

income tax update

FALL
2018

Clients and Friends,

We hope you had a great summer and fall. If you are like us, it probably went way too fast!

As many of you know, we had a major tax law bill passed late last year. Known as the 2018 Tax Cut and Jobs Act (TCJA), it is the largest tax bill in US history since 1986. We have spent a lot of time learning this new law and studying the regulations and will continue to do as we get into winter. Last tax season, we gave out a summary of these law changes. If you would like this summary, please contact our office.

Be sure to watch your mailbox. Your tax appointment information will be sent out the first week of January. This will include your tax organizer. Please complete this as it helps to summarize your tax information. It also contains many of the items that are deductible. All of our organizers will be on our website as well.

As always, if you have any questions, please contact us. We hope you have a great winter season, Merry Christmas, and look forward to seeing you this tax season.

Jason Anakkala Ltd.

The Storm Ahead

Are you ready for the most difficult, challenging tax season of your career?" This was a quote by an instructor at a training course that we recently attended. This law (TCJA) is so massive, that we don't know if the IRS or States will be completely ready when tax season starts. We know of tax professionals that have decided to retire or get out of this field instead of learning it. Some forms, especially the 1040, have drastically changed. Minnesota is following the old law which will require us to do every tax return two different ways. We expect that most tax returns that we prepare will take 10-20% longer time to prepare.

If we sound like we're whining, that is not our intention. With these changes and staff shortages, we just want to alert you to the Storm that may be coming this tax season in our office and all tax offices across the nation. Returns may be delayed. They may take longer than normal which will back up our office. We are currently exploring different ways to do our processes and work more efficiently to meet all of our client's needs. We will do our very best and continue to provide high service as always.

New Rules for Equipment and Vehicle Trade Ins

Starting in 2018, there is a new tax treatment for business equipment or vehicles that are traded in. Under the old method, we would use the cash paid (i.e. the amount paid to boot). The trade in value was usually ignored. Under the new rules, the trade in is now considered two transactions: a sale of the traded in item and a purchase of the new item.

As an example, say you trade in a tractor for a newer tractor. The new tractor costs \$40,000 and they give you \$15,000 for your old one. In other words, your trade in value is \$15,000 and the amount paid to boot is \$25,000. Under the new rules, you now have to report a sale of the old tractor. The selling price is \$15,000. The purchase price of the new tractor is now \$40,000 (Under the old rules, it would have been \$25,000). While this doesn't seem like a big deal from the old rules, there are situations where this can be a big change.

on the flip side

- The "Dirty Dozen" Tax Scams
- Update Your Will or Trust
- Some Good (Financial) Reads

The “Dirty Dozen” Tax Scams

Every year, the IRS lists its top 12 tax scams. They call this list the dirty dozen. Here is this year’s list. We have seen many of these scams in our Central MN area.

Phishing: Taxpayers should be alert to potential fake emails or websites looking to steal personal information. The IRS will never initiate contact with taxpayers via email about a bill or tax refund. Don’t click on one claiming to be from the IRS.

Phone Scams: Phone calls from criminals impersonating IRS agents remain an ongoing threat to taxpayers. The IRS has seen a surge of these phone scams in recent years as con artists threaten taxpayers.

Identity Theft: Taxpayers should be alert to tactics aimed at stealing their identities, not just during the tax filing season, but all year long. The IRS, working in the Security Summit partnership with the states and the tax industry, has made major improvements in detecting tax return related identity theft during the last two years.

Return Preparer Fraud: Be on the lookout for unscrupulous return preparers. The vast majority of tax professionals provide honest, high-quality service. There are some dishonest preparers who operate each filing season to scam clients, perpetuating refund fraud, identity theft and other scams that hurt taxpayers.

Fake Charities: Groups masquerading as charitable organizations solicit donations from unsuspecting contributors. Be wary of charities with names similar to familiar or nationally-known organizations.

Inflated Refund Claims: Taxpayers should take note of anyone promising inflated tax refunds. Those preparers who ask clients to sign a blank return, promise a big refund before looking at taxpayer records or charge fees based on a percentage of the refund are probably up to no good.

Excessive Claims for Business Credits: Avoid improperly claiming the fuel tax credit, a tax benefit generally not available to most taxpayers. The credit is usually limited to off-highway business use, including use in farming.

Falsely Padding Deductions on Returns: Taxpayers should avoid the temptation to falsely inflate deductions or expenses on their tax returns to pay less than what they owe or potentially receive larger refunds.

Falsifying Income to Claim Credits: Con artists may convince unsuspecting taxpayers to invent income to erroneously qualify for tax credits, such as the Earned Income Tax Credit.

Frivolous Tax Arguments: Frivolous tax arguments may be used to avoid paying tax. Promoters of frivolous schemes encourage taxpayers to make unreasonable and outlandish claims about the legality of paying taxes despite being repeatedly thrown out in court.

Abusive Tax Shelters: Abusive tax structures are sometimes used to avoid paying taxes. The IRS is committed to stopping complex tax avoidance schemes and the people who create and sell them.

Offshore Tax Avoidance: Successful enforcement actions against offshore cheating show it’s a bad bet to hide money and income offshore.



The quick write off on equipment is

\$1,000,000

2018
mileage
rate
54.5¢

Update Your Will or Trust

With the new tax laws, we recommend that you update your will or trust, especially if it is more than 5 years old. We recommend an attorney that is well versed in estate planning for this.

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The gift tax exclusion is **\$15,000**

Some Good (Financial) Reads

- Rich Dad Poor Dad by Robert Kiyosaki
- The Automatic Millionaire by David Bach
- The Total Money Makeover by Dave Ramsey
- The Millionaire Next Door by Thomas Stanley
- The Richest Man in Babylon by George Clason

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