

# ***The Rudolph Report***

www.rudolphcpa.com The Winter Meetings 2018

To all our clients:

As Ye' gather around the Festivus Pole to celebrate the traditional airing of grievances, please add my name to the list for being late with this newsletter. And while you're at it, add Chili Davis to the list. We should have never hired a hitting coach named after a condiment.

We also should have never hired our Congress. This year they overhauled the tax code to help working folks (ie: the folks whom people work for) save money and to simply (ie: fleece) the tax code. The good news is that Congress has produced the tax filing postcard. The bad news is that it has eight sides. When you're done with your post card tax return, you simply fold the paper on the dashed lines to form it into a pterodactyl that can attack the Charmkins that guard your husband's diary. Alternatively, you may hire us to file your return electronically.

Headlining the tax code changes for 2018 are lower tax rates for most levels of income. That's the good news. However, like the career home run record, it comes with an asterisk. Details to follow.

We'll send out the tax organizers in later January. For those who meet with us, we now encourage you to drop off your documents days in advance of the meeting to assure accuracy and facilitate tax planning.

May Santa send Manny Machado to the Mets.

Chris Rudolph CPA

## **THE KIDS ARE GONE**

Personal and dependent exemptions have been eliminated. That means you no longer get to claim the kids and deduct a \$4,050 exemption. But don't kick them out of the house just yet because...

## **THE KIDS ARE BACK**

The Child Tax Credit has doubled to \$2,000 per qualifying child. That's pertains for dependent children under age 17 at the end of the year. There is also now an additional \$500 credit for dependent children who are age 17 or 18, or college students under age 24. Additionally, the income limits for this credit have increased drastically. Previously, this phase out occurred around \$100,000 for married folks. Now, married folks can redeem this credit if total income is under \$400,000. If you are not married, the income limit is \$200,000. If you are a Cardinals fan, the income limit is 800,000 (rupees).

## **GOODBYE AMT**

The Alternative Minimum Tax is pretty much dead. A coroner might pronounce it to be more *merely dead than really, most sincerely dead*. As a result, you will no longer have to listen to us awkwardly explain why your deductions really didn't deduct.

## **GOODBYE DEDUCTIONS THAT GENERATED AMT**

On the flip side, many deductions that generated AMT are most sincerely dead. In other words, you may no longer deduct them: This includes:

- Employee related expenses
- Employee mileage and meals

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- Investment fees
- Home office expense on schedule A
- Tax preparation fees
- Expenses related to paying an agent to secure Yuseless Japanese pitchers
- Union dues
- Continuing education
- Fees for a safety box at the bank

## **NOT-SO-STANDARD DEDUCTIONS**

Salt taxes (SALT refers to “State and local taxes”—not the stuff that makes the kids cackle when they sprinkle it on the border collie) cap at \$10,000 now. Mortgage interest is limited to the first \$750,000 of debt. Any home equity loans which were codified after 2018, must be used to improve the home in order to claim the interest.

## **AND ...BLAH BLAH BLAH TAXES**

The medical mileage rate is 18 cents per mile. Moving expenses have been eliminated except for military families. Entertainment expenses are also no longer deductible unless you are thinking of taking your CPA to Wrigley Field. Then we should talk. Finally, alimony associated with a divorce that occurs after 2018, is no longer deductible nor includible in income.

## **GETTING DOWN TO BUSINESS**

The 100% bonus depreciation now applies to used equipment. Section 179, which allows for the immediate expensing of assets, has been expanded. Businesses may now write off up to \$1 million in equipment purchases such as trucks, backhoes, and Speak ‘n Spells. They may not write off real property such as the acquisition of a building.

The mileage rate is 54.5 cents. Keep in mind that mileage does not include financing costs, car washes, or the St. Joseph statue that my Aunt Mary Louise taped to her Datsun.

C Corporations have a new federal flat rate of 21%. This was an attempt to reduce corporate inversions to foreign countries. Reducing the tax rate proved easier than reducing the foreign countries themselves. The American public was just not ready to invade Montreal. We would have stopped for those famous gravy fries. And my goodness, imagine the awkward hesitation among ranks when the commander in chief orders an assault on the Isle of Man.

Qualified Business Income (QBI) allows for 20% of business profit to be exempt from income tax. This applies to all business entities. If your income is under \$315, (\$157,000 for non-married folks) then you qualify. If your income is over the amount, then we need to talk because the rules and exceptions are bamboozling.

## **IDENTITY THEFT ENDING**

If you were the victim of identity theft and reported it to the IRS, you should be receiving a letter from them in the mail. You will need the PIN from this letter to e-file your return.

We’ve found an astounding amount of identity theft from small medical practices. When the doctor’s office asks for your social security number, consider making one up. Not joking here. There is no need to share that information. And who said you have to be honest with your doctor?

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