

**TAX TIPS** a service of Sederburg and Associates

Visit us at [WWW.TAXTEAM1040.COM](http://WWW.TAXTEAM1040.COM) or

Call us at 636-928-1040

As a service to our valued clients, we will be sending out our tax tips and reminders on roughly a quarterly basis. If you have questions, or if you have a topic you would like us to cover, call or send us an E-mail at [Sederburg1040@taxteam1040.com](mailto:Sederburg1040@taxteam1040.com) attention newsletter.

Please share this newsletter with your friends and co-workers

We do not charge for initial consultations.

### **State Income Tax Deduction ENDS Make State Estimated Payments Before 12/31/17:**

One of the numerous changes congress is making to the federal income tax is the elimination of the deduction for state and local income taxes after this year. We recommend that anyone making quarterly estimated tax payments to the state make their January 15 payment before year end to take the deduction in 2017. The deduction will not be available for payments made after 12/31/2017.

If you expect to owe state taxes when we file your 2017 tax return, or expect to file an extension for state income tax, we also recommend making that payment prior to year-end to preserve the federal deduction. In either case, if you need a payment voucher, call us and we will prepare one for you.

The same advice applies to anyone who is making monthly payments to the state on a balance due from prior years. Pay in as much as you can before year end.

If you know of anyone who makes state estimated payments. Please let them know or have them call us so we can explain the impact of this change.

### **Other Proposed Changes to Federal Tax Law:**

While there are still ongoing discussions which could impact the final law, there are a number of items that are the same in both the House and Senate versions of the proposed law. We expect that these items will be in the final version that will probably be passed by congress.

1. Standard deduction will be raised to \$24,400.00 for married couples filing jointly, \$12,200.00 for single taxpayers and \$18,300.00 for Head of Household
2. Personal exemptions will be eliminated. The personal exemption was \$4,050.00 for 2017.
3. The Child Tax Credit will be increased to \$2,000.00 per eligible child

4. Deduction for real estate tax will be capped at \$10,000.00. No interest deduction will be allowed for second homes
5. Deduction for Mortgage interest will be limited to the interest on the first \$500,000.00 of loan balance.
6. PMI will no longer be deductible.
7. Home Equity loan interest will be deductible only for debt incurred to repair or remodel the primary residence.
8. Personal Property Tax (on cars, etc. will not be deductible
9. Student Loan interest will not be deductible.
10. Charitable contributions will still be deductible under the proposed law. Currently, deductions for gifts to charity are limited to 50% of Adjusted Gross Income. Under the proposals, the limit will be 60% of adjusted Gross Income
- 11. Employee business expense will no longer be deductible.** This will impact transportation workers (pilots, over the road truckers, etc.), outside sales people, employees with high union dues, etc.
- 12. Tax brackets will change.** At this point, there are differences between the House and Senate versions that will be worked out in conference committee.

### **Overall Impact:**

These changes are to be effective for tax years beginning in 2018. Income taxes for 2017 will be filed under existing law.

We will send out additional information after the new law is finalized.

### **Other items:**

The business mileage rate for 2017 is \$0.535 per mile.

The threshold for deduction of medical expenses by seniors is increased to 10% of Adjusted Gross Income. Taxpayers under the age of 65 are already at the 10% threshold.

### **Questions:**

While we are fairly certain of the above changes and some others as well, we will not know the full impact of the new tax law until after it has passed both houses of congress and we have had a chance to analyze the impact. We will, however, be happy to answer your questions and discuss the impact on your tax situation. Call or make an appointment.

### **Contact Us When You Have Significant Life Changes:**

There are numerous events that occur during the year that can impact your tax situation. Preparing your tax return involves summarizing transactions that occurred during the prior year. In most situations, the tax impact is established at the time the transaction occurs. However, negative income tax effects can frequently be avoided with proper tax planning. Please contact us in advance if you have questions about the tax consequences of an event, including the following:

- Pension or IRA distributions
- Significant change in income or deductions
- Job changes
- Marriage
- Attainment of age 59 ½ or 70 ½
- Sale or purchase of a business
- Sale or purchase of a residence or other real estate
- Retirement
- **Notice from IRS or other taxing authority**
- Divorce or separation
- Self-employment
- Charitable contributions of property in excess of \$5,000.00