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Sauppé Tax News

Brought to you by
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Special points of interest:

- Tax Proposals
- Charitable Documentation

INSIDE THIS ISSUE:

Identity Theft ReVisited

Tax identify theft has declined according to the IRS. They have stated the number of tax ID thefts was nearly 700,000 in 2015 but dropped to *only* 377,000 in 2016.

That may sound like good news, but with the latest data hack at Equifax and Uber, ID theft (whether tax or otherwise) is still a major problem for all individuals.

We continue to urge that you adjust your withholding and/or estimated tax payments so that you do not have a big refund on your tax returns. In fact, if you can keep your refund under $100, or even owe $100, you are in good shape. You often only find out you have been the victim of tax ID theft when you file your tax return. Thieves often file early to be sure to get the fake refund before you do. Your refund can then be held up by the IRS for months. Of course, if you owe the IRS money, they will have no problem cashing your check even if their records show a return has already been filed under your number.

For those who have already been victims of tax ID theft, don't forget that the IRS will issue you a PIN number to use when filing. Be sure to provide this number to our office along with your other tax documents.

For a discussion of ID theft (non-tax) see the article on page 3.

Driver's License Copies

Last year, we requested copies of driver's licenses from all Ohio, Illinois, and New York clients. This was required to comply with the new rules imposed by these states when electronically filing a return. Many other states are expected to require this information when filing the 2017 returns. If you did not provide a driver's license copy last year, please be sure to include this (for both the taxpayer and the spouse) with your 2017 documents. If you did provide it last year, we will use that information for the 2017 filing UNLESS your driver's license expired during the year. In that case, you must provide us with a copy of your new license. This applies to your children as well. If you fail to include this information and we have to request it from you, there will be an extra charge to cover our additional processing time.

Inheriting an IRA

Your relative (not your spouse) has died and named you as the beneficiary of their IRA. Condolences on your loss and congratulations on your windfall, but you now have some tax planning.

Your first job is to determine the kind of IRA (traditional or Roth) your relative had, and whether they had ever made any non-deductible contributions to their traditional IRA. The first step should be relatively easy as the title of the IRA should give you a clue or the financial institution holding the funds should be able to tell you. The second step can be extremely difficult if your relative did not keep detailed financial records. The plan sponsor (bank, mutual fund company etc.) is <u>not</u> required to track this information, so they probably cannot help you. You will need to review your relative's tax returns for all available years to see if they filed Form 8606 to show non-deductible contributions. Your relative's financial advisor or tax preparer may be able to assist.

The next few paragraphs will focus on traditional IRAs in which there are NO non-deductible contributions and you are the sole beneficiary.

Please note you CANNOT simply re-title the IRA in your name (that option is only available to a spouse of the deceased). The IRA <u>must</u> be re-titled as a beneficiary IRA showing you as the beneficiary (an example would be Jane Doe's IRA would be re-titled as the The Jane Doe Deceased IRA fbo John Doe (fbo means for the benefit of). However, you can and should name your own beneficiaries on this re-titled account.

You must determine if your deceased relative had reached the magic age of required minimum distributions (RMD). If the RMD age (70 ½) had been reached, you must make sure the deceased already took the full RMD amount in the year of death. If the RMD was not taken in full, you must take the balance of the RMD in the year of death. This withdrawal will be reported under your social security number and you will include it on your tax return and pay the tax based on your tax rates.

If the deceased had reached RMD age, the RMDs for years after the year of death (when you are taking the money) are based on the lower of your age or the deceased's age at death and reduced by one each subsequent year.

You can always withdraw more than the RMD in any year, but failure to take the RMD amount in full can result in a penalty of up to 50% of the required withdrawal that was not taken. Here is an example—the RMD amount is $5,000 for the current tax year, yet you only withdraw $3,000. Because you failed to take the additional $2,000 required, the IRS can impose a penalty of $1,000 on your tax return and will require you to make up the missed withdrawal in the following year and pay tax on the amount.

Bottom line—you may have to begin distributions in the year of death and will need to continue these distributions ***every year*** afterwards until the account is depleted.

If the deceased had NOT reached 70 ½ before dying, you may use the life expectancy rule to spread out the withdrawals over your life OR you may make the choice to withdraw the money in any way you choose *as long as* the account is depleted within 5 years after death. Again an example will help to shed light on this—Jane Doe dies at age 69. She may or may not have taken distributions from her IRA, but because she was not yet 70 ½ she was not required to do so. She dies in 2017 and her account is worth $60,000 when she dies. You may choose to take nothing in years one to four, then withdraw the full balance in the account in year 5. You may withdraw 80% of the money in year one, then draw 5% each year for the next four years as long as this depletes the account by the end of year 5. Or you may choose any other withdrawal amounts each year, again as long as the account is depleted within 5 years. If you want to spread out the RMDs over your life expectancy, you cannot also use the five year rule.

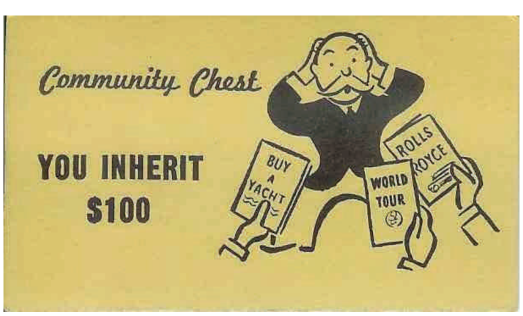
Keep in mind that the 10% early withdrawal penalty associated with IRAs does <u>not</u> apply to beneficiary withdrawals.

Now let's assume you have found out that the deceased HAD made some non-deductible contributions. For our example, let's say the non-deductible amounts totaled $5,000 and the IRA was worth $50,000. You are required to withdraw $3,000. Not all of this $3,000 is taxable but you will need to complete Form 8606 and attach it to your return to claim the non-taxable portion. Based on our example. $300 of the $3,000 withdrawal is non-taxable. The balance will be included on your tax return as taxable income.

Let's now discuss another scenario where you are NOT the sole beneficiary of the IRA. If all the other beneficiaries are persons, you should consider splitting the IRA into separate accounts so that each beneficiary can use their own life expectancy to determine the RMD. This is especially helpful when the ages of the beneficiaries are spread apart.

Another situation could be where your relative named you and a non-person (such as their church) as joint beneficiaries. You should seriously consider paying the full amount due to the non-person beneficiary no later than September 30th of the year following death. If this does not happen, the remaining beneficiaries cannot use their life expectancies, but must use either the 5 year rule (relative died before beginning RMDs) or use the life expectancy of the deceased (relative died after beginning RMDs).

One final note—even though Roth IRA owners never have to withdraw the money in a Roth IRA (no 70 ½ rule), beneficiaries of Roth IRAs **must** take distributions (though no tax will be due on the withdrawals).



Safeguarding your Identity

Identity theft of all kinds (financial, governmental, medical, or criminal) continues to be in the news everyday. The latest major data breach (as of this writing) that could lead to ID theft this is the Equifax hack that began in May 2017 and was not discovered until late July. Equifax has stated that up to 143 million Americans may have had their sensitive personal data exposed. And in case you forgot, Experian was hacked in 2015 exposing the data of 15 million people. According to the Identify Theft Resource Center (www.idtheftcenter.org), from 2005 until today there have been 8,018 data breaches reported with 1,055,177,924 records exposed.

Thieves can do many things with the data they obtain in a data breach including file a false tax return in your name. See the article on page 1 addressing tax ID theft.

Thieves can also use your personal data to open new credit accounts in your name (mortgage, credit card, etc.), open new bank accounts, and even apply for a driver's license in your name. They can ruin your credit score and cause you hours of work trying to clear up the issue.

Whether you are already aware you have been hacked or are just concerned you may be in the future, experts say the best steps you can take to protect yourself from credit ID theft is to freeze your credit and to regularly monitor your credit reports. Freezing your credit is time-consuming and has some cost to it, but it should guarantee that no one can open new lines of credit in your name. To do an effective credit freeze, you must contact **all** three of the major credit reporting agencies individually: Equifax (1-800-685-1111), Experian (1-888-397-3742) and TransUnion (1-888-909-8872). Fees vary but generally cost between $5 and $10 dollars per. Keep the following points in mind

1. Requests to freeze your credit must be in writing and should include your name, address, date of birth, social security number, copy of valid id, proof of address (i.e. a utility bill) and payment (check or credit card)
2. You cannot apply for new credit while the freeze is in place. This is because the credit company cannot access a copy of your credit report while the freeze is in place. You will need to contact the three agencies to temporarily lift the freeze and there is a fee to do that. It generally takes three business days to lift a freeze once you make the request.
3. You will be given a PIN or password when you establish the freeze. You will need this information to lift the freeze (either temporarily or permanently) so do not lose this.
4. A credit freeze will not stop a thief from using your existing credit lines to make purchases. If your credit card number is hacked, the thief can simply make purchases using that card. It is always a sound financial decision to review your credit card statements each month and dispute any unknown charges, even ones for a small amount. Thieves often start small to see if you will notice these unauthorized charges, then go big when the little ones get through.
5. In a few states, credit freezes only last for seven years. In most states, the freeze remains in place until you lift it.
6. The credit reporting agencies do not want you to put a freeze on your account as this means they cannot sell your information to credit companies which is how they make their money.
7. If you are married, you will have to request a freeze for each person separately.

A bill has been introduced in the Senate by Senator Elizabeth Warren of Massachusetts to make credit freezes free for life.

Instead of a credit freeze, you may opt for a fraud alert. A fraud alert differs from a credit freeze in that credit companies can still access your credit report (and therefore determine if they are going to offer you credit), as long as they first take steps to verify your identity. An initial fraud alert is only good for 90 days. If you have been the victim of ID theft, you can get an extended fraud alert for seven years. There is no cost to request a fraud alert.

Monitoring your credit reports is best done using the web site www.AnnualCreditReport.com. You can get a free copy of your credit report once every 12 months. You may also request a credit report in less than 12 months if your application for credit, insurance, or employment is denied, or if you have been the victim of identity theft. Of course, this won't help much if the thieves apply for credit the day after you get your report. And again, if married, you will need to request a credit report for both of you.

Bottom line—you must be ever vigilant with your personal financial data.

As some of you may remember, because of a directive issued by President Trump in early 2017, the IRS did NOT require taxpayers to answer the question regarding health insurance on their 2016 tax returns. This did NOT mean that you were didn't have to have health insurance. Nor did it mean that you were not subject to the penalty if you were not insured. It simply meant that the IRS would not hold up processing your return because the question was left blank. In some cases, they did hold up your refund to investigate further, and they reserved the right to come back later to demand payment of this penalty.

For 2017 returns, the IRS has indicated they will no longer allow tax returns to be filed if this question is NOT answered. That means if you do not have health insurance, your penalty (if applicable) must be computed and reported on the 2017 tax return. There are some exceptions to avoid the penalty and our office will review your tax documents to determine if any of the exceptions apply to you.

Please be sure to accurately answer the two health insurance questions on our annual questionnaire and provide details if you did not have adequate health insurance all year.

Charity Begins At Home

Giving to charity is a time-honored tradition in the US, but it is VERY important that all the rules be followed in order to receive a tax deduction for the donations.

These rules have been stated in previous issues of this newsletter but bear repeating.

The first hurdle to overcome is that you must be itemizing (not taking the standard deduction). If your itemized deductions, including your charitable items are less that the standard amount, you will receive no tax benefit from your donations.

When you make a gift of money via check or credit card, your cancelled check or credit card statement is sufficient proof ONLY IF the donation is *under* $250. If your donation is **$250 or more**, you MUST have a written acknowledgement from the charity stating the amount of the donation and that no goods or services were received in exchange for the donation.

All donations made via cash MUST have a receipt. You cannot state that you put coins or bills into the Salvation Army kettle, for example, and claim it on your tax return unless you have a receipt from Salvation Army acknowledging the donation.

If any of your monetary donations includes something in exchange (think Thank You gifts from PBS or a meal at a charity dinner) your deductible donation amount is reduced by the value of this item (even if you do not use it).

Non-monetary donations have even more stringent requirements. No matter the amount of the donation, you must have a receipt from the charity acknowledging the donation and a **detailed** list of the items donated and the value assigned to **each** item. If the total donated during the year exceeds $500, you must also provide the date you acquired the items donated, the method used to acquire the items donated, and your cost basis in the items. If the total donated during the year is $5,000 or more, you must have a qualified appraisal performed before making the donation.

As we have requested in the past, if you wish to claim any charitable donations on your tax return, you MUST complete the charitable donation recap which can be found on the last page of this newsletter. If you fail to complete this form, our office will either not include any charitable donations on your tax return, or charge you to complete this form using our interpretation of the charitable documents you provide. If proper documentation is not provided at the time you submit your documents, the donation will NOT be taken even if you have it listed on the charitable recap.

Please be aware of scams that rise up whenever there are natural disasters. In light of Hurricanes Harvey, Irma, and Marie, as well as the fires in California, many supposed charities may have contacted you for donations. Only charities that have been recognized as a qualified organization by the IRS. If you are unsure of the status of any charity, check with the IRS at https://www.irs.gov/charities-non-profits/search-for-charities

You may also use web sites such as guidestar.org or charitynavigator.org to determine how financially responsible a charity is (i.e. how much of your donation actually goes to the charity's stated purpose. For example, did you know that the American Red Cross President receives a salary of $651,957 plus expenses, and the United Way President's salary is $375,000 plus expense benefits.so a substantial part of your donation goes to cover that. On the reverse side, the Salvation Army commissioner only receives a salary of $13,000 plus housing per year , and the Make A Wish Foundation uses 100% of donations received to fund trips or special wishes for a dying child.

IMPORTANT REMINDERS

Please don't forget these important points when preparing for your 2017 tax return preparation.

1. Be sure to exercise care when completing our annual questionnaire. Your answers to the questions will direct how your return is prepared. An incorrect answer can have unintended consequences on your return.
2. Are you subject to use tax? If you made purchases from online retailers that did not charge sales tax (and you would have been charged sales tax if you bought that same item at a local store), you MUST pay use tax on this purchase. Be sure to accurately complete Question #3 on the annual questionnaire.
3. Will you be itemizing for 2017? If you may or think you may, you MUST have the proper documentation (see page 4 and page 8 of this year's newsletter for a more detailed explanation) for all charitable donations (monetary and non-monetary) that you wish to utilize on your 2017 return. You MUST also fully complete the charitable donation recap found on page 8. You must provide complete details on all medical expenses if you believe your total out of pocket (do not include any expenses reimbursed by an FSA or HSA in this total) will exceed 10% of your adjusted gross income (current law but this percentage may change). See below for the standard deduction amounts based on your filing status. These amounts will be used if your itemized deductions do not exceed this number.
4. Be sure to include any 1095 forms you received regarding your health insurance coverage.

If you are single and under 65	Your standard deduction for 2017 is	$6,350
If you are single and 65 or over	Your standard deduction for 2017 is	$7,900
If you are married, filing jointly and neither are over 65	Your standard deduction for 2017 is	$12,700
If you are married, filing jointly and one is over 65	Your standard deduction for 2017 is	$13,950
If you are married, filing jointly and both are over 65	Your standard deduction for 2017 is	$15,200

If you are married, filing separately, you use the single amounts UNLESS your spouse is itemizing. In that case, you MUST also itemize.

Saving for Retirement

401 K Accounts

Most companies today have discontinued offering their employees a traditional (also known as a defined benefit plan) pension whereby the employee is given a monthly dollar amount every month starting at retirement until he or she dies. Instead, the vast majority of companies offer either a hybrid or a 401k plan (also known as a defined contribution plan). With the typical 401k plan, the employee bears the burden for investing their money for their retirement and there is no monthly amount guarantees.

It is therefore imperative that employees pay close attention to their 401k accounts, starting with their contribution decisions. In the early years of a working career, it is all too easy to say you don't have the cash flow to put money into the 401k and you will simply worry about retirement later. This ignores the time value of money and could very easily having you leave money on the table.

At a minimum, every employee should contribute enough from their paycheck to maximize the company match if any. For example, if your employer states they will match up to 3% of your salary as long as you contribute 3%, it would not make sense to skip contributing and lose the company match. Let's say you make $40,000. You contribute $1,200 (which is only $100 a month), and your employer will put in another $1,200 which represents an immediate 100% return on your funds. That is an excellent return on your investment. Your $1,200 is guaranteed to be yours even if you leave the company the next day. You may lose the company match if it has not yet vested, but isn't it worth taking a chance?

The time value of money must also be considered. Here is an example. Mary puts $100 per month into her 401K account starting at age 25. She contributes for 20 years but then does not contribute any additional funds. Therefore she has put a total of $26,400 into her account. At the end of the 20 years, her account is worth $46,791 if she consistently earns 6%. At the end of 40 years (when she is 65), her account is worth $150,065. Now let's say John does not start contributing to his 401K until he is 45, but he decides he must put in double what Mary did so he does $200 per month. Both John and Mary have put the same amount of money into the account, but at age 65 John's account is only worth $93,583 assuming the same 6% rate of return.

Bottom line—contribute early and as much as you can to your retirement accounts. You should not rely on the government or your employer to "take care of you" in retirement.

Using an HSA

Health Savings Accounts (HSAs) are becoming more and more prevalent as employers try to cut down on medical insurance premiums. These savings vehicles were first introduced in 2003, yet by 2008 only 6 million accounts existed. In 2016, that number had reached 19.7 million. An HSA is a savings account that can only be funded if you are covered by a high deductible health plan (HDHP). To be considered a HDHP, your annual deductible must be at least $1,300 for a single individual and $2,600 for a family plan, but no more than $6,550 for a single and $13,100 for a family (not including out of network costs).

In most cases, the higher the deductible (what the patient has to pay), the lower the premium, so employers like these plans. To "sweeten" the pot when an employer switches to an HDHP plan, they often offer to put some money into an HSA for the employee. If the employee only covers him/herself under the insurance plan, the maximum that can be contributed for 2017 is $3,400[1]. If the employer puts $1,200 into the account for the employee, the maximum the employee can contribute is $2,200. If the employee and his family are covered under the insurance plan, the maximum increases to $6,750[1] for 2017. Again, the employer contribution must be figured into the calculation before determining how much the employee can contribute. Employee contributions can be made either by payroll deduction (usually on a pretax basis and noted on the W2) or directly by the employee (which is then taken as a income reduction on the tax return). Any contributions made directly by the employee must be reported to this office so that we can prepare an accurate return.

[1] If the employee is 55 or older, the annual limit is increased by $1,000.

Money in the HSA account can be used for qualified medical expenses (expenses that would be considered a medical expense deduction on your tax return). Keep in mind that if you cover these expenses with HSA funds, you <u>cannot</u> also deduct these on your tax return. The money is not taxed when you take it out of the HSA as long as you can prove you had medical bills equal to or more than the withdrawal amount. Any funds taken out that is <u>not</u> spent on qualified medical bills is subject to income tax **and** a 20% tax penalty.

Why is an HSA listed under Saving for Retirement? Because, unlike a Flexible Spending Account (FSA) you do NOT have to use the funds to pay for current year medical expenses. You can continue to contribute to this account for years and years, earn interest, and watch your money grow. This is your money and it will never be lost to you even if you change jobs. When you go on Medicare, you are no longer able to contribute new money to this account, but you can continue to use the money to pay medical expenses. And when you reach Medicare eligibility, you can take the money out for any reason and not pay the 20% penalty (though you will pay income tax on the withdrawal).

If you die before spending all the money in your HSA, it will go to your designated beneficiary. If that beneficiary is your spouse, he or she can simply treat the IRA like his or her own. If the beneficiary is not your spouse, the HSA will end on the date of your death, and your beneficiary must receive all the money in the account and pay income tax on the funds (though no penalty will apply).

Medicare

We have talked in the past about the magic ages of 59 ½ and 70 ½ when doing retirement planning. Another important birthday to keep in mind is age 65. Unless you are still working and covered by insurance through your employer, you MUST apply for Medicare coverage no later than three months <u>after</u> your birthday month. You can sign up as early as three months <u>before</u> you turn 65 so there is actually a seven month window (adding in the month of your birthday). To avoid a gap in your coverage, it is recommend that you contact Social Security in the three months before your 65th birthday.

Miss this window and face severe penalties (increased premiums for coverage) often for the full time you are covered under Medicare.

Proposed Tax Law Changes

As you may know, the House of Representatives has passed H.R. 1 the Tax Cuts and Jobs Act by a vote of 227 for and 205 against. This bill was first introduced on November 2nd and the house vote was on Nov. 16th. The Senate first presented their proposal on Nov. 9th and voted to pass it on Dec. 2nd (at 1:30 in the morning). I have no proof of this, but my guess is this is a record for quick passage of a major tax reform bill. The last time there was a major overhaul of the tax code was in 1986, and deliberations on that bill took <u>months</u>. The Affordable Care Act was under discussion for six months or more.

This house bill is supposed to dramatically reduce corporate and individual income taxes but would increase the federal deficit by $1.7 trillion over 10 years, Most "middle class" taxpayers will actually see tax INCREASES. Under seven scenarios prepared by one of my colleagues, all but one of the taxpayers had their taxes increased.

One of the most egregious examples of negative consequences are elderly people who are in a nursing home and are spending down their retirement funds to pay for their nursing home costs. Under current law, they can take a medical deduction for a large portion of the nursing home costs. This medical deduction often makes most if not all of their retirement funds (which are simply going to pay their nursing home costs) non-taxable. Under the proposed law, none of the nursing home costs would be deductible and the taxpayer would have to withdraw even more funds from retirement to cover both the nursing home and the taxes due on their withdrawals. Other examples are employees who must pay large out of pocket business expenses for traveling, entertaining, etc. Under the proposed law, they would no longer be able to deduct these expenses (currently they must first reduce them by 2% of their adjusted gross income). So they would pay tax on their full salary, but would be using part of that salary to cover expenses needed to do their job and would still have to pay tax on this money.

Families with a number of children may experience a tax increase as personal exemptions would be eliminated. Currently a family of five (with three children all under age 17) get to take personal exemptions totaling $20,250 (which saves $5,062.50 in tax if they are in the 25% bracket) AND gets a child tax credit of $3,000. Under the proposed rules, they would not get any personal exemptions (their standard deduction <u>would</u> be increased and **may** offset the lost exemptions for the parents only), but the children's exemptions would be lost at a potential cost of $3,037.50. They would get an increase in the child tax credit of an extra $600 per child but their net loss could be $1,237.50. If they are currently itemizing, the additional standard deduction may not be helpful in offsetting the loss of their own personal exemptions.

The Senate proposal has some if these same provisions but also has many that are not the same. The biggest issue with the Senate bill is the pass through deduction allowed to owners of pass through businesses (S corporations, partnerships, and sole proprietors). The rules covering how to calculate this deduction entail many pages.

Before anything becomes law, the two versions of tax reform (House and Senate) must be reconciled and voted on again. It is anticipated that many concessions and revisions will occur before a final bill can be agreed upon. The bill would then go to President Trump for his signature.

Even though the bills are touted as tax simplification, there will surely be many loopholes and exceptions to the rules to boggle the mind. Rest assured, this office will monitor the debate on the bill, and will take classes to ensure we are on top of all the intricacies of the new law.

When to Begin Collecting Social Security

I have been asked "At what age should I begin collecting social security benefits?" There is no way to calculate the "correct" answer unless the person asking can provide their exact date of death. Most of us don't have that information available.

There are three ages to remember when considering social security benefits—62, Full Retirement Age (FRA), and 70. FRA can vary based on the year of your birth. For those born in 1954 or earlier, FRA is 66. Those born in 1960 or later your FRA is 67. And those born between 1955 and 1959 fall somewhere in between 66 and 67. For example, if you were born in 1955, your FRA is 66 and 2 months.

FRA is the time when you can get the full benefit amount calculated based on your highest 35 years of wages. If you have not received a statement from Social Security detailing what your benefits are expected to be at FRA, you can request one at www.ssa.gov. If you don't start taking benefits until FRA, you can also continue to work and earn as much as you want. None of your benefits will be taken away for work income (see below for the rules at age 62).

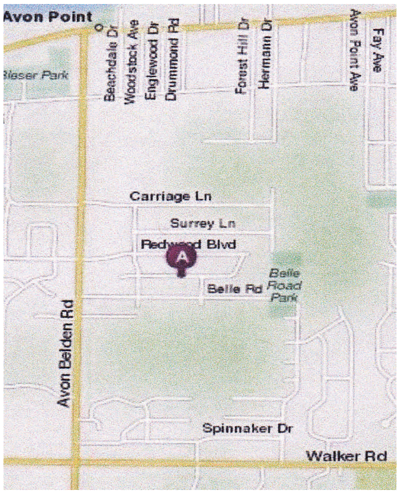
If you prefer, or necessity dictates, you CAN begin taking social security benefits as early as age 62. But if you do take them early, your benefits will be reduced. The exact amount of the reduction depends on your FRA and the age you begin taking benefits, but if your FRA is 66 and you claim benefits at 62, your benefits will be reduced by 25%. This reduction will continue for as long as you receive benefits—there will be NO increase when you reach FRA.

The reduction for starting benefits before FRA is separate from the reduction that can occur if you continue to work while receiving benefits. For 2017, if you earn more than $16,920 during the year, your social security benefits will be reduced by $1 for every $2 above $16,920 you earn. Example—you earn $20,000 in 2017 so your benefits will be reduced by $1,540 ($20,000-16,920=$3,080/2=$1,540).

Benefit reductions should not be compared to the taxability of social security benefits. Whether your social security benefits are taxable depends on your filing status and your income. However, no more than 85% of social security benefits will be taxable and most states exclude social security from their definition of taxable income.

Another option is to wait until your are 70 to begin taking benefits. Delaying the start of your social security benefits will cause your monthly amount to *increase* 8% for <u>each</u> year you delay. So if your FRA is 66 and you wait until age 70 to collect, your monthly amount will increase 32%. There is no reduction for earnings when taking benefits at age 70 (or any age after FRA for that matter).

There is NO benefit to delaying social security benefits beyond age 70 as no additional increases will be allowed after that point. Therefore at the very least you should begin taking your benefits by your 70th birthday (and only a half year before you are required to take minimum distributions from your retirement accounts at age 70 ½).



DELIVERY METHODS

Just a reminder there are four ways to provide us with your tax paperwork.

1. You may send your paperwork by US postal mail (or UPS, Fedex, etc.). We will review the paperwork, contact you with questions, and send the completed returns back to you.

2. You may drop off your paperwork with no appointment necessary in our locking drop box located by the front door. You can access this box 24 hours a day, seven days a week, and we check the box every day during tax season. Again, we will contact you with questions, and send the completed returns back to you.

3. You can schedule an appointment to review your taxes in person. Call our office at **440-933-3178** or e-mail us at **admin@sauppetax.com** to schedule your appointment. We have day or evening appointments available Monday through Saturday. No appointments will be scheduled after March 20th. Only drop offs will be permitted after that date, and these returns may be subject to an extension.

4. You may also put your electronic documents into a Dropbox or Google Drive folder and share the link to this folder by emailing us at admin@sauppetax.com. All documents must be legible and complete (both sides are required for all documents). Please put all the documents into **one** folder and simply send the link for the folder. Do NOT send items piecemeal or there will be an extra fee to cover our additional processing time.

No matter what method you use, your completed questionnaire must be included.

You may also send your paperwork and set up a Skype chat if you have items you would like to discuss but do not have the ability meet at our office. Our Skype name is **Sauppe.tax**. Contact us with the date and time you would like to chat.

Driving directions—take either Belle Rd., Redwood (pedestrian crossing signs to mark this street), or Carriage Lane from Route 83 to Woodstock. Take Woodstock to Greenwood Dr. and turn east. The office is six houses down on the left hand (north) side.

Capital Gains from Stocks

In light of the Dow Jones increase of 20% (as of this writing) over 2016 closing, it is important to review your stock positions (outside of your qualified retirement plans) before the end of the year. You may have large capital gains that will be realized once you sell your stock. If you are thinking of selling, you need to look not only at your winners, but also at your losers. By selling stocks that have gone down in value, you can reduce the amount of gains subject to tax. Unless there are changes in the tax laws passed in the next few weeks that are retroactive to 2017, long term capital gains will be taxed at zero percent for married couples with up to $75,900 in taxable income, 15% for married couples with up to $470,700 in taxable income, and 20% for married couples above that threshold. For singles, the taxable income amounts are $37,950 (0%), $418.400 (15%), and $418,401 and up (20%)

Tax Tidbits

2017 Mileage Rate—The 2017 rate for deducting business miles is 53.5 cents per mile. The medical rate is 17.0 cents and the charitable rate is 14 cents for 2017. If you accurately complete the mileage section of our annual questionnaire, we will compute this deduction for you. The charitable rate for 2018 will remain at 14 cents per mile. The business and medical rates for 2018 were not yet available as of the date this newsletter was printed. Check our website at www.sauppetax.com for the latest info.

Useful Apps

Turo—similar to AirBnb but for car rentals

The Great Courses Plus —spend your down time learning instead of simply playing games.

Runtasty—an app designed by the team that created Runtastic (a fitness app). It has a limited number of recipes but does allow you to filter by dietary restrictions.

ShopSavvy, Purchx, ScanLife or Amazon Flow—all help with comparison shopping price searches.

Units Plus—will convert all kinds of data (Fahrenheit to Celsius, miles to meters, British pound to US dollar, etc) for you so you don't have to.

LibriVox—public domain audiobooks. A chance to give your eyes a rest and listen to some classics.

Funnel—similar to an RSS feed for audio news summaries.

Taxpayer Name________________________________

Charitable Donation Recap for 2017

Monetary donations

You may combine donations made to the same organization in this section. For example, if you gave three checks of $100 each to the Red Cross, you may simply list the total. In this case, since each donation was under $250, you do not need to provide any receipts from the charity and may enter NO in the last column. For method of payment, indicate check, bank debit, payroll deduction, or cash. If cash, you must include the receipt from the charity recognizing the donation. Please note that any purchase of raffle tickets from a charity does NOT represent a charitable donation. Also, if you receive something of value in return for your donation, your donation must be reduced by the fair market value of that item. The charity will normally provide you with this information.

Name of Charity	Method of Payment	Amount	Any single donation greater than $250? YES/NO
EXAMPLE: Red Cross	Checks	300.00	NO

Non-Monetary Donations

List each donation separately. In all cases, a receipt from the charity and a list of the items donated with the value assigned to each item must be included with your paperwork. For car donations, a 1098-C should also be included. If the **total** of all your non-monetary donations is greater than $500, you MUST complete the last three columns for all donations. A valuation guide can be found on our website at www.sauppetax.com. The value assigned to any item must be the smaller of fair market value or your basis (usually your cost). For example, if you found an item on the street and then donated it, your deduction for tax purposes would be zero because you had no basis.

Name of Charity	Date of Donation	Total Value of Items Donated	How Acquired by Donor	Date Acquired by Donor	Donor's Basis
EXAMPLE Goodwill	12/15/13	$75	Purchased**	12/5/01**	$600**

** Not needed if the total of **all** non-cash donations are less than $500.