

The Knightly News

The Gift of Perspective

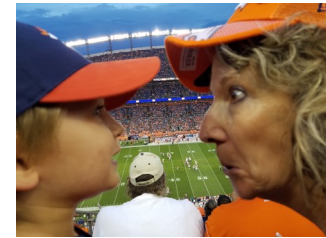
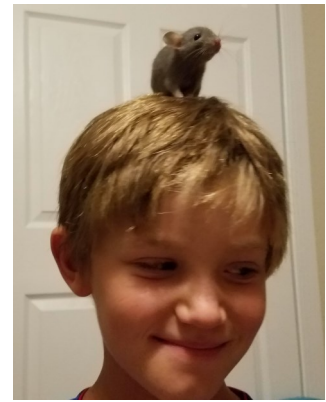
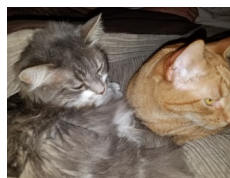
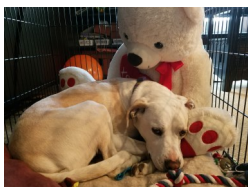
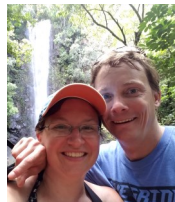
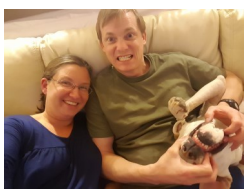
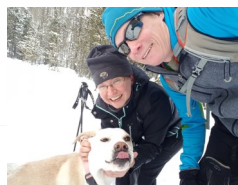
For many years now, I have been saying that I've been given the "gift of perspective," and it's a blessing to look back on the first (almost) 40 years of my life and realize that I have filled my life with people who care about me as much as I care about them, with adventures that have created memories to last a lifetime, and built a home for my family that is filled with comfort and joy (and a boatload of animals!).

My "gift of perspective" comes from raising two boys who have their individual strengths and challenges. Jacob is now 9 and for the first time ever, he is loving school and becoming Mr. Social! Watching him grow from young kid to pre-teen is a constant reminder to slow down and spend quality time with him...while he still wants his mom around! And Ethan, now 7, faces more health challenges on a daily basis than most of us have to deal with in a lifetime. He has issues with swallowing, acid reflux, headaches, balance, limbs falling asleep, sleeping, and a number of other systemic problems stemming from a birth defect that causes extra pressure on his spinal cord. He is the strongest human being I have ever met, and puts his issues aside while trying to keep up with his older brother in baseball, golf, hockey, skiing, and their favorite sport, fighting with each other!

While I am far from a perfect parent, I do believe that I am winning at the overall game of life. When I look at what a polarized nation we have become, and I see the people online and in the news who are distraught over things that are truly out of their control, I remember a few wise words I have heard along the way:

- Don't stress yourself out over things you can't control or change.
- Live each day as if it were your last because tomorrow may never come.
- The secret to happiness is being happy with what you have, not wanting what others have.
- Anything that can be fixed with money is an expense, not a problem!

By keeping those words in mind, I have learned to truly count my blessings each day and appreciate the life that I have been given. Would I give anything to see my son's health restored, absolutely, but in the meantime I have learned to let go of the stressors that I cannot control, and truly focus on the good things in life. And, if these pictures are any indication, I have a lot to be thankful for!

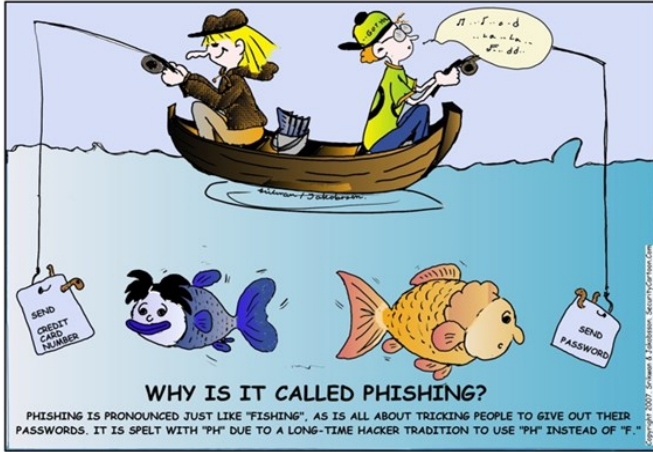


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Special points of interest

- Due to increased security standards, prices are increasing \$25 this year.
- Organizers are now required, or a \$25 charge will be assessed.
- Remember, IRS will ONLY use mail for initial correspondence, not phone, email or fax!



Phishing is the attempt to steal sensitive information, such as usernames, passwords, and credit card information by sending a fake email, or making a phone call, that disguises the true identity of the sender by making the email or call look like it's from a legitimate entity. These scams have greatly increased in recent years, and since 2015, the FBI has reported at 1,300 percent increase at a cost of over \$3 billion in taxpayer money.

Even the most knowledgeable consumers can get caught up in these scams, but there are a few tips that will help you avoid being scammed:

- 1) Don't click on links. If an email looks like it's from your bank account asking you to take action, go directly to your bank, don't click on the link in the email to get to your bank's website.
- 2) Don't open attachments unless you are expecting them from a trustworthy source. I get dozens of emails a week with attachments labelled Invoice, Purchase Order, or Confirmation. Do not open these attachments, otherwise they may contain viruses that infect your computer and transmit your personal information back to the scammers.

Tips to Safeguard Your Personal Computer

In addition to avoiding emails and calls from suspicious people, there are a few tips for keeping your computer and your personal data safe from outside hackers and natural disasters:

- Use unique usernames/passwords for all accounts, and change them regularly (not easy, to say the least, but very effective!)
- Install anti-virus software and firewalls on all computers, phones, and tablets.
- When entering information over the internet, only use websites that start with an https address, not http.
- Back up your files online using a reputable company like Mozy or Carbonite.
- Use a pop-up blocker, and avoid any pop-ups that offer services to you, such as a free virus scan or an offer to install software on your behalf. You should always initiate purchases.

Tips to Recognize & Fight Phishing Scams

- 3) **Remember: Government Entities Don't Use Email!** Government entities, such as the IRS, FBI, CIA, and Department of Homeland Security do not initiate contact via email. The IRS doesn't even use phone calls as the initial method of contact, they only use snail mail. If you receive an email or call from a government entity, do not respond to them, just ask them to send their questions in writing. If they ask you for your address, do not give it to them, if they are truly following up on your account, then they should already have your address on file!
- 4) Ignore emails from friends or coworkers that seem "off". If the email contains a link, or seems unusual coming from that person, assume it is.
- 5) Pay close attention to the sender. If the email appears to be coming from paypal, but the email address is paypal@gmail.com, or sales@paypalsales.com, it's not likely to be legitimate.
- 6) Ignore calls offering you services you don't pay for. For example, a recent trend has people calling, claiming they are from Microsoft and wanting to help fix your computer. If you don't have a service contract with Microsoft that pays for this service, you can be certain that the person is not from Microsoft, Dell or any other companies!

When in doubt, don't! In other words, if you have any suspicions, don't respond.



Protect Your Pets: Why I Love Pet Insurance

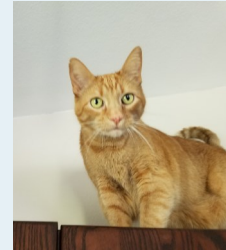
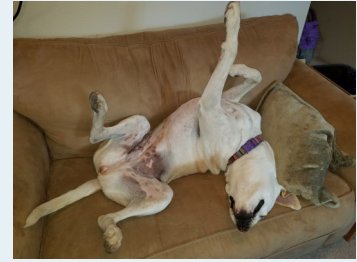
Years ago, I wrote an article about pet insurance, and I couldn't be more passionate about this topic now. While I cannot attest for all the various companies out there, I have used Nationwide Pet Insurance (formerly called VPI Pet Insurance) for many year and many pups. Their plans start at \$17/month and go as high as \$95/month, depending on the level of services you want covered, and the age of your pet. The less expensive plans generally only cover basic services, such as exams and vaccinations, while the more expensive plans also include coverage for accidents, illness, surgeries, and dental cleanings. While the website options can be daunting at first, my simplest recommendation would be to try the most expensive plan that you can afford.

I have now used pet insurance for two dogs, and both experiences have been worth their weight in gold. For my former dog, Joe, we had a few quiet years, and I always got reimbursements from the insurance company totaling more than I paid in premiums each year. Then, he tore his ACL and my reimbursement from his surgery was \$4,000 more than I paid in premiums! When he passed away, the insurance not only paid for his cremation, but they also refunded me the annual premiums for the year he passed.

When we adopted our current pup Phoebe from Animal Rescue of the Rockies, we had her full health history and learned that she was a little accident prone. Despite being in good health, we purchased the full insurance plan for her. At a cost of \$855 for the year, Nationwide Pet Insurance pays 90% of our vet bills after a \$250 deductible. This means, that it's a break even plan if our dog's vet bills total \$1,200 or more in a year. If you have a pet, you can imagine how easy it is to rack up \$1,200 in vet bills! In our case, after some arthritis, a porcupine fight, an ACL tear, and a stomach surgery, we're well over \$15,000 in vet bills, which means they've reimbursed us \$13,250 compared to our \$855 premium!

No one likes to make difficult decisions about their pets, and having insurance is a great way to prevent having to make tough calls. Believe me, on Christmas Eve when we found out that our dog needed major surgery (at both emergency and holiday rates!!!), you can imagine what a relief it was to just say yes to whatever the vet wanted to do, rather than having to consider putting our dog down over financial worries!

Our favorite vet once joked that he's never seen a dog with insurance have a really big accident, and we're OK with that, too! Perhaps we're buying some good karma for our four-legged buddy!



Tax Cuts and Jobs Act of 2017

There are many changes to the tax code from the Tax Cuts and Jobs Act of 2017. I have tried to outline the most relevant below. Please note that this list does not constitute tax advice, is it not meant to be comprehensive, and it is still considered an educated guess because the IRS has not weighed in on the bill yet. Also, note that most of these provisions do not apply to the 2017 tax year, and go into place from 2018 – 2026.

New tax brackets – for the most part they are going down slightly. The details can be found on the IRS website if you want to know this for your particular case.

Personal Exemptions deductions are eliminated (this was a \$4050 per individual 2017).

The Standard deduction has been increased to \$12,000 (single), \$24,000 (MFJ), and \$18,000 (H of H).

Itemized deductions allowed have changed:

Itemized deductions are no longer limited by income thresholds.

Home Equity Line of Credit interest is no longer deductible, even if the HELOC was in place prior to 2018.

The deduction for interest related to mortgages is limited to the first \$750K of debt. (Loans acquired prior to 2018 were already limited to \$1million).

State and Local income taxes not related to a business activity or rental (i.e. residential property tax and state income tax) are limited to \$10K.

Charitable contribution limit has been increased to 60% of income (previously 50%)

Miscellaneous deductions previously part of itemized deductions have been disallowed. This includes (but not limited to) all unreimbursed employee expenses, investment fees, safe deposit box fees, and tax prep fees. These were always limited to the amount over 2% of your income in the past, so this won't affect most taxpayers.

Medical expense deduction threshold has been lowered to 7.5% for all taxpayers for just 2018, then it goes back to the previous limit of 10% for those under 65 years of age.


Child Tax credit is increased to \$2000 per child under 17 (up from \$1000), refundable up to \$1400 per child. Additionally a \$500 non-refundable credit for other non-child qualifying dependents has been added.

Alimony/Maintenance payments for divorces occurring after 2018 are no longer deductible on the payer's return, nor considered income on the payees return.

Moving expenses are no longer deductible. Moving expenses reimbursed by an employer are no longer excluded from taxable income. An exception applies for members of the Armed Forces.

The penalty for not having health insurance has been removed.

Contributions to a Traditional IRA can no longer be recharacterized to a Roth IRA.



The scope of what a 529 educational savings plan can be used for has been expanded to include elementary or secondary school. But these types of distributions are limited to \$10,000 per student, per year, and excess distributions will be taxed.

Individual AMT exemption amount has been raised to \$109,400 (MFJ) (\$70,300 Single). The Corporate AMT has been eliminated.

1031 Like Kind Exchanges are now only allowed for real property not held primarily for sale, and not other types of property.

The estate tax exclusion has been raised from \$5 million to \$10 million.

SMALL BUSINESS CHANGES:

For pass-through company income reported on a K1 (from S-corporations and Partnerships) there is a new deduction from taxable income equal to the lower of 20% of the ordinary business income or 50% of wages paid.

There are limits to this deduction for certain professions (health, accounting, law, consulting, art, financial, brokerage, and other service industries where the income is derived from the reputation or skill of one or more of its employees).

These limits start at \$157,500 of total income for single filers (\$315,000 MFJ).

Note, this is a complex change and will impact most small businesses, but we are still awaiting details from the IRS before we can help small business owner's implement planning strategies.

Business losses are limited to an aggregate of -\$250K (\$500K MFJ) (including sole proprietor, s corp and partnerships) excess amounts must be carried forward as a Net Operating loss to future years.

The Domestic Production Activities Deduction has been eliminated.

The "entertainment" portion of meals and entertainment is no longer deductible. Also, dues paid to a club organized for business, pleasure, recreation or other social purpose are not deductible even if these expenses are directly related to the active conduct of business. Qualified meals are still eligible for 50% deduction.

Fringe benefits related to employee transportation (parking/transit passes, etc) except as necessary for safety, or for commuting, are not allowed as a deduction.

Deductible employee achievement awards can no longer include cash, gift cards, vacations, tickets to events, etc.

Business Depreciation Changes

Bonus Depreciation has been increased to 100% beginning with property acquired after Sept 27, 2017 through 2022 with a phase out beginning in 2023 of 20% per year. Used property now qualifies for this deduction. In 2018 a taxpayer can elect to only use 50% bonus depreciation.

Automobile depreciation limits have changed. Year 1 depreciation allowable depreciation on passenger automobiles under 6000lbs has been increased to \$10,000 (was \$3160), year two allowable depreciation \$16,000 (was 5100), 9600 for year 3 and 5760 for all years beyond.

The max amount that may be expensed using Section 179 increased to \$1million (it was previously 500,000)

You can now section 179 some real property previously not allowed, such as roofs, HVAC, Fire protection, alarm and security systems. Also property to furnish lodging qualifies for section 179.

1099's: When to Send Them

If you own a rental property, Schedule C small business, LLC, Partnership, S Corporation or a C Corporation, you are responsible for sending 1099's to anyone that you pay money for services. This causes much confusion each year, so I want to spell out who must receive these:

*** For any of the categories below, BEFORE you pay someone, you should ask them to complete a W-9 form (downloadable from the internet). The W-9 form asks for their name, address, tax ID# and business formation. None of this is private information, and this form protects you from some issues in the event of a lawsuit, so it's critical that you receive one before you pay for services and then that provider refuses to provide the form later. You only need to send 1099's to certain providers that you paid over \$600, but I still recommend getting the form before your payments reach \$600, rather than potentially exceeding that amount later.***

If you pay for the following, you need to get a W-9 form from:

- Landlords
- Lawyers
- Service Providers —Accountants, administrative assistants, architects, construction workers, electricians, plumbers, subcontractors (not for services used personally, only for those assisting your rental property or small business)

Once you have the W-9 form, plus the amount paid to that vendor during the year, you need to file a 1099—MISC form for them by 1/31/18. If you need my assistance with this task, I need the vendor's information and amounts by January 15th. The cost is \$17.50 per 1099, plus \$17.50 for the 1098 filing with the IRS. Forms received late will be charged \$20 and not guaranteed to be filed on time.

Price Increase Recap

- All returns will increase by \$25
- A \$25 fee will be added to any individual client who fails to complete an organizer

2018 Tax Planning Fee

- For those who want a tax scenario prepared based on the Tax Cuts and Jobs Act of 2017, there will be an additional \$125 charge. While I am happy to share the details of the changes in this newsletter and on my website, the process of comparing your 2017 taxes to your 2018 taxes is not a simple one, and will therefore incur a fee. Because of the late adoption of these changes, it may be later in the year before the tools are available for planning.

Price Changes Starting 1/1/2018

In all honesty, I have worked hard to prevent price increases for my clients over the years, but I'm afraid this year I have too many forces acting against me. In the interest of being transparent, the reason I am raising my rates is due to new cyber security needs. All returns, including both individual and small business returns will be increasing by \$25 this year.

Cyber criminals have now found accountants to be a target, given the amount of data we maintain on our clients. In response to this, I have taken some additional training on this subject and will be implementing some new procedures within my own network (such as multi factor authentication), increasing my firewall protection, and offering a secure portal for transmitting information over the internet. In addition, I have purchased cyber insurance that, although not a preventative measure, will be there to assist my firm and my clients should a breach occur.

Sadly, when entities like the IRS, Chase, Wells Fargo and the SEC can't keep their data secure, it's almost impossible to promise a secure network in this day and age, but I am taking this issue very seriously, and am taking every step I can to keep my network and my client's data safe.

In addition to security changes, the IRS is also increasing their requirements surrounding tax preparer's due diligence. While I believe this is a good change and will help keep more unscrupulous preparers from taking advantage of unsuspecting taxpayers, it does mean more work for all tax preparers, even those of us who practice in accordance to strong ethical guidelines. As a result, completing my organizer each year is more important than ever, and there will be a \$25 charge imposed on any individual client who fails to submit an organizer along with their information. This charge is to cover the extra time it takes my firm to document the questions that are asked on the organizer, and comply with the due diligence requirements.

MAILING ADDRESS:

PO Box 2948 Dillon, CO 80435

Phone: 303-598-4413

Fax: 303-374-5665

E-mail: cpa@cpamichele.com

Web: www.cpa-michele.com

Important Dates for the Season:

January 15th—Deadline for submissions for 1099 information to be guaranteed for January 31st tax deadline—for small business owners and rental property owners who hire subcontractors, legal help, or pay rent to non-corporate owners

February 15th—Deadline for submissions for Corporate Returns to be guaranteed for March 15th tax deadline (August 15th is final deadline for extended returns data submission)

March 16th—Deadline for submission for Individual Returns to be guaranteed for April 18th tax deadline (September 15th is final deadline for extended returns data submission)

April 8th—Deadline for extension requests.

PRICE CHANGE: After 3 years with no price changes, due to increased security needs, recent changes in the Affordable Care Act and the IRS's increased correspondence and audit volume, my prices will increase by \$25 for each 1040 this year. I also need to require that clients complete my organizers as part of the tax preparation process. I have a new charge of \$25 for those who do not complete my organizers to cover the additional time it takes to ask the questions that the organizer already covers, and I will bill hourly (\$115/hour) for any tax planning, IRS correspondence, or tax agency audits going forward.

Scheduling Details

Denver West - 14143 Denver West Parkway, Suite 100
(on Denver West Blvd, off I-70)

- Take I-70 to Denver West Exit and head north.
- Turn right at the first light (Denver West Parkway).
- Parking lot is on the left and there is plenty of parking out front.

Broomfield 11001 West 120th Ave., Suite 400, Broomfield, CO 80021 (South of Interlocken Loop, North of Airport)

- From Highway 36, exit Broomfield/Lafayette Hwy 287/121.
- Turn left & cross over Hwy 36, Left on Network Parkway 120th Ave.
- Turn Right on Interlocken Loop.
- Turn Left on Network Parkway 120th Ave.
- Turn left at first opportunity between buildings.

Littleton 4 Dry Creek Circle, Suite 100, Littleton, CO 80120 (just North of C-470/S. Broadway exit at Dry Creek Blvd and Broadway)

- From C-470, exit S. Broadway.
- Head North on S. Broadway.
- In 1.4 miles, turn West onto W Dry Creek Circle.

Communication Tips: Email and phone are my preferred methods of communication. **Please do not text, message, facetime, linked in, or use any other form of communication...**I simply cannot keep up! I am generally at my desk looking at email all day long, and I check voicemail at least a few times a day...all other methods are overwhelming to me and I do not monitor them. With tax time here, I will be spending a bit more time in appointments and a bit less time in front of my inbox. If you don't hear from me in 48 hours, please resend the email or don't hesitate to call again.

If you want to schedule a face-to-face appointment, we book in 4 different offices: Denver West, Broomfield, Littleton and Summit Cove/Dillon. Please see the schedule below for the available appointments in Denver West, Louisville, and Littleton. Summit County appointments are held at my home office per advanced scheduling.

When requesting an appointment, please email me (cpa@cpamichele.com) a few good dates/times that work for you and I'll respond with a confirmation.

Thursday, February 15th—Broomfield
Friday, February 16th—Denver West
Wednesday, February 28th—Broomfield
Thursday, March 1st—Denver West
Wednesday, March 14th—Littleton
Thursday, March 15th—Broomfield
Friday, March 16th—Denver West
Monday, March 26th—Denver West