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2018 TAX HIGHLIGHTS

NEW TAX REFORM

The 2018 Tax Reform marks the biggest change of the tax code in more than 30 years. All taxpayers with taxable income will be affected by the changes. These changes consist of new tax brackets, modified deductions, corporate tax changes, medical coverage obligation, alimony, and more.

Cryptocurrency

Cryptocurrency is treated as property such as stocks and bonds. You should have an ICO number and know what exchange is being used. There is a gain or loss on every transaction.

Affordable Care Act

The Affordable Care Act continues to be a hot topic. Here are a few things you should know.

1. In 2018 everyone must have Minimum Essential Coverage (MEC), or have a coverage exemption certificate through the Market Place or make a shared responsibility payment to the IRS for lack of insurance in order to avoid penalty.
2. Exemptions from the Marketplace have to be obtained at the earliest opportunity. Ex: members of certain religious groups, general hardship, coverage considered unaffordable, etc. Exemptions from the IRS can only be obtained by filing a federal return.
3. Starting Jan. 1, 2019, anyone who do not purchase health insurance will no longer face penalties.

Minimizing Your Taxes for 2018

For those of you filing

Individual Tax Returns

1. Pay January's mortgage, property tax and medical bills in December of 2018.
2. Child care deduction is now up to 35% of \$3,000 per child, up to \$6,000 for more than one. Maximum credits \$1,050 to \$2,100.
3. Consider tax free investments such as Municipal bonds and other tax-free investments.
4. 401K's, IRA's and other tax sheltered investments to defer taxable income is also advisable. This can also make you eligible for the Retirement Savings Contributions Credit which could reduce tax liability up to \$2,000 depending on your filing status, income and contributions made to 401K or an IRA.
5. Donate items to non-profit organizations. Remember to get receipt for donations and list items donated and values.
6. Second mortgages and lines of credit on your home can be deducted on your tax return.
7. Selling losing stocks or mutual funds would help up to \$3,000.

8. Student loan interest paid is a deduction.

9. Tax free saving bonds are another approach to save for college. Interest escapes taxes when used to pay college.

10. Casualty losses are deductible with federally declared disaster events.

11. The alternative minimum tax will effect you less or not at all as the income limits have been increased and phase out limit also increased.

For those of you with Businesses

1. New for businesses is the 20% tax cut on profits called Qualified Business Income that makes less than \$315,000 to \$415,000. Sole proprietors, S-corp, and LLC are eligible.

2. Consider hiring your children under age 18. They can earn up to \$12,000 without being taxed. This is called income splitting.

3. Create SEP retirement plans up to \$54K through the business and lower taxes in the process.

4. Section 179 limit is \$25,000 in 2018. Bonus Depreciation has been extended indefinitely. You can deduct 100% of the value of qualified property in the first year.

5. Home office deduction is now easier to calculate and can be based on a maximum credit of \$1,500.

6. Businesses can receive a tax employment credit for hiring Veterans.

7. Owner of LLC's and S - Corporations need to know what your basis is in the company. You are only allowed to deduct losses up to your basis in the business.

8. IRS will begin requesting the basis for businesses. If you can not provide basis, IRS will assume your basis is zero.

For those of you with Foreign Income

1. Foreign earned income exclusion is up to \$104,100 for those working out of the country 330 days or more.

Things to bring to Appointment

- W-2's & 1099 Forms. Income from all sources including withdrawals from retirement accounts and royalties.
- Drivers license for both taxpayer and spouse. Birth Certificate and social security card for all dependents.
- Proof that dependents reside in your home.
- Child Care Expenses.
- Form 1098-T for claiming the education credit or deduction.
- Mortgage interest and property tax statements on all property you own.
- All medical expenses paid if they exceed 7.5% of your AGI.
- All charitable contributions (Must provide proof of all contributions).
- Gains or losses on sale of real estate, stocks and business assets.
- Cancellation of debts.
- Income and expenses related to investment property.
- Contributions to all retirement plans.
- Settlement sheet if you purchased a home in 2018.
- Casualty losses and thefts (Must have police reports and insurance documentation).
- All work related expenses not reimbursed by employer.
- If working out of the country, we need the dates you are out of the country and what country you worked in.
- Form 1095-A or 1095-B
- Declaration page of homeowner's insurance policy.

Identity Theft

Identity theft is a growing threat with hackers are coming up with more clever methods to gain access to your personal information. If you have been a victim of identity theft and the IRS should issue you a pin, please bring this 6-digit pin to your appointment.

TAX CHANGES FOR 2018

1. **Miscellaneous Expenses & deductions.** Miscellaneous expenses and deductions will be eliminated for tax year 2018. That includes tax preparation fees, unreimbursed travel & mileage, as well as home office deduction.
2. **Standard Deduction Amounts.** The standard deduction amount will increase to \$12,000 for individuals, \$18,000 for heads of household, and \$24,000 for married couples filing jointly and surviving spouses.
3. **Exemptions.** Personal and dependent exemptions have been eliminated.
4. **Child Tax Credit.** The child tax credit doubles to \$2,000 per qualifying child. Up to \$1,400 of the child tax credit can be received as refundable credit.
5. **Moving Expenses.** Moving expenses for job relocation will no longer be deductible.
6. **Home Equity Loan.** Interest paid on your primary home purchase loan is still deductible. Interest paid on home equity loans will no longer be deductible unless the loans is to buy, build or substantially improve your primary home.
7. **Alimony.** Effective Jan. 1, 2019, Alimony payments will not be deductible and the recipient does not claim the payments as income.
8. Your social security benefits generally are not taxable if half of your benefits, plus all your other income is less than \$25,000 if you are single (\$32,000 if you are married filing jointly).
9. Maximum Earned income credit is \$6,431 with three or more qualifying children, \$5,716 with two qualifying children, \$3,461 with one qualifying child and \$519 with no qualifying children.
10. Earned income and AGI must each be less than \$49,194 (\$54,884 MFJ) with three or more qualifying children, \$45,802 (\$51,492 MFJ) with two qualifying children, \$40,320 (\$46,010 MFJ) with one qualifying child and \$15,270(\$20,950 MFJ) with no qualifying children to receive EIC.



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IMPORTANT DUE DATES TO REMEMBER

March 15th— 1065 and 1120S returns are due. Also extension to file return late is due.

April 15th— 1040 Series and 1120 returns are due. Also extension to file 1040's and 1120 are due.

May 15th— 990 returns are due. Also extension to file return late is due.

September 16th— 1120S and 1065 returns that filed for extensions are due.

October 15th— 1040 Series and 1120 returns that filed for extensions are due.

November 15th— 990 returns with extensions are due.

Remember the extension does not relieve you of penalties and interest associated with tax liabilities. They only relieve you from failure to file penalties and interest. Payments are due on the original due date. If you think you will owe you should make an estimated tax payment before the due date.

The IRS is penalizing businesses for returns that are not filed on time or past the extension deadline. They will abate the penalties one time. After that you must show reasonable cause as to why your return was not filed in a timely manner.

IF YOU REQUIRE AN EXTENSION, YOU MUST CONTACT OUR OFFICE AT LEAST TWO BUSINESS DAYS BEFORE THE EXTENSION DUE DATE IN ORDER TO INSURE YOUR EXTENSION HAS BEEN FILED AND ACCEPTED BY THE IRS.