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DEAR VALUED CLIENT:

Tax Season comes with the dawning of each new year. There are a couple of new provisions from the Tax Cuts and Jobs Act, which just became law that impact 2017. There are expired provisions from The PATH Act of 2015, but we generally have the same rules we had last year for 2016.

Before we look at the laws, let me introduce our team from the most seasoned member to the newest:

Cissy (Shannon) Shelton has been preparing tax returns and doing all aspects of accounting for 27 years. Silver Creek would not operate without her!

You might catch **Tracy Frei** in the office training our newest members. She continues working off-premise doing loads of accounting work.

Melissa Wight is entering her 17th tax season. Melissa starts the season by doing 1099s and organizers, then furiously meets with clients and enthusiastically prepares of tax returns through the rest of the season.

Linda Estes will be doing quality control this year. Her years of experience help us to produce accurate returns.

Kristen Brockamp is returning for her third tax season. She will be meeting with more and more clients this year and does a fantastic job in all aspects of tax.

Karen Wurdinger is our front office leader. She keeps the tax files organized, copies returns, contacts clients when returns are completed, then handles our electronic filing.

Nancy Stroebel joined us last January in our front office. She handles payrolls and some administration duties.

Conley Didier joined us last February as a quality control team member, working diligently to ensure accuracy in our product.

Stefany Magera joined us last July and just received word she has passed the Oregon Preparer's Exam making her our newest licensed tax preparer. She is also very busy with accounting work.

Jeanette Hibbert is our newest team member. She will warmly greet you on the phone or in person, while doing accounting and directing clients to the right office.



I appreciate each and every member of our team. They are amazing people who work hard and care deeply about serving people; doing the best job they can. I am blessed to get to work with each and every one of them.

We are here to meet with you and help navigate the complicated world of tax law. We know taxes are confusing and want to answer any questions you have. We look forward to serving you soon.

⇒ *Cathy & Crew*

Back Row: Conley Didier, Melissa Wight, Nancy Stroebel, Kristen Brockamp. Middle Row: Karen Wurdinger, Cathy Johnson, Stefany Magera. Bottom Row: Tracy Frei, Cissy(Shannon) Shelton and Jeanette Hibbert. (Linda Estes-not in picture)

WHAT IS ENCLOSED

We are enclosing either an update form **or** an organizer with this letter, as well as your engagement letter. Please note the short list of items you will need to provide, if you have them. If you did not receive an organizer and would like to have one, please call us and we will get one to you right away.

LET'S GO...

We will be able to electronically file tax returns mid-January. This year's filing deadline for individual returns is Tuesday, April 17. Unfortunately, those taxpayers with earned income and additional child tax credits are going to have their refunds delayed until

mid-February. Congress passed laws creating these rules to give the IRS time to double check wage information provided by employers with individual's tax returns. This is being done to fight fraud.

One provision of the new tax law is the reduction of the penalty for not having health insurance (the shared responsibility penalty) to zero! **Hold on, this does not take effect until our 2019 tax returns.** For 2017 and 2018, the shared responsibility penalty continues to be the greater of (1) \$695 per person (to a maximum of \$2,085 per tax family) or (2) 2.5% of the household income minus a filing threshold, which varies by filing status and age.

These rules are COMPLICATED and VAST. Refinements are being made every year. With health insurance premiums, and the increased shared responsibility penalty, we are going to see larger impacts on some tax returns.

If you have health insurance, you will be receiving one of the following forms: 1095-A, 1095-B or 1095-C. We will need these forms to accurately prepare your return.

Employers are required to file their W-2 forms with the IRS by January 31st. This applies to paper filings as well as electronic submissions. Taxpayers are required to file 1099 forms January 31st as well. **Penalties apply for late filings which begin at \$50 for those within 30 days to \$260 for those after August 1st.** Oregon also imposes late filing penalties. New this year is Oregon requires all W-2s and 1099s to be electronically filed. Deductions can be denied if the filing requirements are not followed.

Partnerships, S Corporations, and Fiduciaries now also face penalties for failure to file accurate and timely K-1 forms. These penalties begin at \$260 and can become \$520 for intentionally disregarding these filing rules.

The IRS is imposing more and more penalties. As their budget tightens, this is another source of funding for the IRS. They have been very lax in assessing penalties for late filings of 1099s. We expect this to change. It is important these filings be completed and filed on time, which we are always happy to file these forms for clients. To do so, we need the information for 1099s and W-2s soon.

CONTINUING PROVISIONS FROM 2016

These rules were in effect for 2016 and continue through 2017:

- ⇒ The Section 179 expensing deduction of up to \$500,000 of qualifying purchases
- ⇒ State and local sales tax deduction
- ⇒ American Opportunity Tax Credit for qualifying college tuition

- ⇒ Child Tax Credit expansion for three children
- ⇒ Teacher's classroom expense deduction
- ⇒ Extended levels for the earned income credit
- ⇒ Charitable distributions from IRAs for taxpayers ages 70.5 and over
- ⇒ 15 year straight line depreciation for qualified leasehold improvements for restaurants & retailers
- ⇒ Five year recognition period for built-in gains for corporations converting from C Corporation status to S Corporation status.

PROVISIONS NO LONGER IN EFFECT

These credits and deductions are no longer available for 2017:

- ⇒ 10% residential energy credit for windows, doors, insulation, qualifying furnaces and air conditioning systems.
- ⇒ Credit for energy-efficient new homes
- ⇒ Qualified tuition and fees deduction
- ⇒ Mortgage debt exclusion for cancellation of debt related to the purchase of a home
- ⇒ Mortgage insurance premium deduction

NEW PROVISIONS IMPACTING 2017

The new Tax Cuts and Jobs Acts has brought two provisions effective in 2017:

- ⇒ Bonus depreciation for new business property purchased on or after September 27, 2017 will qualify for 100% expensing. This covers new and used items.
- ⇒ Medical expenses in excess of 7.5% of adjusted gross income will be counted toward total itemized deductions. This is lowered from 10% previously.

NEW PROVISIONS FROM THE TAX CUTS AND JOBS ACT IMPACTING 2018

This new law is a huge body of rules. Here are some of the major provisions which become effective in 2018:

- ⇒ The tax brackets have been expanded and the tax rates slightly reduced.
- ⇒ Standard deductions have increased to \$18,000 for head of household, \$24,000 for married filing jointly, and \$12,000 for all other filing statuses.
- ⇒ Personal exemptions have been eliminated.
- ⇒ Only mortgage interest will be allowed for acquisition indebtedness of up to \$750,000. This means no interest for financing used for things other than buying a home.
- ⇒ The combined total of state and local income taxes (or sales tax) and property taxes will be limited to \$10,000.
- ⇒ Miscellaneous itemized deductions (such as employee business and investment expenses) will no longer be deductible.
- ⇒ The child tax credit will be increased to

\$2,000 from \$1,000 for children under the age of 17. It will be expanded to include a \$500 nonrefundable credit for children over 16 and other qualifying dependents.

- ⇒ C Corporation taxes have been made level at 21% across the board.
- ⇒ The Section 179 expensing deduction increases from \$500,000 to \$1,000,000 for businesses with purchases in the year of less than \$2,500,000.
- ⇒ 1031 exchanges have been eliminated for personal property. 1031 exchanges of real property continue to be allowed.
- ⇒ Net operating loss carrybacks are no longer allowed. They may only be carried forward indefinitely. They will also only offset up to 80% of taxable income.
- ⇒ The limit for taxable estates has doubled for federal purposes to \$11.2 million.
- ⇒ 20% reduction of income from qualified businesses. There are many rules on this reduction.
- ⇒ Farm property equipment will be depreciable over 5 years instead of 7. They will be also be depreciated using regular methods, instead of being limited to 150% declining balance depreciation.
- ⇒ Business real estate will be depreciable over 30 years instead of 40.
- ⇒ The domestic activities production deduction has been repealed.

NEW PROVISIONS FROM THE TAX CUTS AND JOBS ACT IMPACTING 2019

Here are two provisions which have a delayed implementation:

- ⇒ Alimony will no longer be deductible for divorces executed after December 31, 2018.
- ⇒ Reduces the shared responsibility payment to zero.

For more information on the provisions of these laws, visit our website, under Newsletters/Articles and choose the two articles titled "Tax Cuts and Jobs Act of 2017".

MILEAGE DEDUCTION INFORMATION

If you claim mileage deductions for business, medical or charitable purposes, please use the 2017 mileage deduction information form included with this letter. The 2017 mileage rates are: business \$.535, charitable \$.14 and medical and moving \$.17. For 2018, the business rate increases to \$.545, the medical increases to \$.18 and the charitable rate remains the same.

As preparers, we continue to be required to verify that the taxpayer has written documentation for mileage expenses.

The mileage logs need to record (on a timely basis) the beginning and ending odometer

readings for the year, as well as the number of business miles driven each day and the business purpose of these travels. We are happy to provide calendar books for your use. Just let us know if you would like one.

INCREASED DUE DILIGENCE REQUIREMENTS ON PREPARERS

Oregon has the most stringent rules and requirements on professional income tax preparers in the nation. Because of Oregon's testing, supervision and training requirements, we have the best audit rates of all the states. However, because of preparation problems elsewhere, Congress has implemented additional due diligence requirements. This means we will be asking additional questions of clients who have Earned Income Tax Credit, Advance Child Tax Credits and American Opportunity Tax Credits.

Oregon has increased their due diligence requirements on those who qualify for the Working Family Household and Dependent Care Credit. We will have yet another worksheet to complete and obtain signatures on.

REQUIRED TAX ADVICE DISCLOSURE

Not for penalty protection: You should be aware that this communication is not intended to be used, and it cannot be used, for the purpose of avoiding penalties under United States federal tax laws.

The information in this newsletter is general in nature and is not intended as legal, tax or investment advice. It should not be used in any actual transaction without the advice and guidance of a professional tax advisor who is familiar with all the relevant facts.

PRIVACY ACT NOTICE

Under the Gramm-Leach-Bliley Act of 1999, tax advisors and accountants (among others) are required to notify their individual customers of their privacy policies. We do not share nor disclose any information about any of our customer's nonpublic personal information to any non-affiliated third parties without prior consent. In other words, we do not sell any of your information to anyone. We collect only the information that is required to prepare a complete and accurate income tax return for our income tax clients, or a complete and accurate set of books for our accounting clients. We maintain appropriate physical, electronic, and procedural safeguards to protect the security and confidentiality of your nonpublic personal information. We educate our employees about the terms of this notice and the importance of customer privacy. We restrict access to nonpublic personal information about you to those employees who need to know that information to provide the service you have requested. **YOUR PRIVACY IS IMPORTANT TO US!**