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First Class

John Murray CPA **Tax Newsletter** **December 2017**

New Tax bill everyone talks about:
Not effective until 2018 tax year
Major provisions likely to pass:
RE tax deduction limited to $10K

Interest deduction limited to interest on Mortgage of $500K, no interest deduction for second home.

Charitable contributions, and investment interest remain the same.

Phase out over $500 AGI of home sale exclusion.

Personal exemptions are eliminated replaced by a tax credit.

Standard deduction raised to $24K joint, $12K single.

Retirees get a gift; the tax bill contains relief by increasing the income limit thresholds for the taxation of Social Security benefits.

Currently, married couples with incomes less than $32,000 and single filers with incomes less than $25,000 are exempt. Under this bill, Social Security recipients will be allowed an additional subtraction from taxable income. For married filers, the subtraction is $4,500, which is reduced by 20% of income over $77,000. For single filers, the subtraction is $3,500 reduced by 20% for income over $60,200. It is estimated that 75,000 retirees will no longer pay taxes on their benefits and overall more than 200,000 will see some relief.

Minnesota 529 Subtraction

Individuals who contribute to a Section 529 College Savings Plan may be eligible for a subtraction from income up to $3,000. ($1,500 if filing single).
Beginning in 2017 if you contribute to a Section 529 Plan, you may claim this subtraction but not if you claim the credit.

The subtraction or credit is available regardless of which state plan you participate in.

Notices
If you receive a notice form the IRS or the State Revenue Department please contact me. ***Do not assume they are correct.*** *I am finding better than half of the notices are not correct, some of the notices are asking for considerable amounts of money but are totally in error.*

Check your old savings bonds:
Accrued interest on Series EE U.S. savings bonds issued in 1987 is taxable. Interest is taxable when they mature even if they have not been cashed. There is no longer a deferral to roll it into HH bonds, and be paid yearly interest.

Car and truck expenses: The 2017 standard mileage rate for business travel is 53.5 cents per mile.
The 2017 standard mileage rate for medically-related use of an auto is 17 cents per mile. The standard mileage rate is 14 cents per mile for use of an auto in rendering gratuitous services to a charitable organization.

Travel Reimbursement Standard CONUS rates apply to all counties not specifically listed in the GSA's per diem rate table. The maximum standard per diem rate for travel locations not listed in the per diem rate table will increase from $142 to $144 on October 1 ($93 from $91 for lodging, $51 (no change) for meal and incidental expenses or MI&E).

If paid at or below the federal limits, you can eliminate the burden of any reporting — i.e., nothing on W-2s. Any reimbursement over the tables is taxable income to the employee.

Medical expenses to be deductible must be more than 10% of AGI for all taxpayers. Previously it was 7.5% for taxpayers over 65 that provision has expired.

Deduction for mortgage insurance premiums has expired.

Charitable deductions: as in past years donations of more than $250 must have a written statement from the charity. No written statement, no deduction.

For any donation to be deductible it must be made to a qualified charity. The IRS has a list of qualifying charities on their website. You can go to "select check" to find out if it is a qualified charity.

IRA Required Minimum Distribution:

Taxpayers who turn 70 ½ in 2018 have until April 1, 2019 to take their required minimum distribution from their IRA or 401(k). Their second distribution must be made by December 31, 2019. Generally, even though it is allowed to wait until April 1 of the following year it is generally wise to take the first distribution in the year in which the taxpayer turned 70 ½. This avoids doubling up of distributions in the same year.

Changing money at the Canadian border the bank teller asked Ole "What denomination?" Ole replied "Lutheran of course!"

Power of Atty and Medical Directive

It is wise move to have a power of attorney (POA) and medical directive in place. If you become incapacitated someone needs to act for you. A spouse does not necessarily have the power to act without a POA in place. A medical directive clearly states your desires as to do not resuscitate and whether extraordinary measures are to be used to keep you alive. Better to make these decisions yourself than have someone else make them under stress.

Donor-Advised Fund

A "donor advised fund" is a charitable giving vehicle administered by a charitable sponsor. Vanguard, Fidelity, Schwab and others manage them. A donor-advised fund allows donors to establish and fund the account by making irrevocable, tax-deductible contributions to the charitable sponsor. The donation is tax deductible in the year transferred to the donor advised fund.

Donors then recommend grants from those funds to other charitable organizations. This can be done over a period of future years. Meanwhile the fund, if invested well, continues to grow. Suggested transfers to charity should equal a minimum of about 5% of the fund per year.

Merry Christmas and Happy New Year

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