

THE SMALLBIZ BUILDER

Planning For Your Dreams



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This Month:

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Keeping Your Data Secure in a Dangerous World

It's no surprise tax preparers have increasingly become targets of criminal data breaches in recent years, given the amount of personal and sensitive data stored in their office. Because of these security concerns, we understand that your choice for a tax preparer warrants scrutiny. Here at Padgett, our network of affiliates and advisors stay informed with the latest security measures. We thank you for your trust in our ability to safely maintain your information and to keep your identity secure.

The IRS Will Enforce Health Coverage Reporting on 2017 Returns

Following failed attempts by Congress to repeal and/or replace the Affordable Care Act, the individual mandate is still in effect for another filing season. The IRS has updated its website to inform taxpayers that it won't accept electronically-filed 2017 individual income tax returns unless taxpayers indicate that they and everyone on their return have had health care coverage, qualified for an exemption from coverage, or will make a shared-responsibility payment. The Service has also stated that it may suspend any returns that don't address the health coverage requirements until it receives additional information, which may delay any refunds that are due.

You'll recall, last filing season the IRS did not enforce the health care reporting requirement on 2016 returns. This was in response to President Trump's executive order directing the government to limit any burdens imposed by the Affordable Care Act, pending its repeal. This year, however, the IRS has determined that enforcing the rule will make return filing easier and reduce refund delays.

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Social Security Administration Announces Increases for 2018

- **Social Security Wage Base:** The maximum amount of wages subject to the 6.2% Social Security tax will rise from \$127,200 to \$128,400 in 2018. Medicare tax rates and wages bases will remain the same for 2018 as they were in 2017.
- **Nanny Tax Threshold:** The maximum wages that can be earned by a household employee without being subject to Social Security or Medicare tax, often referred to as the “nanny tax”, has increased to \$2,100, up from \$2,000 in 2017. Amounts paid above this threshold to anyone who works in and/or around your home such as babysitters, housekeepers and yard workers, are subject to payroll tax.

Tips for Individuals on Deducting Charitable Donations

The organization must qualify. Charitable contributions must be made to “qualified organizations” as provided by IRS Publication 526, Charitable Contributions. Remember, you can’t deduct donations to specific individuals or political organizations.

You must itemize. Charitable contributions are deductible only if you itemize deductions using Form 1040, Schedule A.

What you can deduct: You can deduct cash contributions and in most cases, the fair market value of most property you donate. Clothing and household items must be in “good used condition or better” to be deductible.

Receive something in return? If your contribution entitles you to receive merchandise, goods, or services, you can deduct the amount that exceeds the fair market value of the benefit received.

Pledges and payments: Only contributions actually made during the tax year are deductible. For example, if you pledged \$500 in May but paid the charity only \$200 by year end, you can only deduct \$200.

Recordkeeping: You must keep records of the contribution. Save a cancelled check, bank or credit card statement, or a dated/ written receipt from the charity with the amount of the contribution. For text message donations, keep your phone bill showing the receiving organization, the date, and the amount.

Donations made near year end: Include credit card charges and payments by check in the year you donate to the charity, even if you don’t pay the credit card bill or draft from your bank account until the next year.

Large donations: For contributions of \$250 or more, you need more than a bank record. You need a dated/written receipt from the charity stating the dollar amount donated and whether the organization provided goods or services in exchange for the gift. If you donated large items, the receipt must include a description of the items and a good faith estimate of value.



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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.



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