

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Will you benefit from the new tax reform?
- Paying your fair share
- New mileage rates
- Referrals
- Call-in times
- Funnies, and more

INSIDE THIS ISSUE:

What "Temporary" Tax Reform Means for You |

How Taxes Really Work... |

2018 Standard Mileage Rate Up Slightly 2

What I'm Reading... 2

Looking for Someone You Can Rely On? 4

Call In Times 4

Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

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JANUARY 2018

What "Temporary" Tax Reform Means for You

Congress passed the Tax Cuts and Jobs Act on December 20. Here are some major changes in the tax code that will go into effect January 1, 2018. **However, to keep the cost of the bill within Senate budget rules, the changes affecting individuals will expire after 2025. At that time, if no future Congress acts to extend or make permanent these changes, the provisions will sunset and the tax law will revert to its prior state.**

The number of **individual tax brackets** will be cut from 7 to 6, with a top individual rate of 37%. (Down from 39.6%.)

The new law will increase the **standard deduction** for individual taxpayers to \$24,000 for married filing jointly, \$18,000 for heads of households, and \$12,000 for all others. The additional standard deduction for elderly and blind taxpayers is not changed.

All **personal exemptions** are repealed. The withholding rules and charts will be modified to reflect this.

Individuals who are owners in **pass-through entities**, such as partnerships, limited liability companies, S corporations, or sole proprietorships will be allowed to deduct 20% of "qualified business income". The new deduction will not be available for those in specified service industries such as accounting, health, law, consulting, athletics, financial services, brokerage services, or any business where

Continued on page 2 ↗

How Taxes Really Work...

Suppose that every morning, ten men go out for biscuits and coffee and the total bill for all ten comes to \$100. If they paid their bill the way we pay our taxes, it would go something like this:

The first four men (the poorest) would pay nothing.

The fifth would pay \$1.

The sixth would pay \$3.

The seventh would pay \$7.

The eighth would pay \$12.

The ninth would pay \$18.

The tenth (the richest) would pay \$59.

So, that's what they always did.

The ten men ate in the restaurant every morning and seemed quite happy with the arrangement, until one day, the owner threw them a curve. "Since you all are such good customers," he said, "I'm going to reduce the cost of your daily breakfast by \$20." Biscuits and coffee for the ten now cost just \$80.

The group still wanted to pay their bill the way we pay our taxes, so the first four men were unaffected. They would still eat for free.

Continued on page 3 ↗

2018 Standard Mileage Rate Up Slightly



After decreasing for two consecutive years, the Internal Revenue

Service announced the standard mileage rate for 2018 will be 54.5 cents per mile, up from 53.5 cents per mile for 2017. Taxpayers can use the optional standard mileage rate to figure their deduction instead of the actual costs of operating a vehicle.

Driving for medical purposes also increases by a penny to 18 cents per mile, while the rate for charity is set by statute and remains at 14 cents per mile.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. *

What I'm Reading...

NOW

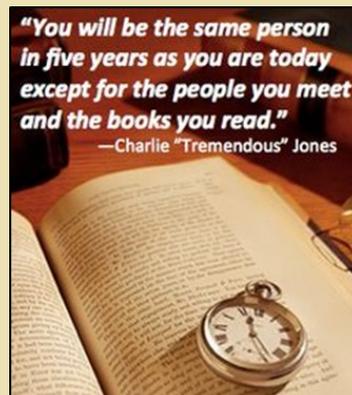
Origin by Dan Brown

Start With Why by Simon Sinek

RECENTLY

Jack Knifed by Christopher Greyson

The Ideal Team Player by Patrick Lencioni



What "Temporary" Tax Reform Means for You — *continued from page 1*

the principal asset of the business is the reputation or skill of one or more of its employees.

A limitation on the deduction will be phased in based on W-2 wages above a threshold amount of taxable income, or with taxable income more than \$157,500, or \$315,000 in the case of a joint return.

For each qualified trade or business, the taxpayer will be allowed to deduct 20% of the qualified business income with respect to such trade or business. Generally, the deduction is limited to 50% of the W-2 wages paid with respect to the business. Alternatively, capital-intensive businesses may yield a higher benefit under a rule that takes into consideration 25% of wages paid plus a portion of the business's basis in tangible assets. However, if the taxpayer's income is below the threshold amount, the deductible amount for each qualified trade or business is equal to 20% of the qualified business income with respect to each trade or business.

The **child tax credit** will increase to \$2,000 per qualifying child. The maximum refundable amount of the credit will be \$1,400.

College Savings Plans (Sec. 529 Plans) will be able to distribute up to \$10,000 for tuition and expenses at an elementary or secondary school.

Home **mortgage interest** deduction will be limited to the interest on acquisition indebtedness to \$750,000, down from the current \$1 million. Home equity loan interest will no longer be deductible.

Individuals will be limited to a \$10,000 deduction for **state and local** income or property taxes.

All **miscellaneous itemized deductions** subject to the 2% floor (unreimbursed employee expenses, union dues, and tax preparation to name a few) have been repealed.

The threshold for the deduction of **medical expenses** will return to 7.5% of adjusted gross income.

The **Alternative Minimum Tax** (AMT) exemption amount will increase to \$109,400 for married taxpayers filing a joint return (half that amount if filing separate), and \$70,300 for all other individual taxpayers. The exemption and phase out threshold amount will be indexed for inflation.

The **individual mandate** penalty for those taxpayers who do not obtain health insurance that provides at least minimum essential coverage, has been reduced to zero after 2018. *



How Taxes Really Work... *continued from page 1*

But what about the other six men – the paying customers? How could they divide the \$20 windfall so that everyone would get his “fair share”? They realized that \$20 divided by six is \$3.33. But if they subtracted that from everybody’s share, then the fifth and sixth man would each end up being paid to eat breakfast.

So, the owner suggested that it would be fair to reduce each man’s bill by roughly the same amount, and he proceeded to work out the amounts each should pay. And so:

The fifth man, like the first four, now paid nothing (100% savings).

The sixth now paid \$2 instead of \$3 (33% savings).

The seventh now paid \$5 instead of \$7 (28% savings).

The eighth now paid \$9 instead of \$12 (25% savings).

The ninth now paid \$14 instead of \$18 (22% savings).

The tenth now paid \$49 instead of \$59 (16% savings).

Each of the six was better off than before. And the first four continued to eat for free. But once outside the restaurant, the men began to compare their savings. “I only got a dollar out of the \$20,” declared the sixth man. He pointed to the tenth man, “but he got \$10!”

“Yeah that’s right,” exclaimed the fifth man. “I only saved a dollar, too. It’s unfair that he got TEN times more than I!”

“That’s true!” shouted the seventh man. “Why should he get \$10 back when I only got two? The wealthy get all the breaks!”

“Wait a minute,” yelled the first four men in unison. “We didn’t get anything at all. The system exploits the poor!”

The nine men surrounded the tenth and beat him up.

The next morning, the tenth man didn’t show up for breakfast, so the nine sat down and had biscuits and coffee without him. But, when it came time to pay the bill, they discovered something important. They didn’t have enough money between all of them for even half the bill!

And that, boys and girls, is how our tax system really works. The people who pay the highest taxes deservingly get the most benefit from a tax reduction. Tax them too much, attack them for being wealthy, and they may just not show up anymore.

The idea that the rich aren’t paying any taxes is based on misinformation fed voters. They have been told over and over by the media and politicians that the wealthiest among us are paying very little income tax compared to the rest of us. We have been told that the millionaires and billionaires among us have all the money, but they don’t bear much, if any, of the burden to pay for the schools, and the roads, and the police, and the welfare benefits, and the rest of the tasks of government.

So, time for a reality check. Here are the latest income statistics from the IRS for 2011. The top 1% earned 19% of the total income and paid 35% of the federal income tax. The top 5% of income earners pay 59% of the total income tax revenues, while earning only 35% of the reported income. The top 10% paid 70% of all taxes, while earning only 46%, and the top 50% paid more than 97% of all income taxes. This leaves the bottom 50% paying next to nothing, or nothing. The top 1% of income earners pay almost as much income tax as the bottom 95% combined.

According to a recent study by the Tax Foundation, the federal income tax is one of the most progressive tax systems in the world. Scott Hodge, president of the Tax Foundation, says: “almost no other industrialized nation depends on the rich to pay the bills more than the United States.”

The best way to get more taxes from the rich is through low tax rates on work and investment which creates a prosperous economy with rising incomes for all. In a speech at the New York Economics Club a famous politician once said: “It is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now.” Sounds a lot like Ronald Reagan doesn’t it? Actually, it was 1962, and the speaker was John F. Kennedy. *





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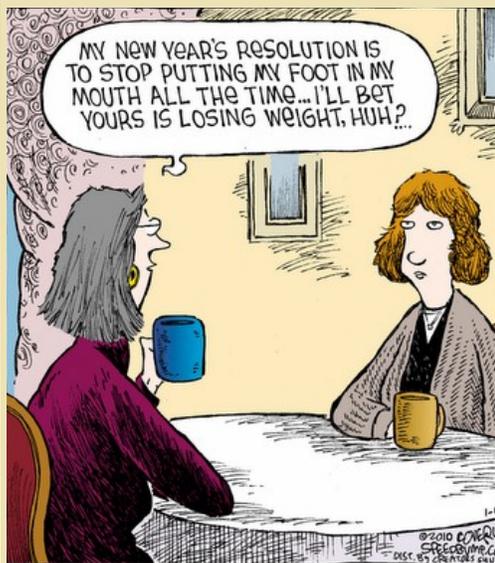
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**Looking for Someone
You Can Rely On?**

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you'll find a list of areas in which we know very credible, ethical, and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- Promotional Products
- Financial Planner
- Mortgage Broker
- Individual and Family Counselor
- Cultured Marble
- Banker
- Printer
- Welding Supplies
- Attorney
- Executive Leadership Coach
- Pest Control
- Electrician
- Banker
- Realtor
- Identity Theft Protection
- Painter
- A/C Maintenance
- Home Inspector



The self-prepared paper returns' math error rate is **37.0 percent** while for paid-prepared returns it is **1.3 percent** and for software-prepared returns it is **1.8 percent.**



This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 1/22/18 from 2:00 to 4:00 pm. To schedule your appointment, contact Kristen at (251) 633-4070.

Not a member yet? Find out how to become one TODAY!