

## Important 2017 & 2018 Tax Alert

The following tax issues are items we feel you need to be aware of for the 2017-2018 tax filing season. If you have any questions or concerns, please contact our office for further information.

1. If you are a >2% shareholder of an S-Corporation you can deduct the value of your health insurance premiums as an adjustment to gross income as long as the value is included in your W-2 wages. If you don't include the premiums in your wages you can't take the deduction. There is no additional tax liability here (unless it is discriminatory or is not in compliance with the new Affordable Care Act rules on employee reimbursements), only reporting requirements.
2. Starting in tax year 2013, the Affordable Care Act requires employers to report the value of the health insurance coverage they provide to employees on their annual Form W-2. This reporting is for informational purposes only and does not affect tax liability. Certain small employers are exempt from requirement; please contact us for more information.
3. Business owners must correctly determine whether the individuals providing services to the company are employees or independent contractors. Misclassification of an employee as an independent contractor may cause you to be held liable for employment taxes.
4. Shareholder-employees of S corporations that provide services to the S Corporation must pay reasonable compensation to themselves which is subject to employment taxes. The IRS may re-characterize corporate distributions/dividends as salary paid in lieu of reasonable compensation.
5. The IRS imposes penalties on any Partnership or S corporation who files a late or incomplete tax return. The penalty is \$195 per shareholder and \$195 per partner for each month that the return is late up to a maximum of 12 months.
6. A lender who cancels or forgives a debt you owe of \$600 or more is required to file with the IRS, Form 1099-C, *Cancellation of Debt*. This amount may be taxable to you, depending on your financial situation prior to the cancellation of the debt(s).
7. A taxpayer must maintain adequate records or other corroborative evidence to support the business portion of auto expenses. Taxpayers should maintain an account book or log that indicates dates, location, miles, and business purpose of the travel; otherwise no substantiation can result in loss of the deduction.
8. If you claim a non-cash charitable deduction of property over \$5,000 per item or group of similar items, an appraisal is generally required. And all charitable contributions need to be in "good used" condition to claim a deduction on your tax return. The best way to ensure a deduction of non-cash items is to take pictures and make a detailed list of all items donated and make sure to always obtain a receipt from the charity. Charitable contributions of \$250 or more in any one day to any one organization must have written acknowledgement from the organization.
9. The IRS now requires annual reporting of 1099's for payments of services of \$600 or more to all unincorporated entities (including certain LLC's) to be filed by January 31<sup>st</sup> to the contractor and to the IRS. Substantial penalties can be assessed for non-compliance.
10. Effective for 2016 and later years, the due date for a taxpayer's Foreign Bank Account Report (FBAR) was moved up from June 30 to April 15, so that it now shares the same filing deadline as individual federal income tax returns. A six-month extension is available. For taxpayers abroad, the due date is automatically extended until June 15, with an additional four-month extension available until October 15.
11. The IRS changed the original and extended due dates for certain 2016 tax returns beginning with the 2017 tax filing year in order to provide for a more streamlined filing season. You may contact us if you have any questions on these changes.

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Certified Public Accountants