



# Coleman & Associates

Fully Integrated Tax, Accounting & Financial Services

## Monthly Newsletter

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### **Tax filing reminders:**

- **January 15:** 4th Quarter Estimated Payments Due
- **January 31:**
  - Due date for employers to furnish W-2 statements to employees, and to file Forms W-2 with the Social Security Administration (both paper and electronic forms).
  - Due date for payers to provide most Forms 1099-MISC with non-employee compensation in box 7 to recipients and to the IRS.
  - Employers must file 2018 federal unemployment tax returns and pay any tax due.
  - Due date for providers to send Forms 1095 for health insurance coverage to recipients and the IRS.

### **Coleman & Associates CPA's, Ltd. Has Successful Review By Peers**

The partners and staff of Coleman & Associates are pleased to announce the successful completion of an independent peer review of our accounting and auditing practice. This review was undertaken as a condition of membership in the American Institute of Certified Public Accountants (AICPA), the national organization of CPAs in public practice, industry, government, and education.

In 1988, the members of the AICPA overwhelmingly approved a bylaw amendment requiring members active in practice of public accounting to participate in a practice-monitoring program. With the adoption of this proposal, the AICPA implemented a peer review program of unprecedented scope in the CPA profession or any other. Our participation in peer review demonstrates our firm's desire to meet the profession's high standards of professionalism and our commitment to maintain and improving the quality of our practice.

Our peer review was conducted by a team appointed by the Illinois CPA society. The reviewers first determined that we have an adequate quality control system, and then verified that professional standards were followed in a representative sample of our accounting and auditing engagements.

After thorough study of our policies and procedures, the reviewer(s) concluded our firm's system of quality control for the accounting and auditing practice in effect for the year ended 2017, has been suitably designed and compiled with to provide reasonable assurance of performing and reporting with applicable professional standards in all material respects. Our firm is committed to periodic peer reviews to foster quality performance. If requested, the firm will provide a copy of the report on the results of the review to all interested parties although it is not required to do so.

Bankers, bonding agents, investors, suppliers, legal advisors and others use the financial statements our firm audits, reviews, or compiles. We think those people, our clients, and our own staff deserve independent quality assurance that our firm provides quality services. We are proud of our peer review results and would be happy to answer any questions you might have.

### **Consider Investing in Qualified Opportunity Zones**

Tucked away in the TCJA is the creation of Qualified Opportunity Zones (QO Zones). These are low-income communities that meet certain requirements. Investing in QO Zones can result in two major tax breaks: (1) temporary deferral of gain from the sale of property and (2) permanent exclusion of post-acquisition capital gains on the disposition of investments in QO Zones held for 10 years.

The IRS has already announced the designation of QO Zones in over 20 states and U.S. possessions. It will make future designations as submissions by states are received and certified. The IRS also plans to issue additional information on QO Zones in the future. If you're looking to defer taxable gains while revitalizing low-income communities, QO Zones may be the way to go.

### **Tax Cuts and Jobs Act Create Significant Changes in Deductions**

The Tax Cuts and Jobs Act (TCJA) created significant changes in the deductibility of meals and entertainment expenses. Generally, entertainment expenses are no longer deductible. Employer provide meals and otherwise allowable business meals are 50% deductible as long as they meet certain conditions most notably that the expense is not lavish or extravagant. In light of these changes, it is a good time to review your company's Travel & Entertainment reimbursement policies to make certain they conform to the new IRS guidelines. Some additional items to consider incorporating into your reimbursement policies include:

- 1) Ride Sharing Services (Uber, Lyft, Zipcar) are now widely used by employees but most policies only mention the use of taxis and rental cars. You may want to include a policy restricting the use of UberBlack and be sure to include information regarding surge pricing.
- 2) Motorized scooter services (Bird, Lime) are increasing in major cities. Many cities require they be driven on the road rather than in the bike lanes which may increase the company's liability. What is your policy on the use of these scooters?
- 3) Checked bag fees on airlines are on the rise. Your policy should include checked luggage requirements unless previously approved (e.g. to bring conference materials)

- 4) There are potentially new passport issues if your employees travel internationally. The IRS now notifies the State Dept for individuals owing the IRS more than \$51,000. The State Dept will deny new or passport renewals for those individuals.
- 5) Airbnb\VRBO often cost less than a hotel. Your policy may want to include whether these are acceptable accommodations, if pre-approval is required and the documentation the employee needs to provide to support their stay.
- 6) Peer2Peer Payment Services (Venmo) are often used by employees splitting the charge of a taxi or a meal. Consideration should be given to what type of documentation you should require.

### **Get Ready for Your 1040 Preparation**

As the tax filing season approaches, there are steps you can take now to speed up the filing process. The faster your return is filed, the faster you get your refund. Even if you end up owing money to the IRS, knowing the amount due sooner gives you more time to come up with the funds needed to pay your tax bill. Here are things you can do now to get organized:

1. **Look for your tax forms.** Forms W-2, 1099, and 1098 will start hitting your mailbox. Look for them and get them organized. Create a checklist of the forms to make sure you aren't missing any.
2. **Don't wait for Form 1095s.** Once again, proof of health insurance coverage forms are delayed. The deadline for companies to distribute most Form 1095s to employees is pushed back to March 4. The IRS is OK with filing your return prior to receiving the proof of insurance form as long as you can provide other forms of proof. Remember, 2018 is the last year of penalties if you do not have adequate insurance coverage.
3. **Finalize name changes.** If you were recently married or had a name change, file your taxes using the correct name. File your name change with the Social Security Administration as soon as possible, but be aware of the timing with a potential name conflict with the IRS.
4. **Collect your tax documents.** Organizers will be distributed shortly. Use your organizers to gather and sort your necessary tax records.  
  
If you are not sure whether something is important for tax purposes, retain the documentation. It is better to save unnecessary documentation than to later wish you had the document to support your deduction.
5. **Clean up your auto log.** You should have the necessary logs to support your qualified business miles, moving miles, medical miles and charitable miles driven by you. Gather the logs and make a quick review to ensure they are up to date and totaled.
6. **Coordinate your deductions.** If you and someone else may share a dependent, confirm you are both on the same page as to who will claim the dependent. This is true for single taxpayers, divorced taxpayers, taxpayers with elderly parents/grandparents, and parents with older children.

While you are organizing your records, ride the momentum to start your filing system for the new year. Doing so will make this process a breeze this time next year!

## **How to Raise a Financially Savvy Child**

If you have children (or grandchildren) you have an opportunity to give them a jump-start on their journey to becoming financially responsible adults. While teaching your child about money and finances is easier when you start early, it's never too late to impart your wisdom. Here are some age-relevant suggestions to help develop a financially savvy young adult:

- **Preschool** – Start by using bills and coins to teach them what the value of each is worth. Even if you don't get into the exact values, explain that a quarter is worth more than a dime and a dollar is worth more than a quarter. From there, explain that buying things at the store comes down to a choice based on how much money you have (you can't buy every toy you see!). Also, get them a piggy bank to start saving coins and small bills.
- **Grade school** – Consider starting an allowance and developing a simple spending plan. Teach them how to read price tags and do comparison-shopping. Open a savings account to replace the piggy bank and teach them about interest and the importance of regular saving. Have them participate in family financial discussions about major purchases, vacations and other simple money decisions.
- **Middle school** – Start connecting work with earning money. Start simple with babysitting, mowing lawns or walking dogs. Open a checking account and transition the simple spending plan into a budget to save funds to make larger purchases. If you have not already done so, it is a good time to introduce the importance of donating money to church or charity.
- **High school** – Explain the job application and interview process. Work with them to get a part-time job to start building work experience. Add additional expense responsibility by transferring direct responsibility for things like gas, lunches and expenses for going out with friends. Introduce investing by explaining stocks, mutual funds, CDs and IRAs. Talk about financial mistakes and how to deal with them when they happen - try to use some of your real-life examples. If college is the goal after high school, include them in the financial planning decisions.
- **College** – Teach them about borrowing money and all its future implications. Explain how credit cards can be a good companion to a budget, but warn of the dangers of mismanagement or not paying the bill in full each month. Discuss the importance of their credit score and how it affects future plans like buying a house. Talk about retirement savings and the importance of building their retirement account.

Knowing about money - how to earn it, use it, invest it and share it - is a valuable life skill. Simply talking with your children about its importance is often not enough. Find simple, age specific ways to build their financial IQ. A financially savvy child will hopefully lead to a financially wise adult.

As always, should you have any questions or concerns regarding your situation please feel free to call.