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# Tax Season 2018

## Tax Season is Here Again

To ensure that our clients are pleased with the timeliness of their returns, we have created the following priority schedule:

| DATE ALL INFO IN  | DATE RETURN OUT    |
|-------------------|--------------------|
| Jan. 2 – March 17 | Prior to April 17  |
| March 18–March 31 | Possible April 17  |
| April 1 and after | Probable Extension |

The earlier we receive your complete information, the faster we can process your return.

## Extensions

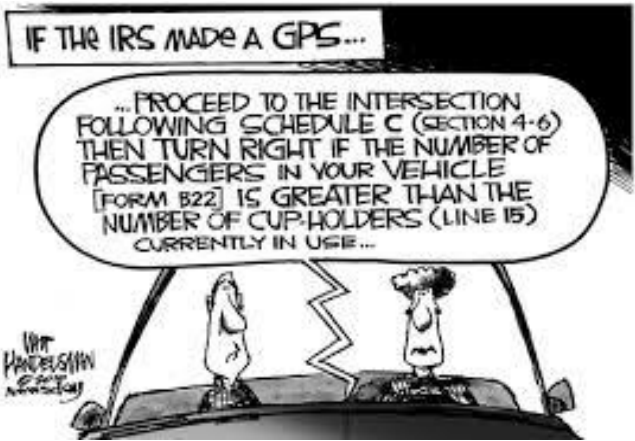
Filing an extension only extends the time to file a return. It does not extend the time for payment of taxes. If you expect to owe taxes, payment is due with the extension.

## E-Filing Status

Once your return is e-filed, you can check its status by logging on to [www.irs.gov](http://www.irs.gov). Your social security number, filing status and refund amount is required for access. This information is found on page 1 and 2 of Form 1040.

## Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed the Act into law. It will affect both individual and business taxpayers. Please visit our website for details.



## Form 1099's and W-2's

Deadline to file and furnish (giving to payee who performed service) is **January 31, 2018**. In order for us to process the Form 1099's & W-2's by the January 31<sup>st</sup> deadline, we need your information no later than **Monday, January 22, 2018**.

## Estates

Lifetime exclusion doubles from \$5,490,000 in 2017 to \$11,200,000 for 2018.

## Fraud and Scam Alert

There are many individuals that attempt to steal your identity by impersonating the IRS. Never answer to phone calls or emails that claim to be the IRS. **The IRS only communicates by mail.**

Never give out personal information to strangers. Please contact our office if in doubt.

## Website

Please check out our website at [www.giddingscpa.com](http://www.giddingscpa.com) for general accounting and tax information.

## Referrals

We appreciate you as a client and sincerely thank you for telling your friends and business associates that you are satisfied with our services. We welcome new clients and the opportunity to serve others.

## Tax Cuts and Jobs Act of 2017

- \$10,000 limit on state and local taxes deduction
- \$750,000 limit on loan amount mortgage interest deduction claimed by individuals
- Repeal of miscellaneous itemized deductions
- Repeal of personal deduction for casualty and theft losses
- Increase child tax to \$2,000 for qualifying child and new \$500 credit for qualifying dependents
- Individual marginal tax bracket rates lowered
- Corporate tax rate reduced
- Repeal of qualified moving expense deduction
- \$250 educator expense deduction retained

## Standard Deduction and Exemptions

|  | 2017     | 2018     |
|--|----------|----------|
| <b>Standard Deductions :</b>             |          |          |
| Single                                   | \$6,350  | \$12,000 |
| Married Filing Jointly                   | \$12,700 | \$24,000 |
| Married Filing Separately                | \$6,350  | \$12,000 |
| Head of Household                        | \$9,350  | \$18,000 |
| <b>Additional Deductions:</b>            |          |          |
| Blind or senior citizen who is:          |          |          |
| Married                                  | \$1,250  | \$1,250  |
| Single or Head of Household              | \$1,550  | \$1,550  |
| <b>Personal and Dependent Exemptions</b> |          |          |
|  | \$4,050  | \$0      |

Social Security Earning Limits

Individuals under full retirement age receiving Social Security income can earn up to \$16,920 for 2017 and \$17,040 for 2018 without losing benefits. For all individuals over full retirement age, there are no limits for earned income. You will receive your full benefits regardless of the amount of your earned income. Full retirement age (also called “normal retirement age”) has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. Full retirement age is 66 for those born 1943-1954

Depreciation

For 2017, maximum section 179 deduction is \$510,000 and increases to \$1,000,000 for 2018. The 50% Bonus Depreciation remains for new asset purchases up to 9/27/2017 and increases to 100% for both new and used assets after the respective date.

FICA

The rate remains at 6.2% for employees and 12.4% for the self-employed for 2018. The Medicare rate also remains at 1.45% for employees and 2.90% for the self-employed.

The Medicare rates have no ceiling, but the social security tax still has a ceiling. For 2017, the ceiling on social security tax was \$127,200 of compensation, and for 2018, the limit increases to \$128,700.

Tax Credits

The following **Education Credits** are available:

- Lifetime Learning Credit – 2017 only and gone in 2018. Books not included
- American Opportunity Credit – Available 2017 and 2018. Books included

Form 1098-T is required to claim the education credits

Note: Student may need to login to university online account to obtain 1098-T

**\$1,000 Child Tax Credit** – Increases to \$2,000 in 2018. Available for qualifying dependents under age 17

**Dependent Care Credit** is limited to maximum costs of \$3,000 for one qualifying child and \$6,000 for two or more children

| Affordable Care Act Penalties<br>(Individual Taxpayers) |          |          |
|---|----------|----------|
|   | 2017     | 2018     |
| Flat Dollar Penalty - Taxpayer                          | \$695    | \$695    |
| Flat Dollar Penalty - Spouse                            | \$695    | \$695    |
| Flat Dollar Penalty - Dependent                         | \$347.50 | \$347.50 |
| Income Percentage Rate                                  | 2.5%     | 2.5%     |

The penalty is the greater of the flat dollar amount or the percentage of your household income. For 2017, maximum penalty is \$3,264 per individual or \$16,320 for a family of 5 or more.

Individual health mandate repealed after December 31, 2018

Decrease in Medical Expense Floor

The 10% of AGI medical floor is reduced to 7.5% for 2017 and 2018

IRS Audit Representation Service

Our Firm is offering IRS representation services in exchange for a prepaid fee. In the event of an IRS audit or IRS correspondence, for a fee of \$50, our Firm will represent you before the IRS for matters regarding your 2017 tax return at no additional cost. This optional fee, if requested, will be added to your bill and is due when the 2017 return is completed.



Additional Items of Interest

Social Security Numbers

Taxpayers must obtain a social security number for all dependents in order to claim dependency deductions and child-care credits. Be sure the names and social security numbers shown on your tax return for you and your spouse and dependents are exactly as shown on your social security cards or the IRS will disallow the dependents.

Record Keeping

Tax returns/receipts should be kept for five years. Receipts or purchase information for depreciable items should be kept for as long as you own the property. Documents for the purchase or improvements of your home or land should be kept for as long as the property is owned. Payroll records should be kept indefinitely.

IRS Correspondence

If you do not understand a notice from the IRS, contact our office. We will be happy to discuss the letter with you and advise you with options. The IRS is not always correct in determining the proper treatment of reporting information.

Tax Return Forms and Information

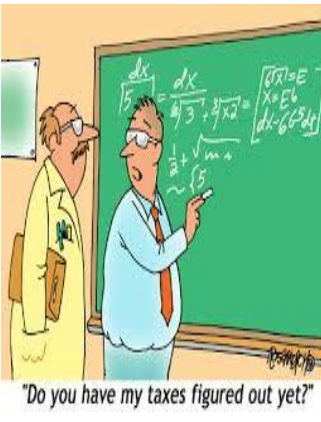
When you receive all the required information to prepare your return, schedule an appointment to discuss your return with the preparer. If you are unsure what to gather, compare your 2017 documents with the information from last year and include all W-2's, 1099's, etc. Inform us if there is an address change, change in your marital status, or a dependent change. The following forms are enclosed: (1) Vehicle Use Record and (2) 1099 Worksheet. Remember that the deadline for filing 1099's is on **January 31, 2018**.

| Contribution Limits & Mileage Rates |                                   |                                       |
|-------------------------------------|-----------------------------------|---------------------------------------|
|                                     | Retirement<br>Contribution Limits | Mileage Rates                         |
| 401(k)                              |                                   | Standard Mileage                      |
| 2017                                | \$18,000                          | 2017 \$.535/mile                      |
| >Age 50 add'l                       | \$6,000                           | 2018 \$.545/mile                      |
| 2018                                | \$18,500                          |                                       |
| >Age 50 add'l                       | \$6,000                           |                                       |
| Simple IRA                          |                                   | Medical Mileage                       |
| 2017                                | \$12,500                          | 2017 \$.17/mile                       |
| >Age 50 add'l                       | \$ 3,000                          | 2018 \$.18/mile                       |
| 2018                                | \$12,500                          |                                       |
| >Age 50 add'l                       | \$3,000                           |                                       |
| IRA                                 |                                   | Charitable Mileage                    |
| 2017                                | \$5,500                           | 2017 \$.14/mile                       |
| 2018                                | \$5,500                           | 2018 \$.14/mile                       |
| >Age 50 add'l                       | \$1,000                           |                                       |
| Gift Tax Exclusions                 |                                   | Health Savings Account<br>Limitations |
| 2017                                | \$14,000                          | 2017 Self-Plan \$3,350                |
| 2018                                | \$15,000                          | 2017 Family-Plan \$6,750              |
|                                     |                                   | 2018 Self-Plan \$3,450                |
|                                     |                                   | 2018 Family Plan \$6,900              |
|                                     |                                   | *55 or older \$1,000 catch-up         |

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Payment for our services are payable upon receipt of invoice. Any other arrangements should be discussed before services are performed

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Tax Season  
Office Hours

January 2 – February 2  
Monday – Friday  
8 am – 5pm

February 3 – April 17  
Monday – Friday  
8 am – 5 pm  
Saturday  
8 am – noon

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