry until all of the bill was paid. I can see them doing that- can't you? I am sure the IRS has many qualified individuals to be able to give proper and adequate care to all of his patients. Not only that but what a great idea to stop him from making money and throwing him out in the street. I am sure that debt will get paid real quick once that happens. Well the court told the IRS not even you (meaning the IRS) has the power to do that so Dr. Moore can continue to practice but I sure don't want to be him. Having the IRS told they don't have the power to do something is like taking a cell phone away from a 13 year old. They are now really going to be angry and upset.

Hey where did you put the abacus?

A treasury inspector report has condemned the IRS"s hardware infrastructure as outdated and inadequate. Over 64% of the hardware used by the IRS falls into this category. It is estimated to cost over 430 Mil to fix. The aging hardware is failing and besides exposing taxpayers information to potential hackers, it is estimated that the time to resolve issues just due to the hardware failure was 4541 hours last year alone. I wonder what that is in dog hours.

Honey - it has mold on it

There have been some changes in tax law that can cause returns to be audited by the IRS long after the normal 4 years have passed. The most recent are estate returns that a claim to what is called a portability election. In short this is an election to extend the estate exclusion to your spouse. The only problem is the court has said because of the nature of that election (which is a VERY valuable election that could be worth millions of $$) the IRS can go back and audit the first return. So if you outlive your spouse by say 25 years guess what you better have tucked away somewhere with all the support.

Advise Please

Let's assume something in Washington really does happen. Let's assume we really get taxes reduced. Therefore I have two recommendations:

1. STOCK OPTIONS: Part of the original tax reform proposals were to eliminate Alternative Minimum Tax. This would have a huge impact on ISO's as incentive stock options are currently subject to AMT. If AMT does get repealed this would be such a big tax savings so I recommend to try to hold off exercising any ISO's you have before 2018. Same would be true to nonqualified option. If the tax rates go down you could save a lot by waiting until 2018. The only exception for those non-qualified option in if the bargain element (that is the part that is taxed currently on your W-2) is small but you expect the stock to go way up. Then cashing out now and get this into a position to be a long term capital gains sooner would be the way to go. Also always keep in mind - never let the tax tail wag the business dog - if it makes economic sense to pull the trigger now and that outweighs any possible tax benefit- pull away.

2. ROTH IRA CONVERSION: This can actually be done now and maybe postpone taxes till 2018. Here is how-convert your IRA to a ROTH. Please be advised if you do this you will pay tax on this and because of that may not be worth it. But then wait to see what happened. If tax rates become more favorable in 2018 reconvert back to the IRA then convert again after 30 days has passed. There are restrictions to this strategy so if you are going to do this please call.

OK that is all for now

Hopefully we will see something happen in Washington soon.

-Tom & Dorothy