

FARAGALLA & Associates

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FREDERICK OFFICE ENTRY DOOR UPDATE

We have done a little rearranging at our *Frederick* Spring Ridge office! What does this mean for you? Our main entrance will now be **one door over**. Please pay attention to the door signs as our new entrance is at Suite 205 where you'll be welcomed by our new administrative area!

REFERRAL PROGRAM REMINDER

Details on our referral program can be found on our **website** under Client Center – Referral Program!

PROPOSED TAX REFORMS AND YOU

The **biggest** question people ask when the new tax overhaul is brought up is “how will this affect me personally?” While the answer to that question **must** be on a case by case basis, we want to discuss a few of the proposed changes that could affect a *large* portion of the population:

Reduced amount of tax brackets – the current proposal suggests new tax rates of 12%, 25%, and 35% based on income. Actual income brackets have not yet been published.

Change to the standard deduction – the standard deduction would basically double, going up to \$12,000 for individuals and \$24,000 for married couples.

Changes to itemized deductions – Charitable and mortgage deductions will stay for sure, other deductions have not been explicitly affirmed nor denied (other than the elimination of the state and local tax deduction). The language of the initial proposal indicates that most other deductions will be eliminated.

Elimination of personal exemptions, Estate Tax (aka death tax), and Alternative Minimum Tax (AMT)

Significant increase to the size of the child tax credit, and increasing the income threshold in which the credit phases out.

Please note that these are merely proposed changes and **not** tax law. We will do our best as a **firm** to help guide our clients through this process to give them the best possible advice at the time. We at Faragalla and Associates will remain *up to date* on tax law and are here to **assist** you in your tax planning.

TIME TO UPDATE YOUR INFORMATION?

Has your **address**, e-mail, *or* phone number changed?

Please update this information **as soon as possible** with our admin staff. Updating the information **helps** us get appropriate data to you, such as your upcoming tax packets and final tax filings. In addition, it *may* even change your state tax filings!



CURRENT TAX CHANGES PENDING TAX REFORM

RETIREMENT AND PENSION CHANGES FOR 2018

The contribution limit for employees participating in a 401(k), 403(b), most 457 plans, or the federal government's Thrift Savings Plan **increased** from \$18,000 to \$18,500.

The catch-up contribution limit for the above is **unchanged** at \$6,000.

Annual contributions to an IRA are **unchanged** at \$5,500.

Income phase-outs have also updated and detailed information on all changes for 2018 can be found via the IRS website at <https://www.irs.gov/newsroom/irs-announces-2018-pension-plan-limitations-401k-contribution-limit-increases-to-18500-for-2018>

TAX BENEFIT CHANGES FOR 2018

Standard Deduction

Married Filing Jointly
\$13,000

Single & Married Filing Separate
\$9,550

Personal Exemption

\$4,150

Annual Exclusion for Gifts

\$15,000

WHAT DOES YOUR ACCOUNTING FIRM DO FOR YOU?

When we asked the question, "Well, they prepare our end of year tax returns" came the reply. Some included, bookkeeping, audit, operate our payroll, etc.

A good firm will take genuine interest in you, your business, and your goals. They will:

1. Form a partnership with you to become your most trusted advisor.
2. Keep you informed.
3. Safekeep your information.
4. Act as a sounding board, providing objective business advice.
5. Help you make informed financial and managerial decisions.
6. Keep up with the ever-changing tax laws, to make you pay as little taxes as possible.

Expectations: Our experience revealed that like all partnerships, failure happens when there are *broken* expectations, so we thought it would be good to outline the expectations from each party.

What should you expect from us?

1. We will always respect you.
2. We will always make sure to value your **time** by not asking for information that we do not need.
3. We will try to explain the *complex* accounting and tax concepts in an **easy** to understand method.
4. We will do our best to provide you with most relevant information to your questions by looking at *all* the angles that impact your decision.
5. We will always do our best to safeguard your information.

What should we expect from you?

1. As your partner, we expect you to send us any documents that we request in a timely manner.
2. Documents that we request are needed by us so we can provide you with an **accurate** and *timely* returns.
3. Partners respect each other at all times, including each other's *time*.
4. We ask that you pay us for our services *timely*.
5. We ask that you **communicate** with us by telling us what you value. Some clients value *punctuality*, others value *communication*, etc.

If you are not receiving the right attention, please **schedule** a call to address your concerns.

OFFICE CLOSURES

<http://www.faragallaandassociates.com/office-closures/>

All Day

December 25, 2017

Christmas Day

January 1, 2018

New Year's Day

Partial Days

December 14, 2017

Staff Training

Closed until 12:30pm

December 15, 2017

Christmas Luncheon

Closed after noon

Select staff may be working *partial days* on **December 22nd** and **December 26th**. Staff will cover most items prior to being out of the office. As always, we will have **back-up** client representatives to assist for any emergencies.

INCLEMENT WEATHER

Many of our employees have the ability to work **remotely**. If you call, you will receive our *inclement weather message* and a staff member will return any correspondence within a business day, unless the weather extends for a longer period of time.



OWNERSHIP BASIS!?!?!?

WHAT DID MY ACCOUNTANT JUST SAY?

Ownership basis is a complicated topic and can put even the most talented accountants to the test. However, in a simple small business environment ownership basis be..... *very simple*. Ownership basis is your **investment** in a Partnership, Sole Proprietorship, or S-Corporation. C-Corporations have a different set of rules, but we won't go into that here. In some business structures, you must maintain positive ownership basis which comes into play if you ever sell your business. If you started a business recently and put in \$100 to open a bank account; your *basis* starts as, you guessed it, \$100.

Every year your business makes or losses income, you are taxed on this income on your personal tax return. Every time you make a profit, your basis **increases**. Every time you have negative profit, your basis **decreases**. This income/loss is generally reflected on your tax return either through a K-1 or form Schedule C.

Since you own a business, you want to pay yourself. If you take your pay via *owner draw* (not W-2) you are drawing on your basis every time you take a draw. [Please note: If you are an S-Corporation owner, you are **required** to take a reasonable salary]. If your business made \$100 and you took \$90, your basis increased *only* \$10. You can take this additional \$10 and save it for later. Below is a quick scenario to **summarize**:

Year	2016	2017	2018	2019
Business Income/ (Loss)	\$0	\$50,000	\$10,000	0
Owner Contribution/ (Draws)	\$10,000	(\$20,000)	(\$20,000)	(\$30,000)
Owner Basis	\$10,000	\$40,000	\$30,000	\$0
Your Taxable Income	\$0	\$50,000	\$10,000	\$0

TAX PACKETS

Friendly reminder to keep an eye out for the 2017 tax packets that will be sent out in **January 2018!** You may be proactive by visiting the website at <http://www.faragallaandassociates.com/forms/> and selecting the appropriate forms under Tax.

Keep an eye out for a special offer in the tax packets this year!

Contact Us

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TAX RETURN DEADLINE DATES FOR THE 2017 TAX YEAR

January 31, 2018

W-2/1099 MISC – Information Returns (due to both recipient and IRS/SSA)

March 15, 2018

1065 – Partnership
1120S – S Corporation

April 15, 2018

1040 – Individual
1041 – Trust and Estate
1120 – C Corporation (*15th day of the 4th Month after year-end*)
FinCen Report 114 – Foreign Bank and Financial Accounts Report (FBAR)

May 15, 2018

990 – Exempt Organizations

July 31, 2018

Form 5500 – Employee Benefit Plans

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