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Luers + Dyer
CERTIFIED PUBLIC ACCOUNTANTS

Your monthly tax news & updates

Dear Clients and Friends:

As the daffodils and lilacs begin to bloom, we're reminded that spring is almost here. The Spring Equinox is March 20, just days after the S-corporation and partnership tax return deadline on March 15. Personal tax deadlines are right around the corner now, so if your 2018 information isn't already in process, please contact our office for an extension.

We are here to help!

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.

Tax Filing Reminders:

March 15:

- Due date for partnership and S corporation tax returns (Forms 1065, 1120S)
- Deadline for calendar-year corporations to elect S corporation status for 2019.

Oh No! Your Tax Refund is Now a Bill

If you are anticipating a nice refund this year, it may be a good idea to prepare yourself for a possible letdown. Many taxpayers will receive a smaller-than-expected refund and might even owe taxes to be paid by April 15. If this happens to you, here are some of the likely reasons:

- **Higher take-home pay.** Look at last year's W-2 and see how much was withheld for federal income tax. Now check this year's W-2. If it is lower, you will need a corresponding reduction in your tax obligation to get the same refund as last year. The good news? You've had more of your income available to you throughout the year. The bad news? Paying less tax each pay period can result in a lower refund or tax due at tax filing time.
- **Withholding tables are not always accurate.** To help employers calculate the tax to withhold from each paycheck, the IRS revised withholding tax tables in February 2018 with a forecast of the impact of new tax legislation. While the IRS did its best to apply the tax law changes to the withholding tables, it did not correctly estimate every individual tax situation. Now, according to the U.S. Government Accountability Office (GAO), as many as 30 million taxpayers may not have had adequate withholdings for 2018.
- **Lower itemized deductions.** If you have similar itemized deductions this year as you did last year, they might not go as far as you think. This is because the state/property tax deduction is limited to $10,000 and many other itemized deductions are no longer available. While standard deductions are now higher, those with unreimbursed employee expenses, or those living in high-tax states could see a negative impact on their tax obligation. These changes coupled with the repeal of the personal exemptions could lead to a surprising change in your tax obligation for 2018 and going forward.
- **Your state takes a different path.** Depending on the degree to which a state incorporates recent federal tax changes, you could see a big tax surprise on your state tax return. As a result, the nonprofit Tax Foundation is anticipating that many taxpayers will experience an increase in state taxes for 2018.
- **Good news for families with kids.** The expansion of the Child Tax Credit will help offset the loss of the personal exemptions and could

actually create a nice refund. The credit is now double at $2,000 per child and the income limit is raised to include most taxpayers.

With the uncertainty regarding whether you will receive a refund, hold off on major purchases and plans until your tax return is finalized. If possible, create a cash cushion to lessen the financial burden on you and your family. This is especially true if your withholdings are lower than last year.

Businesses: File on Time or Pay the Price!

March 15 is the tax-filing due date for calendar year S-corporations and partnerships. While this filing deadline does not require making a tax payment, missing the due date could cost you a hefty penalty.

The penalty

The penalty is calculated based on each partial month the tax return is late multiplied by each shareholder or partner. So a tax return filed 17 days late with no tax due could cost a married couple who jointly own a small S-corporation $800 in penalties!*

**The penalty calculation for 2018 is $200-$210 per calendar month late, multiplied by the number of shareholders. So a S-corp or partnership return filed on April 1 is considered two months late!*

Take action

Here are some ideas to help you avoid penalties:

- **File on time.** If you are a partner or shareholder of an S-corporation or partnership, file your company's tax return on or before March 15. In addition to the penalties, filing late shortens the time you have to file your individual tax return and pay the taxes due by April 15.
- **Consider an extension.** If you cannot file the tax return in time, file an extension on or before March 15. An extension gives you six months to

file and you do not owe the tax until your Form 1040 tax return due date of April 15.
- **Your personal tax return may be delayed.** Do not file your Form 1040 tax return until you receive all your K-1s from each of your S-corporation and partnership business activities. Be prepared — If the business files an extension, it's possible you may need to extend your personal tax return while you wait for the K-1. This does not extend the due date for paying taxes owed.
- **Challenge the penalty.** While you may not be successful, it doesn't hurt to try to abate the penalty. This is especially true if you file and pay your personal taxes on time. Kindly remind the US Treasury it is still receiving the taxes owed to them in a timely manner.

If you haven't filed your S-corporation or partnership return for 2018, there's still time to get it done or file an extension. Please call if you need assistance.

Hints to Eliminate Monthly Bill Creep

Paying bills is inevitable, but paying too much is not. Are you aware of all the services you are paying for every month? Here are some tips to help you get a handle on your recurring monthly expenses:

- **Investigate your recurring services.** Start by taking stock of every service you are currently using. Review your bank and credit card statements and highlight all the charges that look like a subscription. Some examples to look for are streaming services (video, music and games), magazines, news subscriptions, digital storage services, gym memberships and financial services. Determine if you have redundant subscriptions, such as two music-streaming services. Finally, ask yourself if each service is still providing value to you. If it's not, cancel it.
- **Review bills for unnecessary fees.** Once you trim your list down to the services you want to keep, locate the most recent bill for each. Read through all the charges and make notes of those that are questionable. You might be paying for services you aren't using, such as a video streaming service on your cell phone bill. Or maybe you are paying

replacement insurance coverage for something you don't need. For every charge that doesn't make sense, call and ask the provider to cancel it.

- **Bundle expenses when you can.** Many suppliers provide multiple services and will offer discounts if you sign up for a few of them. Bundling your cable TV, Internet and home phone is a common example of this. Other places to look for bundling opportunities are cell phone providers and insurance companies.
- **Negotiate for lower rates.** Call each provider and ask for a lower rate or discount. Most companies want to keep your business, so often times they will work with you. Service providers routinely change the way they package their products, so saving money might be as simple as changing to a different level of service. It's rare for companies to reach out and offer savings, so you need to make the call!

It's easy for your bills to spiral out of control if you don't keep close tabs on them. Go through a review exercise every few months to ensure you aren't paying more than necessary.
