

THE SMALLBIZ BUILDER

Planning For Your Dreams



January 2018

PADGETT BUSINESS SERVICES®

Vol. 16, No. 1

This Month:

- Tax Cuts and Jobs Act
- 1st Quarter 2018 Due Dates

Tax Cuts and Jobs Act

Are you ready for change? NOW is the time to prepare for tax reform, as every taxpayer will be affected by the new legislation beginning in 2018. Will you see an increase or decrease in your taxes? Will your tax return become simplified or more complicated? There's no doubt that 2018 will bring new opportunities for tax savings and tax planning for you and your business. Below is a brief summary of some provisions in the Tax Cuts and Jobs Act. We will be monitoring the progress of this bill as the Internal Revenue Service will begin interpreting the provisions and providing guidance to taxpayers.

Proposed Provisions Affecting Individuals for Tax Year 2018

- **Tax Rates** – Maintains seven tax brackets but lowers the tax rates to 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The highest current tax rate is 39.6%.
- **Standard Deduction** – Almost doubles the standard deduction from \$6,350 to \$12,000 for individuals and from \$12,700 to \$24,000 for married couples.
- **Personal Exemptions** – Eliminates the personal and dependent exemptions, which is presently \$4,150 each.
- **Child Tax Credit** – Increases in the Child Tax Credit to \$2,000 from \$1,000 and expands the refundable tax portion of the Child Tax Credit from \$1,100 to \$1,400.
- **Alternative Minimum Tax** – Increases the exemption amount from the Alternative Minimum Tax.
- **Individual Healthcare Mandate** – Eliminates the penalty for individuals failing to maintain minimum essential health care coverage for years after 12/31/2018.
- **Earned Income Tax Credit** – Maintains the Earned Income Tax Credit for low to middle-income wage earners, which can be up to over \$6,000 credit for a family with three kids.
- **Itemized Deduction for Taxes** – Taxpayers who itemize can deduct up to \$10,000 in state/local income tax deduction, sales tax deduction and real estate tax deduction.
- **Mortgage Interest** – Mortgage interest deduction is capped on new home loans of \$750,000 and no longer includes home equity line of credit (HELOC) interest.
- **Medical Expense Deduction** – Allows a deduction for qualified medical expense in excess of 7.5% of adjusted gross income.

Proposed Provisions Affecting Business Owners for Tax Year 2018

- **Tax Rates** – Lowers the corporate tax rate to 21%. Current rate is 35%.
- **Alternative Minimum Tax** – Repeals the corporate AMT.
- **Pass Through Entities** – Allows for a 20% deduction of Qualified Business Income for most businesses.
- **Cash Accounting** – Expands the limits on cash accounting and may remove the requirement to track inventory.
- **Direct Expensing** – Businesses can fully expense qualified purchases for the next 5 years.

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1st Quarter 2018 Due Dates

January 15:

- ◇ *Individuals:* Fourth quarter 2017 estimated tax payments are due (final Installment).

January 31:

- ◇ *Employers:*
 - Give your employees their copies of Form W-2 for 2017. File Form W-3 with Copy A of all Forms W-2, regardless of whether you file these forms by paper or electronically. The SSA encourages all employers to e-file. Don't e-file the same returns which were paper filed.
 - File Form 941 for 4th quarter 2017, or annual Form 944. File Form 940 for 2017.
 - File Form 1096 with Copy A of Forms 1099-MISC reporting non-employee compensation payments in Box 7 only.
 - As a part of the employer reporting requirements under the Affordable Care Act, you may need to give your employees copies of Form 1095-B (Health Insurance Coverage Statement) and/or Form 1095-C (Employee Statement) for 2017. If you're unsure of your reporting requirements for these forms, please contact us.
- ◇ *Businesses:* Distribute Form 1099 to recipients for 2017.



February 28:

- ◇ *Employers who paper file:* File Form 1096 with Copy A of all Forms 1099, except for any 1099-MISC reporting nonemployee compensation payments in Box 7. As a part of the reporting requirements under the Affordable Care Act, you may need to file Forms 1094-B, 1095-B, 1094-C, and 1095-C with the IRS. If you're unsure of your reporting requirements for these forms, please contact us.
- ◇ *Large food or beverage establishments who paper file:* File Form 8027 to report 2017 tip income, reported tips, and allocated tips.

March 15:

- ◇ *Calendar-Year S Corporations:* 2017 Form 1120S due or file Form 7004 for an automatic six-month extension. Provide shareholders with copy of Schedule K-1.
- ◇ *Partnerships:* 2017 Form 1065 due or file Form 7004 for automatic six-month extension. Provide partners with copy of Schedule K-1.
- ◇ *C Corporations & LLCs:* File Form 2553 to choose to be treated as an S corporation beginning on January 1, 2018.

April 2:

- ◇ *Employers who e-file:* E-file Form 1096 with Copy A of all Forms 1099, except any 1099-MISC reporting nonemployee compensation payments in Box 7. As a part of the employer reporting requirements under the Affordable Care Act, you may need to e-file 2017 Forms 1094-B, 1095-B, 1094-C, and 1095-C. If you're unsure of your reporting requirements for these forms, please contact us.
- ◇ *Large food/beverage establishments who e-file:* E-file Form 8027 to report 2017 tip income, reported tips, and allocated tips.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the compliance, profit & financial government reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter. **Planning For Your Dreams**

