

Padgett Business Services - Gainesville

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THIS MONTH:

- * Are You Ready for 2018?
- * Statute of Limitations
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As Quoted On



Are You Ready for 2018?

Now that you've filed your 2017 tax return (or at least filed an extension), it's time to consider what your 2018 return will look like. Many provisions of the Tax Cuts and Jobs Act take effect in 2018 and could impact your return. Many taxpayers have already seen an increase in their paycheck for the revised withholding schedules, but what else should you be prepared for? For starters, the standard deduction has nearly doubled to \$24,000 for married taxpayers filing jointly, \$18,000 for heads of household, and \$12,000 for all other individuals. The additional standard deduction for elderly and blind taxpayers was not changed.

Additionally, some new credits are available. The amount of the child tax credit has increased to \$2,000 per qualifying child. The maximum refundable amount of the credit is \$1,400. The Act also created a new nonrefundable \$500 credit for qualifying dependents who aren't qualifying children. The threshold at which the credit begins to phase out was increased to \$400,000 for married taxpayers filing a joint return and \$200,000 for other taxpayers.

Oh wait, there's more! The personal exemption has been eliminated, the tax brackets have been adjusted, and various deductions have been eliminated. For example, for any divorce or separation agreement executed after Dec. 31, 2018, the act provides that alimony and separate maintenance payments are not deductible by the payer. The Act repealed the provisions that those payments were includible in income by the recipient. Make sure to contact us for further information detailing the specific changes in tax rates and itemized deductions!

Due to the complexities of the new law and the numerous changes, we encourage you to contact us as soon as possible to discuss how tax reform will impact your personal return.

Statute of Limitations

After you file your taxes, you'll have many records that may help document items on your tax return. You'll need these documents should the IRS select your return for examination. Generally, this means you must keep records that support items shown on your return until the statute of limitations for that return runs out.

The statute of limitations is the period in which you can amend your return to claim a credit or refund or the IRS can assess additional tax. Returns filed before the due date are treated as being filed on the due date.

It's Time for a Checkup, a Paycheck Checkup That Is!

Regular health exams are important to help identify any problems before they start, which may increase your chances of living a longer, healthier life. The same philosophy can be applied to your tax position.

The Tax Cuts and Jobs Act passed in December of 2017 brought extensive tax reform including an increase in the standard deduction, removal of personal exemptions and a change in the tax rates and brackets. The IRS encourages taxpayers to check their paychecks to help ensure they're having the right amount of tax withheld for their personal income tax situation.

Since withholding issues can be complicated, the IRS has released a "Withholding Calculator" designed to help taxpayers perform a quick "paycheck checkup" to determine if changes to their current withholdings are needed. By taking a few minutes to complete the checkup, you can protect yourself against having too little tax withheld and facing an unexpected tax bill or penalty or unnecessarily having too much withheld.

The IRS suggests that families with two incomes, those with two more jobs at the same time or who only work part of the year, families with children who claim credits, such as the child tax credit, taxpayers who itemized in 2017, high-income earners and those with more complex tax returns utilize the tool.

Before using the Withholding Calculator, you need to plan ahead to make the process as easy as possible.

The IRS offers the following tips:

- Gather your most recent pay stub from work and make sure it reflects the amount of federal income tax that you have had withheld so far in 2018.
- Have a completed copy of your 2017 or possibly 2016 tax return.
- Keep in mind the results are only as accurate as the information entered, so if your circumstances change during the year you should return to the calculator to make

sure your withholding is still correct.

- Use the results from the Withholding Calculator to determine if you should complete a new Form W-4 and, if so, what information to put on it.
- Generally, the fewer withholding allowances you enter on the Form W-4, the higher your tax withholding will be. Entering "0" or "1" on line 5 of the W-4 means more tax will be withheld and entering a bigger number means less tax will be withheld, resulting in a smaller tax refund or potentially a tax bill or penalty.

We're available to assist you in navigating the new withholding rates. Call us today to set up an appointment!

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PADGETT BUSINESS SERVICES® is dedicated to meeting the government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

AMERICA'S FIRM FOR SMALL BUSINESS TAX NEEDS®

