



1751 S. Naperville Road, Suite 102, Wheaton, Illinois, 60189-5896  
630-668-3030 P 630-668-2757 F [www.defilippisfinancial.com](http://www.defilippisfinancial.com)  
TAX RELATED EMAIL: [steve@defilippisfinancial.com](mailto:steve@defilippisfinancial.com) INVESTMENT RELATED EMAIL: [stephen.defilippis@ceterafs.com](mailto:stephen.defilippis@ceterafs.com)





**Stephen W. DeFilippis, EA, Financial Adviser**  
Licensed to Represent Taxpayers Before the IRS

**Member:** Illinois Society of Enrolled Agents  
National Association of Enrolled Agents

## TAX ALERT January 2018

### DFG In The News

Steve's reputation in the tax field has generated more media interest in 2017. As a result, he was contacted by and quoted in:

-  *The Wall Street Journal*
-  *The New York Times*
-  *USA Today*
-  *Forbes*

Links to these articles are on our web site under the tab [Press Center](#).

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### Brilliant Deductions® Blog

If you haven't been to our website recently, you will notice many new and exciting features. One of these is the Brilliant Deductions® Blog. I will be posting blog entries regularly and encourage you to check back once a month. I am always interested in your feedback so please send me an email if you have a suggestion for a future Blog entry.



### Words of Wisdom

“Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time.”

*Thomas A. Edison*

### Please, Please, Please Listen to Your Voice Mail Message

In an effort to maximize efficiency and minimize wasted time, we leave very detailed messages when we call you and are directed to your voice mail. Unfortunately, in many instances, when our number pops up on your phone you call us back without having listened to the voice mail message. This wastes our time and yours. If you get a call from us and missed the call, please check your voice mail BEFORE you call us back. Most of the time the message we left can save you the time and effort of making a return call.

### Illinois Tax Changes

#### New Illinois Educator's Tax Credit

Illinois educators who buy classroom supplies and do not receive reimbursement from their employer may now claim an Illinois tax credit of up to \$250. This credit is in addition to the \$250 federal deduction. It is available for public school principals, aides and teachers who work at least 900 hours in a school year.

#### New Invest in Kids Tax Credit

Beginning with **tax year 2018**, Illinois taxpayers who are approved to participate in the Invest in Kids program can receive a state income tax credit in the amount of 75% of their total qualified contributions made to one or more Scholarship Granting Organizations (SGOs) during a taxable year. These income tax credits cannot exceed \$1M per taxpayer, per year. If you claim this tax credit, you cannot claim any portion of the contribution as a federal income tax deduction. These tax credits are not refundable. However, any income tax credit amount that exceeds your tax liability for the year may be carried forward and applied to your tax liability in the subsequent five taxable years. Income tax credits are awarded on a **first-come, first served basis**. The Illinois Department of Revenue can issue up to \$75M in income tax credits per calendar year. Once all of the credits have been awarded in a calendar year, you will have to wait until the next calendar year. For more information on this program and detailed instructions on how to submit an application, please go to [www.mytax.illinois.gov](http://www.mytax.illinois.gov).

## **The Tax Cuts & Jobs Act of 2017**

In late December, Congress passed and President Trump signed The Tax Cuts & Jobs Act of 2017. This legislation contains the most significant changes to the United States tax code since 1986. Please keep in mind that most of these provisions are temporary – they expire after 2025. Here is a summary of the items that impact most taxpayers along with some tax planning strategies:

### **The Tax Brackets and Rates Are Changed**

The new law keeps the number of tax brackets at seven but changes the rates and the break points. The new rates are 10%, 12%, 22%, 24%, 32%, 35% and 37%. In general, regardless of what new tax bracket into which you fall, more of your taxable income will be hit with lower rates than before.

### **Maximum Rates on Long-term Capital Gains and Qualified Dividends**

The maximum rates on long-term capital gains and qualified dividends remain the same. However, instead of these rates being linked to your tax bracket, they are now linked to income thresholds.

### **Increased Standard Deduction**

The standard deductions are increased as follows: Single and Married Filing Separately - \$12,000; Married Filing Jointly - \$24,000; Head of Household - \$18,000. The additional standard deduction for taxpayers age 65 and over remains. This increased standard deduction will result in far fewer people itemizing their deductions.

### **Personal Exemptions for Filers and Their Dependents are Eliminated**

The personal exemption that was allowed for each filer and their dependent(s) has been eliminated.

### **The Child Tax Credit is Expanded**

The child tax credit has been increased to \$2,000 for each dependent under age 17 with up to \$1,400 of the credit refundable to lower income taxpayers. The income phaseouts for this credit have been raised substantially.

### **New Tax Credit for Dependents That Are Not a Qualifying Child**

There is a new \$500 non-refundable tax credit for dependents that are not a qualifying child such as an elderly parent or disabled adult child.

### **Changes to the Mortgage Interest Deduction**

There are significant changes to the mortgage interest deduction. For mortgages originated after December 14, 2017, interest will be deductible on up to \$750,000 of new acquisition debt on a primary or secondary residence. Starting January 1, 2018, **home equity loan interest will no longer be deductible**. If you have a home equity loan and are able to pay it off, you should give that serious consideration as there is no longer any tax benefit on the interest paid.

### **The Deduction for State and Local Taxes (SALT) is Limited**

The deduction for state and local income taxes, property taxes, personal property taxes and sales taxes is now limited to \$10,000 total regardless of filing status. These taxes remain fully deductible for businesses and rental real estate activities.

### **Tax Treatment of the Sale of Your Principal Residence**

No change is made to the tax treatment of the sale of your principal residence.

### **Miscellaneous Itemized Deductions Subject to the 2% of AGI Limit Are Eliminated**

This is a BIG one. Deductions for unreimbursed employee business expenses, tax return preparation fees, investment related fees, IRA custodial fees, home office, safe deposit box, job search, hobby expenses, union dues, etc. have been eliminated. If you have typically deducted employee business expenses, I recommend that you speak with your employer about being reimbursed for your expenses under an accountable plan.

### **Job-Related Moving Expenses are Eliminated**

Moving expenses related to your job have been eliminated except for active duty members of the armed services.

### **Alimony**

Alimony is no longer deductible to the payor nor includable in income of the recipient for **post 2018** divorce decrees.

### **Personal Casualty and Theft Losses**

The personal casualty and theft loss deduction has been eliminated except for personal casualty losses incurred in a Federally declared disaster area.

### **The 7.5% Medical Expense Threshold is Restored**

Medical expenses were scheduled to be deductible to the extent they exceed 10% of adjusted gross income (AGI). The new law changes the threshold back to 7.5% for tax years 2017 and 2018. The threshold increases to 10% in 2019.

### **The Alternative Minimum Tax (AMT) is Kept but With Increased Exemptions**

The AMT exemptions increase to \$109,400 for joint returns and \$70,300 for singles and heads of household. In addition, the exemption phaseout zones start at much higher income levels – above \$1M for couples and \$500K for singles and heads of household.

### **The Obamacare Individual Mandate is Going, Going, Gone**

The requirement to obtain and keep ACA compliant health insurance or pay a penalty tax is repealed starting 1/1/2019. **Please note: this mandate continues in effect for 2018.**

### **The Kiddie Tax is Significantly Changed**

Unearned income subject to the Kiddie Tax will now be taxed at trust and estate rates instead of at the parent's rate.

### **Roth Recharacterizations Are Eliminated**

The new law eliminates the ability to recharacterize IRA contributions/conversions.

### **529 Plans are Enhanced**

529 Plan owners may now take yearly distributions up to \$10K per student to pay for elementary and secondary school tuition.

## **Most Sole Proprietorships and Pass-Through Businesses Get a New 20% Deduction**

This is probably the most complex area of the new law. If you are a sole proprietor or a shareholder/partner in a pass-through business, you will need to speak with Steve directly to determine if this new provision impacts your situation.

## **Many Business Deductions Have Been Eliminated or Changed**

Deductions for business entertainment, country club dues and Domestic Production Activities have been eliminated. In addition, net operating losses (NOLs) generated after 12/31/17 can only offset 80% of taxable income and NOL carrybacks are now generally prohibited. Tax-deferred like-kind exchanges are now limited to real property.

## **Fewer Estates Will be Subject to the Estate Tax**

The lifetime estate and gift tax exemption has been increased to \$11.2M for 2018.

## **Expired Tax Credits and Deductions**

The following tax credits and deductions have expired as of 12/31/16:

- The Tuition and Fees Deduction
- The Deduction for Private Mortgage Insurance
- The Residential Energy Property Credit

## **Be Prepared if You Are Claiming an Education Credit**

If you are claiming an education credit on your 2017 tax return, please remember to bring the following to your tax appointment:

- Form 1098-T for each educational institution to which you made payments in 2017
- A 2017 statement of account from each educational institution to which you made payments in 2017 (the statement of account should show ALL payments made in 2017)
- Proof of payment (receipts are preferred) for all payments that are not reflected on the statement of account (ex. payments for books, supplies, etc.)

## **Vehicle Donations**

The income tax rules on vehicle donations can be tricky. Generally, your tax deduction cannot exceed the proceeds the charity receives from selling the vehicle. Donors may use a fair-market value estimate in limited circumstances. Charitable organizations that receive a donated vehicle valued over \$500 must send the donor Form 1098-C. If you intend to claim a tax deduction in excess of \$500 for a vehicle, you **MUST** have a Form 1098-C from the charitable organization that substantiates the amount.



### What's your password?

In an effort to protect your personal information we have added an extra layer of security. **We CANNOT accept email requests to change personal information.** If you haven't already done so, during your next office visit we will ask you to create a password for identity verification.

### Office Hours During Tax Season

Reception is open *Monday through Saturday* from 9:30 AM to 5:00 PM.



Tax appointments **are required** and are scheduled:

*Monday & Wednesday*  
9:30 AM to 8:30 PM

*Tuesday & Thursday*  
**Not available for tax meetings**

*Friday*  
9:30 AM to 6:30 PM

*Saturday*  
9:30 AM to 4:30 PM

Sunday **CLOSED**



Pick-up tax return appointments **are required.** We schedule fifteen (15) minute appointments for each return that is picked up.

*Monday – Friday*  
9:30 AM – 11:45 AM

1:30 PM – 4:45 PM

*Saturday*  
9:30 AM – 11:45 AM

1:00 PM – 4:45 PM

Sunday **CLOSED**



### IRS to Delay Tax Refunds Involving EITC and ACTC Next Year

As they did in 2017, the IRS will hold all refunds on returns claiming the Earned Income Tax Credit (EITC) and/or Additional Child Tax Credit (ACTC) until mid-February 2018 as a safeguard against identity theft and tax fraud. The IRS expects the earliest EITC/ACTC related refunds will be available in taxpayer bank accounts is Feb. 27, 2018, if those taxpayers chose direct deposit and there are no other issues with the tax return.

### MOVING?

Our office values your privacy and we do everything that we can to protect your identity. Email accounts are being hacked at an alarming rate. Email requests could be made to re-route your communications. Please understand that we **cannot** accept changes to your personal profile by email.

Complete and **sign** the [Tax Client Information Change Request](#) form. To ensure the request is actually coming from you we compare the signature on the change request form to the signature we currently have on file.

We must have your signature on file to make permanent changes to your client record. The form is located on the DeFilippis Financial Group® website under the **Tax Services** tab, subheading **Important Documents**

If you do not have internet access please call our office. You must provide your password to make changes by phone. If you do not have a password we will be happy to mail the request form to you or you may come into our office to make the changes in person.

### Does Steve need a copy of Form 5498?

We get asked this question every year. In the month of May you can expect to receive IRS Form 5498 if you made contributions to or rolled over funds into an IRA, SEP, or SIMPLE in the preceding tax year. The "custodian" of your retirement account, typically the bank or other institution that manages your account, will mail a copy of this form to both you and the Internal Revenue Service.

In most cases this form will not be needed to prepare your tax return. However, you should always keep this copy with your tax records.

### If You Sold Real Estate, Look Out For Form 1099-S

If you sold real estate in 2017, you might receive Form 1099-S reporting the proceeds from the sale. If you receive this form, please remember to bring it to your appointment as this will have an impact on how your transaction is reported to the IRS.

## 2018 Standard Mileage Rates

Beginning on Jan. 1, 2017, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) are:

- ◆ \$0.545 per mile for business miles driven
- ◆ \$0.18 per mile driven for medical purposes
- ◆ \$0.18 per mile driven for moving purposes
- ◆ \$0.14 per mile driven in service of charitable organizations

## Filing an Extension

Remember, an extension is an extension of the time to file.

It is **NOT** an extension of the time to pay.

## Joke of the Month

“Where do homeless tax accountants live?  
They live in a tax shelter.”

*Author: Unknown*

**35**  
YEARS  
*Anniversary*

## It's OUR 35th Anniversary!

Thanks to you, this tax season will be our thirty-fifth. Your loyalty and patronage are **greatly** appreciated.



## Consent to Disclose Tax Return Information to a Third Party

Are you in the market for a new home or a new mortgage rate? Before you begin the lending process, call our office. The IRS tax code contains provisions that are designed to protect the confidentiality of your personal tax information and ensure that you are aware of anyone who is using or receiving your information. Consequently, your written authorization must be obtained prior to releasing information to your broker, lender or any other third party.

To provide us with the required written authorization, please print the *Consent to Disclose Tax Return Information to a Third Party* PDF document located on our website under the **Tax Services** tab, *Important Documents*.

<http://www.defilippisfinancial.com/important-documents-1>

Please allow 1 to 2 business days to process your request. There is a charge of \$10.00, per tax year, to generate a copy (paper or electronically) plus mailing costs, if applicable. Complete and sign the form and mail with the required fees to our office. Upon receipt, we will disclose the information you have requested to the third party. Please note that we must have an actual signed copy in our office before any tax information can be released.

## Tax Return Copy Requests

A copy of your full tax return is located in the right-hand pocket of the *DeFilippis Financial Group*® tax folder you received during your pick up appointment. Additional copies are not kept on file at our office. When you contact our office to request a copy we must generate a new copy for you. Complete the form [Client Request for Additional Copy of Tax Return](#). This form is located on our website under the **Tax Services** tab, *Important Documents*.

Please allow 1 to 2 business days to process your request. There is a charge of \$10.00, per tax year, to generate a duplicate copy (paper or electronically) plus mailing costs, if applicable.

## April 17 Filing Deadline

The filing deadline to submit 2017 tax returns is Tuesday, April 17, rather than the traditional April 15th date. In 2018, April 15 falls on a Sunday and this would usually move the filing deadline to the following Monday, April 16. However, Emancipation Day – a legal holiday in the District of Columbia – will be observed on that Monday, which pushes the nation's filing deadline to Tuesday, April 17, 2018. Under the tax law, legal holidays in the District of Columbia affect the filing deadline across the nation.

**Important Dates to Remember***Deadline to confirm your tax appointment***Monday, January 15, 2018***Estimated tax payments due*

Tuesday, January 16, 2018

*Trust tax return documents*

Please drop off your trust tax return documents by Monday, February 26, 2018. The sooner the trust tax return is completed, the sooner we may begin working on your individual tax return!

*S-Corp tax return filing deadline*

Thursday, March 15, 2018

*Partnership tax return filing deadline has been changed to*

Thursday, March 15, 2018

*C-Corp tax return filing deadline*

Tuesday, April 17, 2018

*Individual tax return filing deadline (extended due to Emancipation Day)*

Tuesday, April 17, 2018

*Corporate tax extension paperwork due in our office*

Friday, August 31, 2018

*Individual tax extension paperwork due in our office*

Friday, September 28, 2018

**Say YES to accept Prepaid Audit Service!**

Our **Prepaid Audit Service** is optional and available for an additional fee. This service, if selected, entitles you to free representation should the IRS or IDOR audit you. Although Steve is always available to represent you in an audit, he charges an hourly fee for this service. A simple audit can result in fees of several hundred dollars. If you elect to participate in our **Prepaid Audit Service**, a fee of 25% of your tax return preparation cost will be added to your bill. This fee will cover all representation work done by Steve on your behalf for your 2017 tax return. As you can see, participation in our **Prepaid Audit Service** can result in dramatically lower audit representation fees. Please note: You must meet our eligibility guidelines to participate.

**Our Billing Policy**

Thank you for being so supportive of our billing policy. To provide the best value, it is important for us to have a consistent billing policy that is the same for everyone.

In an effort to keep client fees down **we only accept cash or checks** made payable to **DeFilippis Financial Group®**. Our billing policy states that **all fees are due at the time of your appointment or when you pick up your completed tax return**. Staff does not have the ability to release the tax folder to clients until all fees have been paid.

We appreciate your continued cooperation.

**Tax-related email:****[admin@defilippisfinancial.com](mailto:admin@defilippisfinancial.com)****Investment-related email:****[defilippis@ceterafs.com](mailto:defilippis@ceterafs.com)**[Find us on Facebook](#)[Follow Us on Twitter](#)[Join Us on LinkedIn](#)

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