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Luers + Dyer
CERTIFIED PUBLIC ACCOUNTANTS

# Your monthly tax news & updates

Dear Clients and Friends:

All systems go for tax season! Keep an eye out for important tax documents in the mail. You will need them soon as we begin preparing your 2018 tax returns. Missing documents is one of the most common reasons for delay in tax preparation. Remember you can upload your tax organizer and documents to the portal instead of mailing them.

Have you made your tax appointment yet? If you prefer to meet with us rather than send us your information, make sure to get your appointment on the calendar.

We look forward to seeing you soon.

Regards,
Rebecca Luers, CPA and Jan Dyer, CPA

If you any questions about the information in this newsletter, contact us. We appreciate you forwarding this newsletter to associates and friends who would benefit from the monthly news we provide and are looking for tax preparation and planning resources from a CPA firm.

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## Tax Filing Reminders:

**February 28**

Payers must file most other Forms 1099 (except certain Forms 1099-MISC due Jan. 31) with the IRS. (April 2 if filing electronically.)

**March 2:**

Automatic extension deadline for employers and health care providers to provide Forms 1095-B and 1095-C to individuals.

**March 15:**

- 2018 calendar-year S corporation income tax returns are due.
- 2018 partnership returns are due.
- Deadline for calendar-year corporations to elect S corporation status for

2019.


### Tips to Protect Yourself From Tax Scams

Too many people downplay the threat of identity theft because it hasn't been witnessed or experienced firsthand. This false sense of security can leave you exposed, especially during tax season. Here are some tips to keep your identity safe from scammers:

1. **Be naturally suspicious.** Understand that there are people out there trying to get your information, and others willing to pay for it. With that knowledge, be suspicious of anyone asking for personal information - especially your Social Security number (SSN). Even when a known vendor asks for your SSN, ask what they will be using it for and refuse most requests unless you deem it necessary.
2. **File your tax return as soon as possible.** A popular tax scam is to file a fake tax return and deposit the refund into the thief's account, all before you get the chance to file your own return. You close the door on scammers once your tax return is filed with the IRS.
3. **Shred (don't just crumple) your documents.** Get in the habit of shredding all paperwork before it's thrown out to keep personal information from falling into the wrong hands. If you don't own a shredder, contact your bank or other local community services as they often offer free shredding services on specific days.
4. **Keep your Social Security card safe.** Only carry your Social Security card with you when it's needed for a specific purpose. Your wallet or purse is not a good permanent spot for your card. Any criminal would have a treasure trove of personal data if it were to get lost or stolen along with your driver's license and credit cards.
5. **Periodically check your credit reports.** The three major collection agencies (Experian, Equifax and TransUnion) are legally required to provide you with **a free credit report each year.** Take advantage of this service and review the reports. Correct any errors and use this report to

monitor your accounts for any potential identity theft.

Be smart when handling your personal information. Don't get caught off guard by identity theft, especially by being careless. If you think you are a victim of a tax scam, alert the IRS right away and go to [identitytheft.gov](identitytheft.gov) for more information.

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### How to Correct Common Financial Mistakes

You're working at the office, getting stuff done around the house, or hanging out with family when - wham! - a phone call, email or text alerts you that something is wrong with your finances. When a negative financial event hits, don't let it take you down. Here are some common mistakes and steps to remedy each situation:

1. **You overdraw your bank account.** First, stop using the account to avoid additional overdraft fees. Next, manually balance your account by reviewing all posted transactions. Look for unexpected items and fraudulent activity. Then, call your bank to explain the situation and ask that all fees be refunded. Banks are not obligated to refund fees, but often times they will. The next steps vary based on the reason for the overdraft, but ultimately your goal is to bring your account back to a positive balance as soon as possible.
2. **You miss a credit card payment.** Make as big a payment as possible as soon as you realize you missed it. Time is of the essence with late credit card payments - the longer it goes, the more serious the consequences. Then call the credit card company to discuss the missed payment. You might be able to get a refund of the late fees, and perhaps a reversal of the interest charge.
3. **You forget to file a tax return.** Gather all your tax documents as soon as possible, and file the tax return even if you can't pay the taxes owed. This will stop your account from gathering additional penalties. You can

then work with the IRS on a payment plan if need be. The sooner you file, the sooner the money will be in your bank account if you're due a refund. If you wait too long (three years or more), any potential refunds will be gone forever.

4. **You lose your wallet.** Start by calling all of your debit card providers, then your bank and the credit card companies. Next, set up fraud alerts with the major credit reporting companies and get a new driver's license. Finally, if you think it was stolen, file a report with the police.
5. **You miss an estimated tax payment.** Estimated payments are due in April, June, September and January each year. If you are required to make estimated payments and miss a due date, don't simply wait until the next due date. Pay it as soon as possible to avoid further penalties. If you have a legitimate reason for missing the payment, such as a casualty or disaster loss, you might be able to reduce your penalty.

Remember, mistakes happen. When they do, stay calm and walk through the steps to correct the situation as soon as possible.

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### Major Life Changes Ahead? Read This!

Too often major life decisions have tax implications attached to them. For the unwary, this can create a fairly large and unexpected tax bill. Here are four examples of major life changes that can have complicated tax implications:

- **Changing jobs.** Whether it's a new, exciting opportunity or a result of being laid off, a job change is going to affect your tax obligation. The termination of your previous job likely adds additional taxable income in the form of accrued vacation or a severance package. Review how your former employer handles tax withholdings, especially for big payouts. Your new job also brings new tax implications with a new salary, new benefits and possibly different taxing jurisdictions if you also move to a new location.
- **Selling your house.** When selling a house or other residential property,

the first thing to determine is whether it's your primary residence. If so, the IRS provides an exemption from tax for up to $250,000 ($500,000 for joint couples) of the gain realized from the sale of your home as long as you lived in it for at least two of the previous five years. Any gain above the exemption is subject to capital gains tax. If the property you are selling is not your primary residence, capital gains tax applies, and you also have to deal with other more complicated tax code issues.
- **Adding a second job.** The extra money you earn when adding a second job or business also brings extra taxes. How much additional tax this second income creates depends on your situation. Employment status, type of business, and how it relates to your other tax activities need to be considered. The extra income alone can send you into a higher tax bracket.
- **Deciding when to retire.** Your retirement plans and timing of retirement plan distributions play a big role in how much tax you will pay on your retirement earnings. For example, with traditional IRAs, there are early withdrawal penalties before you reach age 59½ and required minimum distributions after reaching age 70½ years old. For Social Security, collecting benefits early means less in monthly benefits and potentially a higher tax obligation if you have additional earnings. Each source of retirement income has its own set of taxation rules which can create a very complicated tax environment.

When a big life decision is on the horizon, go in with your eyes open to the potential tax implications. Carefully weigh all your options and seek help before you act.