THE SMALLBIZ BUILDER

Your Monthly Newsletter Update

PADGETT BUSINESS SERVICES

November 2018 | PADGETT BUSINESS SERVICES® | Vol. 16, No. 11

This Month:

- Relief Victims for Hurricane Florence
- Tax Strategies to Consider Before Year-End

Relief Victims for Hurricane Florence

The IRS has provided tax relief for victims of Hurricane Florence residing in parts of North Carolina. The relief postpones various tax filing and payment deadlines that occur on or after September 27th, 2018. If you were impacted by this storm, you may have until January 31st, 2019 to make tax payments and file your income and quarterly payroll tax returns. Some states are also providing special tax relief because of this storm. Contact us for more information.

Tips for Reconstructing Records after a Disaster

In the aftermath of a disaster like a hurricane, you may need to reconstruct certain records which were destroyed. This may be essential to file your tax return, get federal assistance, or receive an insurance reimbursement. Below are some tips to help you with this process:

- Use the "Get Transcript" tool on IRS.gov or call (800) 908-9946 to order a free transcript of your tax return, which will be sent by mail to your last known address.
- Take pictures or video to establish the extent of the damage as soon after the disaster as possible.
- Review your insurance policy to try to obtain a value of your home for replacement purposes.
- Check the county assessor's office when no other records are available to establish your property's value.
- If you recently made home improvements, contact the contractors to see if records are available.
- To determine the FMV of your vehicle, check Kelley's Blue Book, National Automobile Dealers Association, or Edmunds.
- Check your phone for pictures of your home before the disaster. The IRS recommends taking pictures of the contents of a house or business, with a focus on high-value items to help support insurance claims or claims for tax benefits.
- If pictures and videos are unavailable, sketch pictures of each room of your home that was impacted.
- Contact your credit card company or bank for past statements. Consider cloud-based backup services to store records like bank statements, family photos, and other files outside of your home. The IRS even recommends storing copies of documents with a family member or trusted friend somewhere outside the area that may be affected by the disaster.

Padgett Business Services - Silicon Valley West
501 N Santa Cruz Ave. Ste. A Los Gatos CA 95030
(408) 402-3725
p_levine@smallbizpros.com
www.siliconvalleywest.com

Tax Strategies to Consider Before Year-End

Most of the changes under the Tax Cuts and Jobs Act of 2017 were effective at the beginning of 2018. Below are some things to consider before year-end that may help you maximize the benefits and minimize the burdens of the new tax law.

Withholdings

Use the IRS Withholding Calculator to help determine if you need to change your current withholdings before year-end to more closely match your expected tax obligations. The tax savings you anticipate might have already been given to you through your withholding. Take a few minutes to perform a paycheck checkup to protect yourself against an unexpected tax bill or penalty!

Managing Itemizing

The Tax Cuts and Jobs Act significantly increases the standard deduction, so many taxpayers may no longer be itemizing. Compare the itemized deductions to which you may be entitled to this year to the new standard deduction. If you won't benefit from increasing itemized deductions because the standard deduction will be greater, consider bunching charitable contributions into every other year, setting up a donor-advised fund, or, if over 70-1/2 years old, making charitable contributions through IRA distributions. If you are taking the deduction this year, add to it by donating unused items to charitable organizations or by scheduling routine medical procedures and refilling medical prescriptions before year-end.

Reasonable Compensation

The rules surrounding the new 20% deduction for "qualified business income" from a partnership, sole proprietorship, or S corporation will create more IRS scrutiny of wages paid to shareholders of S corporations. Make sure as an S corporation owner, your salary meets the "reasonable compensation" standard – what you would pay someone else to do the job you do. If you have not taken a salary, you should do so by the end of the year.

Healthcare

As the 2019 Marketplace Open Enrollment period draws closer, remember that the Tax Cuts and Jobs Act eliminates the shared responsibility payment. Individuals failing to maintain minimum essential health care coverage will no longer be penalized for years after 12/31/18.

Alimony

For divorces and legal separations after 2018, alimony payments will no longer be deductible by the payer nor included as gross income by the recipient. If you are in the middle of a divorce and will be ordered to pay alimony, consider finalizing the divorce before the end of 2018. However, if you will be the recipient of alimony payments you may want to hold off finalizing the divorce until 2019.

We hope you found these tips helpful. It would be our pleasure to assist you in applying some of these strategies to your unique situation, so please make an appointment to stop by our office.