Newsletter

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4TH QTR 2017

From the PRESIDENT...................... Jerry Kutz

I would like to thank all LSIA members for their support and confidence in electing me as your President. Our organization faces many challenges in the future. I look forward to working with our Officers, Directors and Executive Director to deal with these challenges.

I attended the NSA Annual Convention in Reno, NV. I wanted to meet with officers of other states to get their input on how they handle their offices. We have a strong organization but it will take a concerted effort by ALL members to grow and prosper In the future.

Our annual convention was held at the L'Auberge Casino in Baton Rouge in June 2017. All who attended were treated to great food, fellowship and CPE. The only thing missing was more members & guests. Please plan to attend the annual convention next year.

As hard as it is to believe, seminar season will be over on January 5th. Our Executive Director, Ryan Orgeron, did a masterful job of setting up, promoting and working our seminars. How many used the SBET Reimbursement program? We need to promote this program which can only increase our attendance.

We will hold a Board meeting in Baton Rouge at the 1040 seminar on Thursday January 4th after the seminar.

Next up will be Tax Season and all the challenges this will present. With the new tax laws in place, our organization takes on additional importance. The ability to network with each other could save our members time. Offering that networking could be used as a recruiting tool.

I would like to offer special thanks to past President and current Executive Director, Ryan Orgeron and NSA State Director, Danette Daigle, for all their support and guidance as I enter this new job. When I spoke to NSA members from other states I realize how much there is to learn from others. On a local level we have so much experience with our past Presidents and longtime LSIA members. There is always someone I can turn to when questions and problems arise.

Please promote our LSIA by recruiting members, attending seminars and volunteering for positions in your local and state chapters.

God Bless you all and pray for our country and those who serve and protect us.

DID YOU KNOW..................

Tax Cuts & Jobs Act of 2017 (Trump Tax Cuts) directs the Secretary of the Treasury to issue due diligence requirements for paid preparers in determining eligibility for a taxpayer to file as head of household. A penalty of $500 will be imposed for each failure to meet these requirements.

DANETTE DAIGLE
Past President
NSA Director

NSA News

Merry Christmas and Happy New Year!

The holidays are upon us and 2018 quickly approaching. As accountants, we are busy after the first of the year and time with our loved ones is valuable. May we take this time right now to make good memories and enjoy our family and friends during this holiday season.

As we prepare for Tax Season 2018 and the new Tax Reform Bill, you may want to consider joining NSA, if you are not already a member. As a member, NSA gives you 5 federal tax questions, per year, researched and answered FREE! In addition, NSA offers its members many useful tools to assist in your business. You can download templates for engagement letters, client letters, disclosure statements, tax planning and tax organizers, and more. Members can also access practice management, tax tools and marketing aids. One tool I especially like is the Average Fee Survey which can be accessed by downloading a pdf or by using the online calculator. This is a very detailed fee survey comparison done by nation, region and state. Here are some of the results from the national fee survey:

$273 for an itemized Form 1040
$176 for a non-itemized Form 1040
$457 for a Form 1040 and Schedule C
$59 for a Form 8962, $53 for a Form 8965, $58 for a Form 1095A
$656 for a Form 1065
$826 for a Form 1120
$809 for a Form 1120S

NSA is your source to get the latest news on current events, legislative alerts and analysis, IRS updates and also practice management tools and information. Emails are sent to members weekly and monthly giving us awareness and information of current and proposed legislation. Fraud awareness articles have been a hot topic lately to help us recognize and avoid identity theft through phishing scams. As a recent article states, “ Each day, people fall victim to phishing scams through emails, texts or phone calls and mistakenly turn over important data.” This article is an eye opener and everyone should read it and share the valuable information with their staff, family members and clients.

NSA protects your rights to practice and has been for over 70 years. They monitor developments at both the Federal and State levels to influence IRS and State practice, procedure and operations to promote the interests of practitioners and your clients.

NSA Director ……..continued

NSA members can save on CPE, webinars, IRS Tax Forums, CCH, RIA, PPC, Quickfinders, The TaxBook, supplies, technology, credit card processing and much more. Did you know that if you are a member of NSA you can save up to 36% on shipping from UPS? Visit www.NSA/UPS Discount Page for more information. Members can also save up to 80% on over 93,000 products from Office Depot. Go to www.officediscounts.org/nsa to sign up now! NSA members also have available to them a cyber liability insurance protection plan offered through Forrest T. Jones & Company. For information on this, please contact Ronda at rjones@ftj.com.

I have only listed a few of the advantages of joining NSA. To become a member or for more information, visit NSA @www.nsacct.org or contact me and I will be happy to discuss it further with you. I can be reached at (225) 763-9996 or danettedaigle@aol.com.

The NSA Scholarship Foundation awards scholarships to undergraduates enrolled in an accounting degree program at an accredited two-or four-year college or university. Students can apply for the 2018-2019 scholarships online between January 1 and March 31, 2018. Scholarship guidelines, eligibility requirements and FAQs are online at: http://www.nsacct.org/about/nsa-scholarship-foundation

Tax Cuts and Jobs Act of 2017 …… by David Mellem

Technically the name for this Act was removed, but this is the name it used to be called until the final vote by Congress.

We believe this new tax act will affect every taxpayer who has to file a return in at least one positive and at least one negative way. The impact on each taxpayer depends on that taxpayer's particular situation. This Act affects more people than most tax acts we have had over the past 30 years. The media is telling everyone this Act benefits this group and hurts that group. The reality of it, as we see it, is that it will affect every taxpayer who has to file a tax return.

It will take us more than one email to provide the highlights of the new tax Act, signed by President Trump December 22, 2017. Short explanations from various organizations may be sufficient but short explanations, including ours, may be missing details that are important to your practice. We suggest every tax professional get a copy of the Act (such as from publishing companies). There will be a cost for the copy but you should find it well worth having.

Today's email contains the items that we feel you need to know in order to advise your clients on actions they may want to take before the end of this year. For example, the loss of many itemized deductions and the increase of the standard deduction may be a reason for taxpayers to make their 2018 contributions in 2017 instead of waiting for 2018.

Tax Cuts and Jobs Act…… continuted

Unless mentioned specifically, the following items are effective for tax years beginning after December 31, 2017. There is a sunset provision with this Act which means unless mentioned specifically, these changes expire as of December 31, 2025, and the tax laws revert back to prior law.

** Individual Income Tax Rates – are generally going down. Effective with tax years beginning after December 31, 2017, the rates and brackets are:

Single	Married Filing Jointly	Married Filing Separately
- 10% up to $9,525	- 10% up to $19,050	- 10% up to $9,525
- 12% up to $38,700	- 12% up to $77,400	- 12% up to $38,700
- 22% up to $82,500	- 22% up to $165,000	- 22% up to $82,500
- 24% up to $157,500	- 24% up to $315,000	- 24% up to $157,500
- 32% up to $200,000	- 32% up to $400,000	- 32% up to $200,000
- 35% up to $500,000	- 35% up to $600,000	- 35% up to $300,000
- 37% over $500,000	- 37% over $600,000	- 37% over $300,000

Estates and Trusts
- 10% up to $2,550
- 24% up to $9,150
- 35% up to $12,500
- 37% over $12,500

** Capital gains and qualified dividends rates –

Single	Head of Household	Married Filing Jointly
- 0% up to $38,600	- 0% up to $51,700	- 0% up to $77,200
- 15% up to $425,800	- 15% up to $452,400	- 15% up to $479,000
- 20% over $425,800	- 20% over $452,400	- 20% over $479,000

Married Filing Separately	Estate and trust
- 0% up to $38,600	- 0% up to $2,600
- 15% up to $234,500	- 15% up to $12,700
- 20% over $234,500	- 20% over $12,700

We find no mention of any changes involving the maximum 25% or 28% tax rates applicable to Unrecaptured Section 1250 gains and collectible gains, respectively.

Inside Story Headline

** Kiddie Tax – Instead of using the parent's tax rate, the unearned income of the child will use the trust tax rates. (Since capital gains are unearned income, 2017 may be a year for the child to sell investments and have the gains taxed under the current method (i.e., parent's rate).) In 2018, the maximum tax rate of 37% applies to estates and trusts at $12,700.

** Alternative Minimum Tax for individuals is changed by increasing the exemption amount to $70,300 ($109,400 for MFJ). The phase out of the exemption amount starts at $500,000 AGI ($1,000,000 for MFJ).

** Personal exemptions no longer exist.

** Standard deductions are almost doubled. The amounts for 2018 are: $24,000 for MFJ, $18,000 for HH, and $12,000 for S & MFS. The extra standard deductions for taxpayer who are blind or age 65 or older continue as under current law.

** Itemized Deductions:
- State and local taxes will be limited to $10,000 ($5,000 for MFS) per year.
- - This includes the sum of:
1) State and local income taxes,
2) State and local real estate taxes, and
3) State and local personal property taxes.
- - Foreign taxes are still deductible and are NOT part of this $10,000 limit.
- - SPECIAL NOTE – Any amount of state and local INCOME taxes paid in a taxable year beginning before January 1, 2018, for a taxable year beginning after December 31, 2017, shall be treated as paid on the last day of the of the taxable year for which such tax is so imposed. In other words, prepaying the 2018 calendar year income tax returns in 2017 does NOT give a deduction on the 2017 income tax return.

- Medical expenses – The 7.5% of AGI base is restored for tax years beginning in calendar years beginning in 2017 & 2018. The 10% of AGI base is effective again starting with tax years beginning after December 31, 2018. There is no longer an AMT add back for medical expenses.

- Charitable contributions – The 50% of AGI test is increased to 60%.

- Mortgage interest on Schedule A. Interest on Equity Indebtedness will no longer be deductible. All equity indebtedness will have to be traced to its usage in order to determine if the interest is deductible (Sch. E, F, etc.). The maximum amount of Acquisition Indebtedness on the first and second home will be reduced to $750,000 ($375,000 for MFS). Although this lower Acquisition Indebtedness limit is effective for tax years beginning after December 31, 2017, December 15, 2017, is an important date going forward. The former $1,000,000 ($500,000 for MFS) Acquisition Indebtedness limit will continue to apply for future years for any loans incurred before December 15, 2017.
- - SPECIAL BINDING CONTRACT EXCEPTION – A taxpayer who has entered into a written binding contract before December 15, 2017, to close on the purchase of a principal residence before January 1, 2018, and who purchases such residence before April 1, 2018, can apply the previous $1,000,000 limitation to the Acquisition Indebtedness.
- - CAUTION – The interest on the Equity Indebtedness is no longer deductible after 2017. This means if a taxpayer has a mixed loan (some Acquisition Indebtedness and some Equity Indebtedness), it is necessary to determine how much of that mixed loan is Acquisition Indebtedness.

- Casualty losses will no longer be deductible except for casualty losses attributed to a Federally declared disaster.

- The 2% Miscellaneous Itemized Deductions will no longer be deductible. These include tax return preparation fees, Form 2106 expenses, investment expenses, etc.

- The phaseout of itemized deductions will no longer exist.

** Depreciation
- Section 179 expensing increases to a maximum of $1,000,000, with a phase-out level beginning at $2,500,000.
- Qualified leasehold improvement property, qualified restaurant property, and qualified retail establishment property are replaced with “qualified improvement property” for purposes of Section 179 and the 15-year depreciable life. (This matches the 2016 change that took place for Bonus Depreciation last year.)
- Depreciation – Computers will no longer be listed property. (In the past a computer that was not used in a 100% business location fell into the definition of listed property. This meant the taxpayer was required to keep a log showing the usage of the computer.)
- Depreciation – Farm equipment will change from the 7-year recovery property to 5-year recovery property.
- Depreciation – Farm equipment will be depreciable using regular MACRS (instead of the 150% method used in the past).
- Bonus depreciation is increased to 100% effective for purchases after September 27, 2017, and before January 1, 2023. This 100% rate is reduced by 20% points each year starting in 2023, so the rate in 2023 is 80%, 2024 is 60%, etc.
- Bonus depreciation will be available for used property as long as the taxpayer did not use the property before the taxpayer acquired the property.
- Listed Property limits for vehicles increases to (before any additional amount for bonus depreciation):
- - $10,000 for the first year,
- - $16,000 for the second year,
- - $9,600 for the third year, and
- - $5,760 for the fourth and subsequent years until costs are fully recovered.

** Like-Kind exchange rules now ONLY apply to real estate. They no longer apply to other property such as personal property. Therefore any “exchange” of personal property will be treated as a “sale”.

** Corporations will have a flat tax of 21% starting with tax years beginning after December 31, 2017. The provision to have a higher flat rate for qualified PSCs did NOT become part of the final Act.

** IRS is to change the withholding tables no later than 1/1/19. IRS has indicated it expects to issue new tables in mid-February 2018.

** Alimony paid will no longer be deductible and alimony received will no longer be taxable, effective for instruments executed AFTER December 31, 2018. This also applies to instruments modified after December 31, 2018, only if the modification expressly provides that this change applies to the modification.

This info has been shared courtesy of: David & Mary Mellem, EAs & Ashwaubenon Tax Professionals, 920-496-1065 (920-496-9111).

David has 39 years experience in income tax preparation and over 30 years experience in tax seminar lecturing. He and his wife own and operate Ashwaubenon Tax Professionals. David has a Bachelor's Degree in Accounting from Lakeland College. In 1982 he received the Enrolled Agent designation. He is also a Fellow of NTPI. David is an active member of both the NAEA and the NATP. He has appeared several times on web programs with TaxTalkToday.com.. David is also an instructor for NCPE.