

Earned Income Credit					
		0 Children	1 Child	2 Children	3+ Children
2	Earned Income Lower Limit for Maximum Credit	\$6,670	\$10,000	\$14,040	\$14,040
0	Maximum Credit	\$510	\$3,400	\$5,616	\$6,318
1	Phase-out (Single or HOH)	\$8,340—\$15,010	\$18,340—\$39,617	\$18,340—\$45,007	\$18,340—\$48,340
7	Phase-out (Married Filing Joint)	\$13,930—\$20,600	\$23,930—\$45,207	\$23,930—\$50,597	\$23,930—\$53,930
2017					
2	Earned Income Lower Limit for Maximum Credit	\$6,800	\$10,200	\$14,320	\$14,320
0	Maximum Amount of Credit	\$520	\$3,468	\$5,728	\$6,444
1	Phase-out (Single or HOH)	\$8,510—\$15,310	\$18,700—\$40,402	\$18,700—\$45,898	\$18,700—\$49,298
8	Phase-out (Married Filing Joint)	\$14,200—\$21,000	\$24,400—\$46,102	\$24,400—\$51,598	\$24,400—\$54,998

Excessive Investment Income—For taxable years beginning in 2017, the earned income tax credit is not allowed if the aggregate amount of certain investment income exceeds \$3,500.

2018 Alternative Minimum Tax		
	2017	2018
Exemption Amount	\$54,300 S \$84,500 MFJ \$42,250 MFS	\$70,300 S \$109,400 MFJ \$54,700 MFS
Income Thresholds @ which exemption begins to phase out.	\$120,700 S \$160,900 MFJ \$80,450 MFS	\$500,000 S \$1 million MFJ

Eligible Long-Term Care Premiums		
Age Before Close of Year	Limitation Amount	
	2017	2018
40 or less	\$410	\$420
> 40 but not > than 50	\$770	\$780
> 50 but not > than 60	\$1,530	\$1,560
> 60 but not > than 70	\$4,090	\$4,160
> 70	\$5,110	\$5,200

"Obamacare" Penalty (Individual Mandate)			
	2014	2015	2016, 2017, 2018
Penalty-For No Health Insurance	\$95—Single \$285—Family or 1% of Income	\$325—Single \$975—Family or 2% of Income	\$695—Single \$2,085—Family or 2.5% of Income
Maximum Penalty	\$9,800	\$12,500	\$13,100

Penalty permanently repealed effective the 2019 tax year.

Section 179 Deduction		
	2017	2018
Deduction Limit	\$500,000	\$1,000,000
Equipment Purchase Limit	\$2,030,000	\$2,500,000
Bonus Depreciation	50%	100%*

*Retroactive to 9/27/17 and good through 2022 and also now includes used equipment.

Education Credits	
American Opportunity Tax Credit (AOTC) —This credit pertains to only the first 4 years of higher education. The maximum credit available is \$2,500 per eligible student and is calculated at 100% of the first \$2,000 of qualified expense for each student, plus 25% of the next \$2,000 of qualified expense, but not in excess of \$4,000. If the credit brings the amount of taxes you owe to \$0, then 40% of any remaining credit amount can be refunded to you (up to \$1,000). Income restrictions do apply and will kick in for modified adjusted gross income in excess of \$80,000 (\$160,000 for joint return). The credit is completely phased out with income over \$90,000 (\$180,000 for joint return).	
Lifetime Learning Credit —The maximum credit is \$2,000 per tax return and there is no limit on the number of years you can claim the credit. To receive the credit, your modified adjusted gross income has to be \$65,000 or less (\$130,000 for a joint return). The credit is completely phased out with MAGI over \$65,000 (\$131,000 for a joint return).	

Expiration & Renewal of ITINs	
ITINs are used if you have tax-filing or payment obligations under U.S. law but are not eligible for a Social Security number. Following is a list of expiring ITINs:	
<ul style="list-style-type: none"> ITINs issued before January 1, 2013 expired on January 1, 2017. ITIN not used on a tax return at least once in the past three years expired on December 31, 2017. ITIN with middle digits of either 78 or 79 (9NN-78-NNNN or 9NN-79-NNNN) expired on December 31, 2017. 	
This means anyone with an ITIN that has expired and needs to file a tax return, should file a renewal application (Form W-7) as soon as possible. I can provide you with a copy of this form upon request if you need one.	



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Taxing Topics

2017 — 2018 Edition

Letter to Clients

With the time constraints I was under this year, instead of including a separate cover letter to each client, I have summarized enclosures in this article. This year I have included:

- Income Tax Tables Insert—one side shows 2017 rates, while the other side shows **NEW** 2018 rates.
- 2017 Income Tax Check List—will help in the preparation of your tax return and show you what documentation you will need. This year I have provided a Self-Employed Worksheet on the reverse side.
- 2018 Annual Calendar—transparent dates are 2018 holidays and the background painting is compliments of my husband Keith and Lonesome Meadows Art Studio (www.lonesomemeadows.com).
- Customer Referral Coupons—there is space on the back of the coupon for you to write your name and phone number and your referrals name and phone number.
- Billing & Rates insert—tax preparation rate will increase by \$10 per basic return and \$10 per hour for returns taking more than 1 hour to complete.

Thank you for your support and for helping to make 2017 my best year since starting the business nearly 20 years ago. I look forward to a continuing relationship with all of you.

Cindy

Cindy L. Meadows—Owner/Accountant

Don't forget — Refer a friend and you both get a \$10.00 credit!

2017 E-Filing Starts
Monday
January 29, 2018

Tax Deadlines & Extensions

This year you have two extra days to file 2017 returns. The regular filing deadline is Tuesday, **April 17, 2018** due to a holiday recognized in Washington, DC. Since April 15th is on a Sunday, the tax deadline would have been Monday the 16th. But, the holiday on the 16th is on Monday which pushes the tax deadline ahead. The deadline for filing extensions is **October 17, 2018**.

Partnerships and S corporations (Form 1065 & Form 1120S) must file returns by March 17, 2018 and C corporations (Form 1120) are due April 17, 2018.



\$50 Credit Could Be Yours !!!

The lucky person to be billed with Invoice #5000 will receive a \$50 credit. As of 1/6/18, I'm on invoice number #4900.

DELAYED REFUNDS

Again this year, the Protecting Americans from Tax Hikes (PATH) Act, requires the IRS to hold refunds claiming Earned Income Tax Credit (EITC) and Additional Child Tax Credit (ACTC) until February 15th.

2017 & 2018 Key Information

I have chosen to use the same format as I did last year to present this information to you, especially given the new tax law changes. The information is setup in tables with 2017 and 2018 figures side by side. This way, you can better see the changes from one year to the next. Although the 2017 figures are used to prepare your current return due April 17, 2018, the 2018 figures provided may help in making financial decisions in the coming year.

Itemized Deduction Income Limitations		
	2017	2018
Single	\$261,500	\$266,700
Head of Household	\$287,650	\$293,350
Married Filing Joint	\$313,800	\$320,000
Married Filing Separate	\$156,900	\$160,000
The limitation reduces the deduction by the lesser of 3% of AGI above the threshold OR 80% of amount of itemized deductions. Deductions for certain medical and investment expense, casualty and theft losses, or gambling losses are exempt from phase-out.		

Personal Exemptions & Phase-Out		
	2017	2018
Base Amount	\$4,050	NO PERSONAL EXEMPTIONS ALLOWED
Phase-Out Begins with AGI	\$261,500 Single \$287,650 HOH \$313,800 MFJ \$156,900 MFS	
Phase-Out Complete with AGI	\$384,000 Single \$410,150 HOH \$436,300 MFJ \$218,150 MFS	

Adoption Credit—For 2018, the credit allowed for an adoption of a child with special needs is \$13,840, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,840. Phase-outs do apply beginning with modified adjusted gross income (MAGI) in excess of \$207,580 and completely phased out with MAGI of \$247,580 or more.

Child Tax Credit		
	2017	2018
Credit per Qualifying Child	\$1,000	\$2,000
Maximum Refundable Amount per Child (credit is 15% of earned income exceeding \$4,500 up to max. credit)	None	\$1,400
Phase Out Begins (reduction is \$50 for each \$1,000 income exceeds threshold)	\$110,000 MFJ \$75,000 All Others	\$400,000 MFJ \$200,000 All Others

Per Diem Rate—Standard daily rates are as follows: 1/1/17 thru 9/30/17—\$91 lodging and \$51 meals
10/1/17 thru 9/30/18—\$93 lodging and \$51 meals
For tax year 2018, employees will not be allowed a deduction for unreimbursed expense on Schedule A.

Standard Deductions		
	2017	2018
Single & Married Filing Separate	\$6,350	\$12,000
Head of Household	\$9,350	\$18,000
Married Filing Joint	\$12,700	\$24,000
Dependent of Another Taxpayer	Greater of \$1,050 OR \$350 + earned income	Greater of \$1,050 OR \$350 + earned income
Additional Deduction for the Aged or Blind	\$1,250 Married \$1,550 Single	\$1,300 Married \$1,600 Single

Other Information		
	2017	2018
School Teacher Credit	\$250	\$250
Child & Dependent Care Credit—Value to Determine Credit Amount	\$3,000	\$3,000
Foreign Earned Income Exclusion	\$102,100	\$104,100
Kiddie Tax Threshold (amount child can earn)	\$1,050	\$1,050
Gift Tax Exclusion	\$14,000	\$15,000
Estate Tax Exemption—value of estate has to be at least . . .	\$5.6 million per individual or \$11.2 million married couples	\$11.2 million per individual or \$22.4 million married couples
Student Loan Interest Deduction Maximum & Phase-out Limits	\$2,500 Max \$65,000— \$80,000 Single \$130,000— \$160,000 MFJ	\$2,500 Max \$65,000— \$80,000 Single \$135,000— \$165,000 MFJ
Social Security Wage Base Limit & Maximum Amount of Tax	\$127,200 \$7,886.40 Max	\$128,400 \$7,960.00 Max

Standard Mileage Rates (SMR)		
	2017	2018
Business	53.5¢	54.5¢
Medical/Moving	17¢	18¢
Charitable	14¢	14¢
You always have the option of using actual costs rather than the SMR. If you want to use the SMR, you must use it in the first year of vehicle business use. In later years, you can choose to use either the SMR or actual expense. In addition, the business SMR cannot be used for more than four vehicles used simultaneously.		

Retirement Plans

The tax law places limits on the dollar amount of contributions to retirement plans and IRAs and the amount of benefits under a pension plan. IRC Section 415 requires the limits to be adjusted annually for cost-of-living adjustments (COLA). The figures for 2017 compared to 2018 are presented below:

	2017	2018
IRAs (both regular and ROTH)		
Contribution Limit	\$5,500	\$5,500
Catch-Up Contributions	\$1,000	\$1,000
Regular IRA AGI Deduction Phase-Out		
Single or Head of Household (covered by workplace plan)	\$62,000- \$72,000	\$63,000- \$73,000
Joint Return (taxpayer making contribution is covered by workplace plan)	\$99,000- \$119,000	\$101,000- \$121,000
Joint Return (taxpayer making contribution is not covered by workplace plan, spouse is) - combined income levels.	\$186,000- \$196,000	\$189,000- \$199,000
Married Filing Separate (covered by workplace plan) - Not subject to COLA.	\$0-\$10,000	\$0-\$10,000
If neither the taxpayer nor spouse is covered by workplace plan, phase-outs of deduction do not apply.		
SIMPLE & 408(p) Plans		
Maximum Contributions	\$12,500	\$12,500
Catch-Up Contributions	\$3,000	\$3,000

Distributions

- ◆ Distributions prior to age 59-1/2 are subject to a 10% early withdrawal penalty, unless the withdrawal qualifies for exemptions.
- ◆ Distributions from IRA, SIMPLE or SEP IRA are required when you reach age 70-1/2. Roth IRAs do not require withdrawals until after the death of the owner.

REMINDER: The tax consequences of early withdraw from retirement accounts can be devastating. Even if taxes are withheld from the distribution (i.e. 20%), that doesn't mean your taxes are paid in full. Besides the 10% penalty for early withdrawal, your adjusted gross income will be increased by the amount of the distribution. A large withdrawal may even push you into a higher tax bracket.
1099-R income must be reported on your tax return.

Saver's Credit (Retirement Savings Contributions Credit) — AGI Limit for . . .						
	50% Credit		20% Credit		10% Credit	
	2017	2018	2017	2018	2017	2018
Single & All Other Taxpayers	\$18,500	\$19,000	\$20,000	\$20,500	\$31,000	\$31,500
Head of Household	\$27,750	\$28,500	\$30,000	\$30,750	\$46,500	\$47,250
Married Filing Joint	\$37,000	\$38,000	\$40,000	\$41,000	\$62,000	\$63,000

	2017	2018
Roth IRA		
Income Phase-Out Range		
Single & Head of Household	\$118,000- \$133,000	\$120,000- \$135,000
Married Filing Joint	\$186,000- \$196,000	\$189,000- \$199,000
Married Filing Separate (not subject to COLA)	\$0-\$10,000	\$0-\$10,000
Low number of range is also the AGI limitation for determining the maximum Roth Contribution .		
SEP & 408(k)		
Minimum Compensation	\$600	\$600
Maximum Compensation	\$270,000	\$275,000
Maximum Contribution (lesser of 25% of compensation) OR	\$54,000	\$55,000
401(k), 402(g), 403(b), Profit-Sharing Plans, etc.		
Annual Compensation	\$270,000	\$275,000
Elective Contributions Limit	\$18,000	\$18,500
Catch-Up Contributions Amount	\$6,000	\$6,000
Defined Contribution Plans Limit (Section 415 Plans)	\$54,000	\$55,000

Designated Roth vs Roth IRA

Designated Roth—is a separate account in a 401(k), 403(b) or governmental 457(b) plan that holds designated Roth contributions. Designated Roth contributions are elective deferrals the participant elects to include in gross income.

Roth IRA—is an IRA that, except as explained below, is subject to rules that apply to a traditional IRA.

- ◆ You cannot deduct contributions to a Roth IRA.
- ◆ If you satisfy requirements, qualified distributions are tax-free.
- ◆ You can make contributions to a Roth IRA after you reach age 70-1/2.
- ◆ You can leave funds in a Roth IRA as long as you live.