THE VOS VOICE

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"BECAUSE ACCOUNTING MATTERS AND WE KNOW IT"

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INSIDE THIS ISSUE

Individual Tax Calendar: Important Deadlines for the Remainder of 2018 — 1

Tax Record Retention Guidelines for Individuals — 2

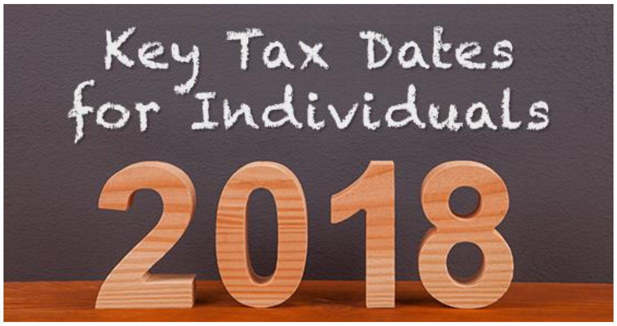
Home-Related Tax Breaks are Valuable on 2017 Returns, Will be Less so for 2018 — 2, 3

(4) Estate Planning Techniques for Blended Families — 3

~ ***IRS Corner***

IRS Grants Relief for Taxpayers Effected by Reduction of Maximum Deductible Health Savings Account Contributions — 4

Tips for Taxpayers Who Have to Amend a Tax Return — 4



INDIVIDUAL TAX CALENDAR: IMPORTANT DEADLINES FOR THE REMAINDER OF 2018

While April 15 (April 17 this year) is the main tax deadline on most individual taxpayers' minds, there are others through the rest of the year that you also need to be aware of. To help you make sure you don't miss any important 2018 deadlines, here's a look at when some key tax-related forms, payments and other actions are due. Keep in mind that this list isn't all-inclusive, so there may be additional deadlines that apply to you.

Please review the calendar and let us know if you have any questions about the deadlines, or if you would like assistance in meeting them.

June 15

- File a 2017 individual income tax return (Form 1040) or file for a four-month extension (Form 4868), and pay any tax and interest due, if you live outside the United States.
- Pay the second installment of 2018 estimated taxes, if not paying income tax through withholding (Form 1040-ES).

September 17

- Pay the third installment of 2018 estimated taxes, if not paying income tax through withholding (Form 1040-ES).

October 1

- If you're the trustee of a trust or the executor of an estate, file an income tax return for the 2017 calendar year (Form 1041) and pay any tax, interest and penalties due, if an automatic five-and-a-half month extension was filed.

October 15

- File a 2017 income tax return (Form 1040, Form 1040A or Form 1040EZ) and pay any tax, interest and penalties due, if an automatic six-month extension was filed (or if an automatic four-month extension was filed by a taxpayer living outside the United States).
- Make contributions for 2017 to certain retirement plans or establish a SEP for 2017, if an automatic six-month extension was filed.
- File a 2017 gift tax return (Form 709) and pay any tax, interest and penalties due, if an automatic six-month extension was filed.

December 31

- Make 2018 contributions to certain employer-sponsored retirement plans.
- Make 2018 annual exclusion gifts (up to $15,000 per recipient).
- Incur various expenses that potentially can be claimed as itemized deductions on your 2018 tax return. Examples include charitable donations, medical expenses and property tax payments.

But remember that some types of expenses that were deductible on 2017 returns won't be deductible on 2018 returns under the Tax Cuts and Jobs Act, such as unreimbursed work-related expenses, certain professional fees, and investment expenses. In addition, some deductions will be subject to new limits. Finally, with the nearly doubled standard deduction, you may no longer benefit from itemizing deductions.

"If you can dream it, you can do it"
~ Walt Disney

Tax Record Retention Guidelines for Individuals

What 2017 tax records can you toss once you've filed your 2017 return? The answer is simple: none. You need to hold on to all of your 2017 tax records for now. But it's the perfect time to go through old tax records and see what you can discard.

The 3-year and 6-year rules

At minimum, keep tax records for as long as the IRS has the ability to audit your return or assess additional taxes, which generally is three years after you file your return. This means you potentially can get rid of most records related to tax returns for 2014 and earlier years. (If you filed an extension for your 2014 return, hold on to your records at least until the three-year anniversary of when you filed your extended return.)

However, the statute of limitations extends to six years for taxpayers who understate their gross income by more than 25%. What constitutes an understatement may go beyond simply not reporting items of income. So a common rule of thumb is to save tax records for six years from filing, just to be safe.

What to keep longer

You'll need to hang on to certain tax-related records beyond the statute of limitations:

- Keep tax returns themselves forever, so you can prove to the IRS that you actually filed a legitimate return. (There's no statute of limitations for an audit if you didn't file a return or you filed a fraudulent one.
- Hold on to W-2 forms until you begin receiving Social Security benefits. Questions might arise regarding your work record or earnings for a particular year, and your W-2 could provide the documentation needed.
- Retain records related to real estate or investments as long as you own the asset, plus at least three years after you sell it and report the sale on your tax return (or six years if you want to be extra safe).
- Keep records associated with retirement accounts until you've depleted the account and reported the last withdrawal on your tax return, plus three (or six) years.

Other documents

We've covered retention guidelines for some of the most common tax-related records. If you have questions about other documents, please contact us.

Home-Related Tax Breaks are Valuable on 2017 Returns, Will Be Less So For 2018

Home ownership is a key element of the American dream for many, and the U.S. tax code includes many tax breaks that help support this dream. If you own a home, you may be eligible for several valuable breaks when you file your 2017 return. But under the Tax Cuts and Jobs Act, your home-related breaks may not be as valuable when you file your 2018 return next year.

2017 vs. 2018

Here's a look at various home-related tax breaks for 2017 vs. 2018:

Property tax deduction. For 2017, property tax is generally fully deductible — unless you're subject to the alternative minimum tax (AMT). For 2018, your total deduction for all state and local taxes, including both property taxes and either income taxes or sales taxes, is capped at $10,000.

Mortgage interest deduction. For 2017, you generally can deduct interest on up to a combined total of $1 million of mortgage debt incurred to purchase, build or improve your principal residence and a second residence. However, for 2018, if the mortgage debt was incurred on or after December 15, 2017, the debt limit generally is $750,000.

Home equity debt interest deduction. For 2017, interest on home equity debt used for any purpose (debt limit of $100,000) may be deductible. (If home equity debt isn't used for home improvements, the interest isn't deductible for AMT purposes). For 2018, the TCJA suspends the home equity interest deduction. But the IRS has clarified that such interest generally still will be deductible if used for home improvements.

Please see *Home-Related Tax Breaks are Valuable for 2017 Returns, Will be Less so for 2018* on page 3

Home-Related Tax Breaks are Valuable for 2017 Returns, Will be Less so for 2018 **from page 2**

Mortgage insurance premium deduction. This break expired December 31, 2017, but Congress might extend it.

Home office deduction. For 2017, if your home office use meets certain tests, you may be able to deduct associated expenses or use a simplified method for claiming the deduction. Employees claim this as a miscellaneous itemized deduction, which means there will be tax savings only to the extent that the home office deduction plus other miscellaneous itemized deductions exceeds 2% of adjusted gross income. The self-employed can deduct home office expenses from self-employment income. For 2018, miscellaneous itemized deductions subject to the 2% floor are suspended, so only the self-employed can deduct home office expenses.

Home sale gain exclusion. When you sell your principal residence, you can exclude up to $250,000 ($500,000 for married couples filing jointly) of gain if you meet certain tests. Changes to this break had been proposed, but they weren't included in the final TCJA that was signed into law.

Debt forgiveness exclusion. This break for homeowners who received debt forgiveness in a foreclosure, short sale or mortgage workout for a principal residence expired December 31, 2017, but Congress might extend it.

Additional rules and limits apply to these breaks. To learn more, contact us. We can help you determine which home-related breaks you're eligible to claim on your 2017 return and how your 2018 tax situation may be affected by the TCJA.

(4) Estate Planning Techniques for Blended Families

Today, it's not unusual for a family to include children from prior marriages. These "blended" families can create estate planning complications that may lead to challenges in the courts after your death.

Fortunately, you can reduce the chances of family squabbles by using estate planning techniques designed to preserve wealth for your heirs in the manner you want, with a minimum of estate tax erosion, if any.

Here are four examples:

1. **Will.** Your will generally determines who gets what, when, where and how. It may be combined with "inter vivos trusts" established during your lifetime or be used to create testamentary trusts, or both. While you can include a few tweaks for your blended family through a codicil to the will, if the intended changes are substantive — such as removing an ex-spouse and adding a new spouse — you should meet with your estate planning attorney to have a new will prepared.

2. **Living trust**. The problem with a will is that it has to pass through probate. In some states, this can be a costly and time-consuming process. Alternatively, you might transfer assets to a living trust and designate members of your blended family as beneficiaries. Unlike with a will, these assets are exempt from probate. With a revocable living trust, the most common version, you retain the right to change beneficiaries and distribution amounts. Typically, a living trust is viewed as a supplement to — not a replacement for — a basic will.

3. **Prenuptial agreement.** Generally, a "prenup" executed before marriage defines which assets are characterized as the separate property of one spouse or community property of both spouses upon divorce or death. As such, prenuptial agreements are often used to preserve wealth for the children of a first marriage before an individual enters into a second union. It may also include other directives, such as estate tax elections, that would occur if the marriage dissolved. Be sure to investigate state law concerning the validity of your prenup.

4. **Marital trust.** This type of a trust can be customized to meet the needs of blended families. It can provide income for the surviving spouse and preserve the principal for the deceased spouse's designated beneficiaries, who may be the children of prior relationships. If certain tax elections are made, estate tax that is due at the first death can be postponed until the death of the surviving spouse.

These are just four estate planning strategies that could prove helpful for blended families. You might use others, or variations on these themes, for your personal situation. Consult with us to develop a comprehensive plan.

"If you are not willing to risk the usual, you will have to settle for the ordinary."

~Jim Rohn

~I R S Corner

IRS GRANTS RELIEF FOR TAXPAYERS AFFECTED BY REDUCTION OF MAXIMUM DEDUCTIBLE HEALTH SAVINGS ACCOUNT CONTRIBUTIONS

IR-2018-107, April 26, 2018

WASHINGTON – The Internal Revenue Service today announced relief for taxpayers with family coverage under a High Deductible Health Plan (HDHP) who contribute to a Health Savings Account (HSA). For 2018, taxpayers with family coverage under an HDHP may treat $6,900 as the maximum deductible HSA contribution.

A change in the inflation adjustment calculations for 2018 under the Tax Cuts and Jobs Act, reduced the maximum deductible HSA contribution for taxpayers with family coverage under an HDHP by $50, to $6,850.

Revenue Procedure 2018-27 announces this relief for affected taxpayers and allows the $6,900 limitation to remain in effect for 2018. The $6,900 annual limitation was originally published in Revenue Procedure 2017-37.

For more information about the Tax Cuts and Jobs Act enacted in Dec. 2017, visit the Tax Reform page on IRS.gov.

“"The secret of success is to do the common thing uncommonly well."

~ John D. Rockefeller, Jr.

TIPS FOR TAXPAYERS WHO HAVE TO AMEND A TAX RETURN

Tax Tip 2018-63, April 25, 2018

Taxpayers who discover they made mistakes or omissions on their tax return can correct them by filing an amended tax return. Those who need to amend should remember these tips:

- File using paper form. Use Form 1040X, Amended U.S. Individual Income Tax Return, to correct the tax return. Taxpayers can’t file amended returns electronically. They can obtain the form on IRS.gov/forms. Mail the Form 1040X to the address listed in the form’s instructions.
- Amend to correct errors. File an amended tax return to correct errors or make changes to an original tax return; for example, taxpayers should amend to change their filing status or to correct their income, deductions or credits.
- Don’t amend for math errors, missing forms. Taxpayers generally don’t need to file an amended return to correct math errors on their original return. The IRS will automatically correct these items. In addition, taxpayers don’t need to file an amended return if they forgot to attach tax forms, such as a Form W-2 or a schedule. The IRS will mail a request to the taxpayer, if needed.
- File within three-year time limit. Taxpayers usually have three years from the date they filed the original tax return to file Form 1040X to claim a refund. Taxpayers can file it within two years from the date they paid the tax, if that date is later.
- Use separate forms for each year. Taxpayers who are amending more than one tax return must file a Form 1040X for each tax year. They should mail each year’s Form 1040X in separate envelopes to avoid confusion. Taxpayers should check the box for the calendar year or enter the other calendar year or fiscal year they are amending. The form’s instructions have the mailing address for the amended return.
- Attach other forms with changes. Taxpayers who use other IRS forms or schedules to make changes must attach them to the Form 1040X.
- Wait to file for corrected refund for tax year 2017. Taxpayers who are due refunds from their original tax year 2017 return should wait to get it before filing Form 1040X to claim an additional refund. Amended returns may take up to 16 weeks to process.
- Pay additional tax. Taxpayers who will owe more tax should file Form 1040X and pay the tax as soon as possible to avoid penalties and interest. They should consider using IRS Direct Pay to pay any tax directly from a checking or savings account at no cost.
- Track amended return. Generally, taxpayers can track the status of their amended tax return three weeks after they file, using ‘Where’s My Amended Return?’ It’s available in English, Spanish, Chinese, Korean, Vietnamese and Russian. The tool can track the status of an amended return for the current year and up to three previous years. Taxpayers who have filed amended returns for multiple years can check each year, one at a time.