October 10, 2018

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

Reminder - Tax Changes Coming in 2018

This memo is a reminder there were significant changes to the tax code and some of those changes may create a much larger tax bill for you. We are bringing a few planning opportunities to your attention that need to be considered before 2018 ends. Check out this quick memo for ideas on how to reduce the chances of having an unpleasant surprise next April!

One of the most important things all wage earners should do now is compare their tax withholding from their latest pay-check stub and annualize that for the 2018 year! First, check out how that compares with the withholding on your 2017 return (note- there may be multiple sources of withholding added to this line (line 64 of the 2017 Form 1040); let us know if we can help. The IRS adjusted the withholding tables early in 2018. Payroll companies reduced withholding accordingly; however, the magnitude of this reduction may or may not have been applicable to your individual situation. If the withholding amount you estimate for 2018 is significantly less than 2017, further scrutiny is probably necessary!

Here are a few quick ideas that might help save you taxes this year:

1. Itemized deductions- Some individuals who itemized their deductions last year are now going to find it more advantageous to claim the standard deduction (as a reminder, the standard deduction for Married, filing joint returns is now $24,000- line 40 of the 2017 Form 1040).

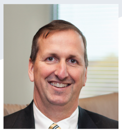
a. This means, keeping track of your charitable gifts probably helped reduce your tax liability in the past; however, it may not be beneficial for 2018. Some taxpayers will still make those charitable contributions whether or not they help reduce taxes. One way certain taxpayers making charitable contributions (even though they do not itemize their deductions) can still reduce their tax liability is by making a "qualified charitable distribution" ("QCD") from their IRA. A quick explanation of this is to direct your IRA custodian to make your required minimum distribution ("RMD") to the charity instead of you. Your taxable income is decreased by the amount of your QCD. This reduction takes place whether or not you itemize your deductions. Accordingly, lower taxable income equals lower tax due in most instances. This strategy is not for everyone and there are limitations and criteria that apply in order to be able to execute this QCD. Also, this has to take place by December 31 (and this is not something most people will be able to complete in a short period of time; so we encourage you to plan accordingly).

b. Managing unreimbursed employee expenses- Some employees will find it beneficial to actually have their wages reduced in lieu of getting payment for some of their previously unreimbursed employee business expenses (via employer expense accountable plans). Employees are no longer able to claim unreimbursed employee business expenses as a deduction on their tax returns.

c. It might help some taxpayers who are close to the itemized threshold to "bunch" deductions into one year; i.e. itemize one year and claim the standard the next. You can still itemize deductions for certain taxes paid (limited to $10,000 each year); home mortgage interest, charitable contributions and certain medical expenses. It's tougher tobe able to "bunch" your mortgage payments into the year in which you itemize; however, you might be able to increase your charitable contribution and medical expense payments in one year while decreasing them in the year you claim standard?

2. Single member LLCs and certain family owned small businesses - These entities might want to pay their child as an employee (for work performed). This payment should be a deductible expense to the entity and it may or may not be taxable income to the child. Paying wages helps to accomplish two things in this instance. You make deductible business expense payments and increase your wages paid; and therefore, might be freeing up more of a qualified business income deduction ("QBID").

3. Effective for 2018 and later years, most students who are beneficiaries of 529 plans are able to use up to $10,000 of those account distributions for elementary or secondary school tuition. The exclusion of this type of withdrawal is dependent upon your state of residency. Some of the state agencies are not sure this Federal exclusion extends to states. It does appear it is excludable for most Missouri taxpayers; while Illinois taxpayers have been entitled to a credit in recent years for these types of payments and the 529 exclusion probably will not apply to them.



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