



# EBBS, ROBERTS, HEAD & DAW INC.

Certified Public Accountants

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Once again we are surprised how quickly the year has passed! On the income tax scene congress continues to work on last minute income tax bills as of the date of this letter, but you can be assured we stay abreast of all the latest changes as they occur! With the economic issues this year you can be sure that we will work more diligently than ever to keep your tax bill at the lowest legal amount.

The IRS has not yet set a date for accepting electronic tax returns. We anticipate it will be on the 3<sup>rd</sup> or 4<sup>th</sup> week of January 2018. The tax filing deadline will be April 17, 2018. IRS is warning taxpayers to expect longer waits for their tax refunds. According to the PATH Act, the IRS cannot issue any portion of a refund for taxpayers who claim Earned Income Tax Credit or the Additional Child Tax Credit until February 27, 2018. This allows additional time to help prevent refund fraud.

**It is very important that you bring a copy of your Driver's License when you bring in your tax information.**

## TAX LAW CHANGES FOR 2017

### • At A Glance

	<u>2017</u>	<u>2018</u>		<u>2017</u>	<u>2018</u>
Personal exemption	\$4,050	\$4,150	Contribution limits		
Standard mileage rates			➤ 401Ks	\$18,000	\$18,500
➤ business use	53.5¢	54.5¢	additional catch up amount	\$6,000	\$6,000
➤ charitable	14¢	14¢	➤ IRAs	\$5,500	\$5,500
➤ medical and moving	17¢	18¢	additional catch up amount	\$1,000	\$1,000
Standard meal rate	\$57/day	\$51/day	➤ SIMPLEs	\$12,500	\$12,500
			additional catch up amount	\$3,000	\$3,000
Social Security earnings limit			Automatic exemption from		
➤ under full retirement age	\$16,920	\$17,040	estate tax (in Millions)	\$5.49	\$5.60
➤ full retirement age	no limit	no limit			
Wage base, Social Security Tax	\$127,200	\$128,400			

### § Estate tax

The exclusion amount for 2017 is \$5.49 million and \$5.60 million for 2018. The estate tax rate for estates valued over this amount is 40% in 2017.

- **Charitable Giving Incentives**

The Qualified Charitable Distribution (QCD) from an IRA is for taxpayers over 70½. The maximum amount of a QCD is \$100,000 per year with no tax on the distribution. Tax free treatment for a QCD equates to an immediate 100% above-the-line deduction without any effect on the 50%-of-AGI limitation on cash contributions.

- **Investors**

For 2017 the top capital gains rate will remain at 20%. The rate will remain zero for couples with taxable income below \$75,900, and singles below \$37,950. There is also a 3.8% net investment income surtax for singles earning over \$200,000 and couples earning over \$250,000.

- **Teacher Deduction**

If you are an eligible educator, you can deduct up to \$250 (\$500 if married filing jointly and both educators for 2017). The deduction is for classroom expenses such as books, supplies, computer equipment and other materials. This is an above the-line deduction, which lowers adjusted gross income.

- **Child tax Credit**

The \$1,000 per child tax credit is permanent. To qualify, a child must be under age 17 at the end of 2017. This credit begins to phase out for singles with adjusted gross income of \$75,000 and \$110,000 for married couples.

- **Dependent Care Credit**

If you paid someone to care for your child under age 13, a dependent or spouse last year, you may qualify for this credit. This credit can be up to 35% of \$3,000 (\$6,000 for 2 or more children) of your qualifying costs for care, depending upon your income. **We will need the federal identification number or social security number, name, and address of the provider.**

- **Education Credits**

The Hope credit allows families of college students to claim a deduction of up to \$4,000 for qualified education expenses. The American Opportunity Tax Credit allows taxpayers to claim a tax credit of up to \$2,500. Taxpayers can only use one credit on a student. Both credits have specific income requirements. We will need the actual amount paid to the educational institutions.

- **Student loan interest**

This deduction allows up to \$2,500 of qualifying student loan interest to be deducted as an above the line deduction, which lowers adjusted gross income. The phase out levels are \$65,000 to \$80,000 for single filers and \$130,000 to \$160,000 for joint filers.

- **Foreign Accounts**

The IRS is looking closely for offshore accounts. If you have an account, rental property, or business interest with a value over \$10,000 in a foreign country, or a foreign business ownership (not through a mutual fund) please let us know as some special rules will apply to you.

- **Business Equipment and Machinery**

The deduction limit for Section 179 is \$510,000 (520,000 in 2018) and the limit in capital purchases is \$2,030,000. Sec 179 will remain at the higher limits and will be indexed for inflation in \$10,000 increments in future years. Section 179 deduction is available for most new and used capital equipment, and certain software. Bonus depreciation will be 50% through 2017. Then bonus depreciation will phase down to 40% in 2018 and 30% in 2019. It can be taken on new equipment only (no used equipment or software).

- **IRA/ ROTH**

Consider contributing to an IRA or ROTH IRA for 2017. The deadline to contribute for 2017 is April 17, 2018. You can't deduct your Roth IRA contribution, but some or all of your traditional IRA contribution can be claimed as an IRA deduction. The deductible amount could be reduced or eliminated if you or your spouse are already covered by a retirement plan at work.

- **Simplified home-office deduction**

Individual taxpayers who elect this safe harbor method can deduct an amount determined by multiplying the allowable square footage by \$5. The square footage cannot exceed 300 ft., for a maximum deduction of \$1,500. Any expenses related to the home where the office is located (property taxes, utilities, repairs, depreciation, etc.) may not be deducted for business purposes if the safe harbor method is used.

- **Social Security**

The number one question in America regarding Social Security is “At what age should I Sign up?” Bluntly, no one can answer that question except you. Your answer should be based on your analysis of the three factors that determine when you should draw: genetics; personal health; and financial need. The choice to draw at age 62 or waiting until 70 may be the wisest or worst financial decision you will ever make, *depending on this three-factor test.*

**ATTENTION ALL BUSINESS OWNERS**

**New Mexico Taxation & Revenue has been aggressively comparing gross receipts reported on Form CRS-1 to the amount reported on tax returns. If you file your own CRS-1's please send us copies of the reports with your tax information so we can insure you are in compliance. If you are a New Mexico resident and receive a Form 1099 for miscellaneous income you may need to file and pay New Mexico gross receipts tax. Please call us if you have any questions.**

*Our firm works as a team. We believe we have developed a staff with a full set of complementary skills required to serve you. You may be assisted by a number of our team members, all working towards a common goal of providing the best possible service.*

Sincerely,

**Ebbs, Roberts, Head & Daw, Inc.**