

Tax Guide 2018



New For Your 2018 Taxes

Rules for taxes are constantly changing. The Tax Cuts and Jobs Act was approved on Dec. 22, 2017, and will be effective for your 2018 filing. The reform is considered the largest overhaul to the American tax code since 1986. Do you know what it means for you?

In previous years, many individuals benefited from itemizing their deductions. This is the process of including expenses like sales tax, property tax and medical or dental costs you accrued. Under the new reform, many people will find advantages when taking a standard deduction, making the filing process much simpler.

Here are some of the changes you should know about before preparing your taxes for 2018.

A NEED FOR SIMPLICITY

Previous tax laws were costing the nation both time and money. In fact, the Tax Foundation, a think tank, reports that in 2016, people spent 2.6 billion hours complying with IRS requirements. The new bill makes a simple standard deduction more attractive to filers.

Here are the new standard deduction amounts for 2018, according to the Internal Revenue Service:

- Individuals: \$12,000
- Married filing jointly or qualifying widow(er): \$24,000
- Married filing separately: \$12,000
- Head of household: \$18,000

Each category received an increase for this year — for most, an itemized deduction is no longer the most beneficial option. The new reform nearly doubled the standard deduc-



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tion from previous years — it is up from \$6,500 for individuals and \$13,000 for families.

DEDUCTION CHANGES

For those who are required to perform an itemized deduction, there are several changes to know about. Here are a few

of the highlights from the TCJA.

- Interest paid toward home equity debt may only be included if money is spent on acquiring, updating or constructing a primary or secondary structure.
- Alimony payments, business entertainment expenses

and losses from theft are no longer deductible.

- Medical expenses may be deducted if they exceed 7.5 percent of your AGI.

CHILD TAX CREDIT INCREASE

Parents and legal guardians

will also receive an additional bonus during tax time as the Child Tax Credit has been increased to \$2,000 this year. The age cut-off for the credit is the same as in years past. Children under 17 at the end of the year qualify for the credit.

As a student, make sure to check with your college office to find tax-assistance programs. Many campuses offer self-help student groups or have officials in place to guide you down the right path.



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Filing Tips for Students

Remember, being informed and guided by experts can positively impact the result of a refund or amount owed.

And don't forget these important tips from the Internal Revenue Service as you begin tax preparation as a first-time student.

CLAIM AN EDUCATION CREDIT

Education credits are available to assist with the cost of higher education and can reduce the amount of tax owed on a return. The two avail-

able credits are the American Opportunity Tax Credit and the Lifetime Learning Credit. There are a few requirements you must meet before you can legally make a claim.

- You, your dependent or third party pays qualified education expenses for higher education.
- An eligible student must be enrolled at an eligible educational institute.
- The eligible student is yourself, your spouse or a dependent you list on your tax return.

To discover if your facility is qualified, the IRS recommends asking school officials or searching for the school on their website's U.S. Federal Student Aid Code List.

CLAIMING EDUCATION EXPENSES

As a student, you may qualify to claim additional education expenses. A few of these items are tuition, cost of textbooks, supplies and equipment required for a course of study. The IRS says the total of all qualified tuition

and related expenses cannot exceed \$4,000. Filing your taxes with a professional is the best way to guarantee nothing is forgotten.

PREPARE EARLY

To avoid rushing to piece together a tax return at the last minute, schedule time with a financial expert as soon as you can. Filing in a hurry can lead to mistakes which delay your return (and thus your refund) or cause you to forget important exemptions or deductions.

Common Tax Return Errors

Even when you have a professional prepare your taxes, it's important to review it yourself. Simple mistakes can mean long delays while you work to make corrections.

Avoid a lengthy process by ensuring your tax return is right before you submit it. If you do realize you made a mistake after you have filed, it's possible to make an amendment. Typically, you will file an IRS Form 1040X. With this form, you can report changes to your income, deductions or credits and sometimes make changes to your filing status.

E-FILE

One of the easiest ways to expedite the process is to file electronically. Not only is it faster than regular mail, electronic programs can also check for accuracy and warn you of potential errors. Most professional services or providers will send your completed taxes to the IRS through approved electronic channels, keeping your information secure.

DOUBLE CHECK INFORMATION

Before submitting your



taxes to the IRS, ensure you have the information correct regarding yourself and others on a return. Reporting a wrong Social Security number, misspelled name or similar typos may lead to a long delay for your refund. If there are any name changes

between filings, you should contact the Social Security Administration, this includes newlyweds who now share the same last name.

PAYING ON TIME

If you owe tax, there are a few different ways to pay.

Your preparer can typically handle the payment by electronically sending it to the correct hands. However, if you choose to pay with a check or money order, it should be made to the United States Treasury.

Other information required

includes your name, address, Social Security number, daytime telephone number, tax form and a tax year for the payment. Ensuring your credentials are clearly visible and present is important to pay the fees on time and without delay.



Need an Extension?

Tax Day wasn't always in April. On Feb. 3, 1913, the 16th Amendment was ratified, allowing Congress to institute an income tax. Initially, March 1 was the deadline for returns beginning in 1914. The due date would later change to March 15 in 1918 and would remain the same for nearly 40 years.

In 1955, the Internal Revenue Service pushed the date to April 15, they claimed to make the change to “spread out the peak workload” for government employees. This is the official due date unless it falls on a weekend or federal holiday. What happens if you are unable to file your return by the due date? There are certain circumstances where extensions may be approved.

THREE WAYS TO FILE

When applying for an extension, the

IRS offers three easy ways to submit. Keep in mind you must file before the normal due date or risk paying a penalty.

- Pay all or part of your estimated income tax due and indicate that the payment is for an extension using IRS Direct Pay, the Electronic Federal Tax Payment System or a credit card.

- Request form 4868, which is the Application for Automatic Extension of Time to File U.S. Individual Tax Return. You can go through a tax professional

who can e-file your claim to ensure it is filled properly.

- File a paper Form 4868 and enclose payment of the estimated tax due.

Remember, when receiving an extension from the IRS, it is not a way to delay payment, only to delay filing.

WHEN OUT OF THE COUNTRY

If you are not in the country when taxes are due, you are generally granted an additional two months to file.

Reasons could include you are travel-

ing, living outside of the country while your business is in the United States or you are on active-military duty overseas.

If you qualify for any of these reasons, the extension is automatic and does not require you to file. However, it's important to attach a statement to your return and explain which situations qualify you for the extension. When filing after an extension, it's a good idea to work with a professional to ensure any penalties are paid in full.

Avoid Common Scams

Each year around tax time, Americans are warned to be on the lookout for scams targeting sensitive information. According to the Insurance Information Institute, 7.5 percent of all identity theft reports were related to tax fraud in 2017.

It's important to know that officials at the Internal Revenue Service will never reach out to you over email, text messages or social media channels. In most cases, initially, the Bureau will send regular mail through the United States Postal Service before attempting to contact by phone or personal visits.

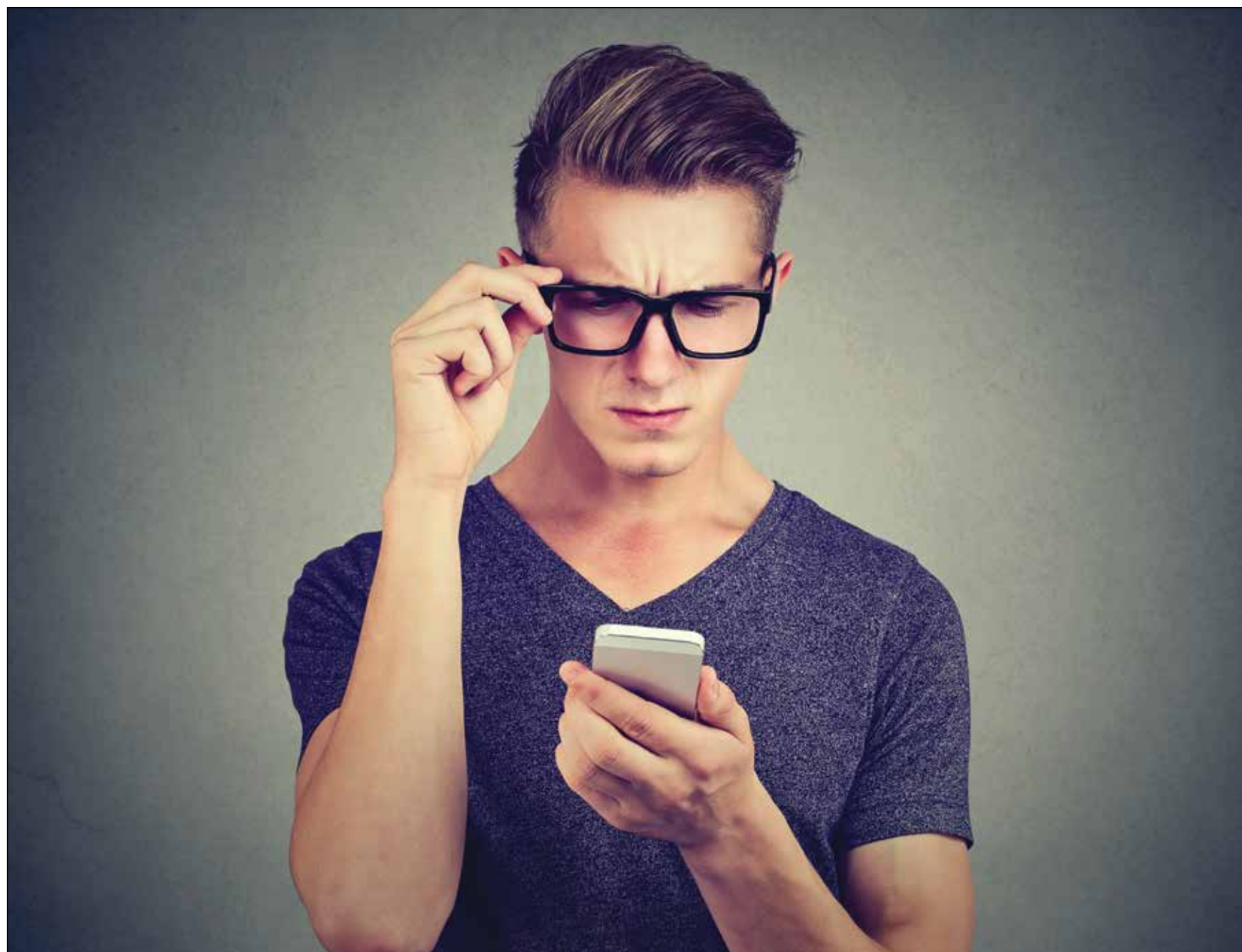
SIGNS OF A SCAM

Most tax scams attempt to threaten you with legal action if a payment is not made. When an IRS official does contacts you, they will go through motions to ensure they are actual representatives. During physical visits, the agent will disclose two forms of official credentials. Here are a few ways the agency will not act when discussing a tax issue.

- You have rights as a taxpayer. The IRS will not demand you pay taxes without the opportunity to question or appeal the amount they claim you owe.

- Agents will never demand immediate payment through a phone call. Commonly, scammers will insist you pay with prepaid debit cards or wire transfers.

- The IRS will never threaten to revoke your driver's or business



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license if a payment is not made. Also, threats to involve police are giveaways that the conversation is fraudulent.

If an agent does require you to make a payment for past-due taxes, they will only demand an immediate payment being made to the United States Treasury.

POPULAR SCAM

One of the most popular scams to

prepare yourself for is a surprise refund. Once a criminal has accessed sensitive information like your Social Security number and tax documents, it's easy for them to file a fraudulent return.

Once the money arrives in your bank account, they will contact you as an IRS collection agent and insist the deposit was made in error and must be returned. Typically, they will demand

you send it to a different account.

If you find yourself a victim of this scam, the Internal Revenue Service urges you to file a complaint with the Federal Trade Commission and contact major credit bureaus to put a fraud alert on your record.

If you ever feel like someone is attempting fraudulent behavior in regards to your taxes, contact your local police and the IRS at 800-908-4490.

Spend Your Refund Responsibly

For many of us, a tax refund is a chance to catch up on bills, treat ourselves or build our savings.

This year's new tax reform can mean larger refunds than most are used to. Do yourself a favor and make the money work for you or put it toward a great cause.

While an exotic vacation or a new big-screen television may seem like great things to put your refund toward, it's important to think of the road ahead and how that money can help make your life easier. Here are some great ideas from the National Education Association to make a positive impact with your return.

PAY DOWN CREDIT CARD BALANCES

If you find yourself making minimum payments to your credit cards each month, you likely experience high interest charges. Using your refund to knock down some of those fees will boost you into financial security sooner.

When choosing which debt to pay first, always look for the card who charges the highest interest rate.

According to the United States Federal Reserve, credit card debt reached its highest point ever in 2017, at \$1 trillion. Help get yourself out of the debt that so many others



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find themselves in.

CONTRIBUTE TO YOUR HOME

Using your refund as an extra mortgage payment is another great way to get yourself out of debt sooner. This will directly impact the overall

number of what is owed on your home. Another way you can contribute to your home is by upgrading outdated appliances or remodeling a room to add value. When purchasing new machines, look for those that will save you money on your electricity bill

throughout the year. They will be clearly marked with an Energy Star logo if they are approved by the United States Department of Energy as efficient options.

DONATE TO CHARITY

You can make an impact on

those in need of help by donating your tax return to a cause you believe in. By doing this, not only will you be filled with a sense of pride, but most donations are deductible and will benefit you when tax season rolls around next year.

Payment Options

While we are granted ample time in between filing and making a tax payment, sometimes it's just not feasible to pay the entire amount. The Internal Revenue Service provides options to give taxpayers extra time to pay in full. Be honest with IRS officials if you are down on your luck and arrange a schedule to resolve your debt.

Keep in mind that most payment options do come with penalties like interest and late fees, but if you are in a pinch, it may be the best avenue. There are also fines in effect for those who fail to file before the deadline. Even if you are unable to pay the full amount, never falter when filing your taxes on time.

DO YOU QUALIFY?

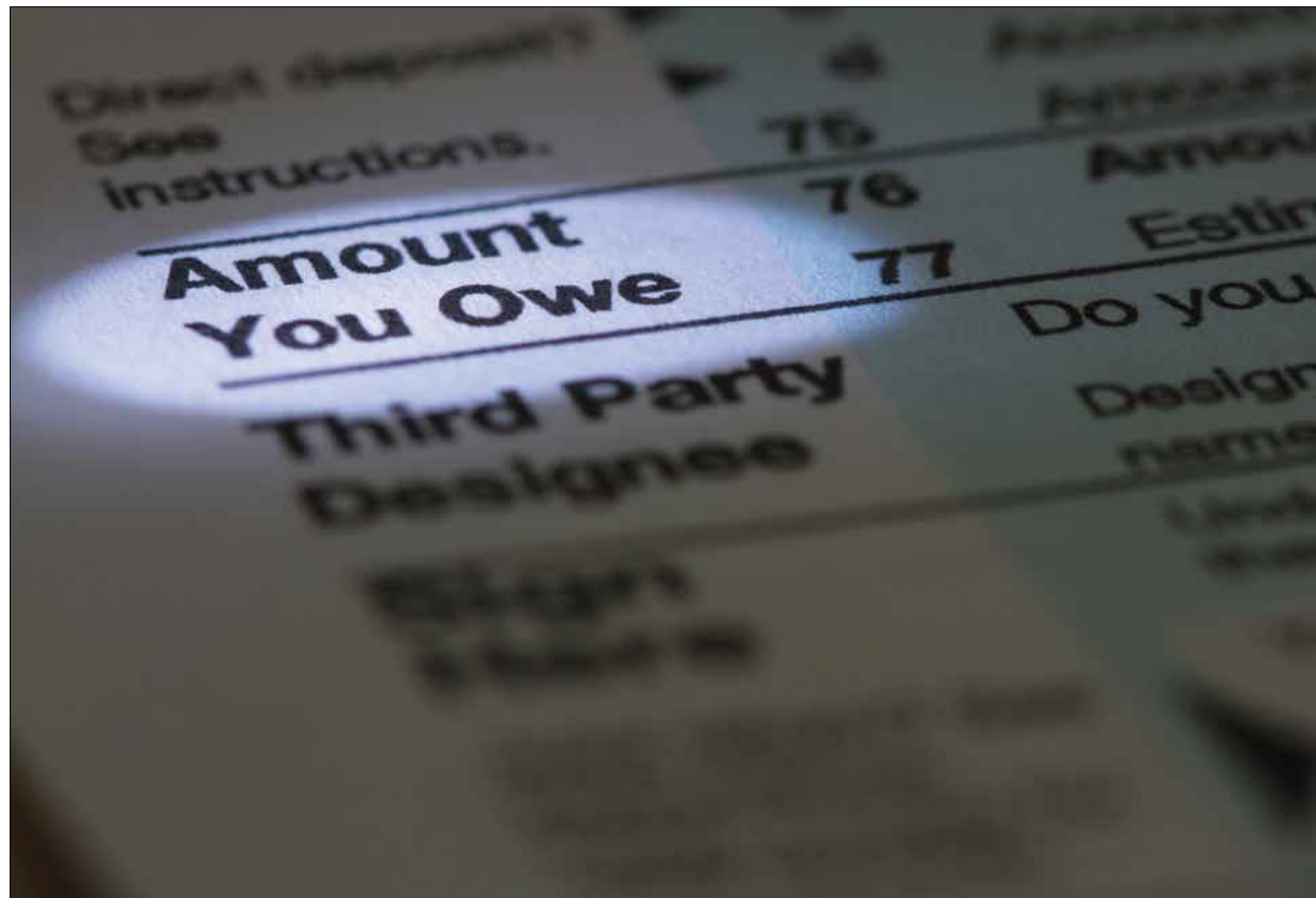
To apply for a payment plan with the IRS, submit a request on their website or with the help of a professional tax adviser. Before attempting to qualify, you'll need this information.

- Name exactly as it appears on your most recently filed tax return.
- Valid email address.
- Address from most recently filed tax return.
- Date of birth and filing status.
- Your Social Security number or Individual Tax ID Number.

TYPES OF PLANS

Typically, there are three different plans you can qualify for. Depending on your situation and ability to pay, one will be chosen for you by the IRS. These are the options you may qualify for.

Short term (120 days or less). Payments must be made



from your checking account or by check, money order or debit/credit card. There is no initial fee to setup this plan but you will be charged penalties and interest until the balance is paid.

Long term (more than 120 days with automatic withdrawal). There is a \$31 setup fee to begin this installment agreement. Automatic withdrawals will be taken from your checking account at spe-

cific intervals deemed by the IRS.

Long term (more than 120 days without automatic withdrawal). If you want to avoid making automatic payments, this plan will give you

ample time to resolve the debt by making payments with a debit card, check or money order. To begin this agreement, there is a \$149 setup fee, along with accrued penalties and interest charges.