Quarterly Report

Fall 2017

NOLAN GIERE
CERTIFIED PUBLIC ACCOUNTANTS

Year-end tax checklist

As the year draws to a close, there are several tax-saving ideas you should consider. Use this checklist to make sure you don't miss an opportunity before the year ends.

- **Retirement distributions and contributions.** Make final contributions to your qualified retirement plan, and take any required minimum distributions from your retirement accounts. The penalty for not taking minimum distributions can be high.

- **Investment management.** Rebalance your investment portfolio, and take any final investment gains and losses. Capital losses can be used to net against your capital gains. You can also take up to $3,000 of capital losses in excess of capital gains each year and use it to lower your ordinary income.

- **Last-minute charitable giving.** Make a late-year charitable donation. Even better, make the donation with appreciated stock you've owned more than a year. You can often can make a larger donation – and get a larger deduction – without paying capital gains taxes.

- **Noncash contribution opportunity.** Gather up noncash items for donation, document the items and give those in good condition to your favorite charity. Make sure you get a receipt from the charity, and take a photo of the items donated just in case.

- **Gifts to dependents and others.** You may provide gifts to an individual tax-free of up to $14,000 per year in total. Remember that all gifts given (birthdays, holidays, etc.) count toward the total.

- **Organize records now.** Start collecting and organizing your end-of-year tax records. Estimate your tax liability and make any required estimated tax payments.

Please contact our office if you have questions.

Business tax: time to consider Section 179?

Section 179 expensing can be a very powerful tax-planning tool for small and medium-sized businesses acquiring capital assets. While it doesn't change the amount of depreciation you can take over the life of a capital purchase, it can change the timing by allowing you to deduct your purchase in the first year you place it in service.

Review these details if you're considering depreciating your business assets under Section 179:

- Section 179 allows deducting the expense of up to $510,000 of qualified business purchases.
- A Section 179 deduction cannot create a loss for the business.
- A Section 179 deduction must be for business use. If an asset is not entirely used for business, the allowance is reduced.
- If you sell a Section 179 asset prior to the full depreciation period, you will have to record any sales proceeds as taxable income.
- Many states limit the use of this federal shifting of depreciation.

Taking Section 179 for capital purchases can be useful, but it's not for everyone. Using it for an immediate tax break means it'll no longer be available for future years.

Perspective

An Inside View

Dear Clients and Friends:

Tom Giere

The leaves have fallen and the bright colors of autumn have turned to a number of shades of gray as we head into the winter months. The coming holiday season should lift our spirits though as we hunker down for the coming shorter and colder days ahead. Hopefully the hustle and bustle and good tidings from gatherings with family and friends will keep us all joyful and warm.

There has been a lot going on here at Nolan Giere. In this issue of our Quarterly Report you'll find an article about the Equifax data breach. One of what now seems like an ever-increasing number of reports of personal data being compromised by criminal activity. In the digital world that we live in, more and more of our personal data is being stored in more places and the bad actors wanting to gain access to that data are employing ever more sophisticated methods to do so.

With those thoughts in mind, we have employed CyberRisk Management, a data protection and risk management consulting firm, to help us evaluate our systems and data storage and to develop and enhance safe-guards for the data in our possession. The exercise has been quite eye opening and has emphasized to us the need to have systems in place that are both thorough and dynamic to counter increasingly sophisticated and changing threats. Our goal being to provide the highest level of protection that we can to our clients.

Of course, another area of activity has been tax reform at the federal level. As I write this column, the House of Representatives has passed a bill that includes sweeping changes to the income tax code. Legislation has also been introduced in the Senate and debate is underway. It remains uncertain if the reforms will become law although it appears increasingly likely that they will in some form.

For many of you we will be working with you on year-end tax planning in the coming weeks. During that process, we will consider the pending tax reform legislation and work with you to determine its impact and recommend strategies to fit your situation. If anyone has questions about tax reform and its impact, please do not hesitate to contact us. We're here to help.

As we head into the holiday season, we'd like to thank each of you for the blessing of our relationship and wish you and yours hope, peace and joy!

Sincerely,

Tom

6 must-dos when you donate to charity

Donations are a great way to give to a deserving charity, and they also give back in the form of a tax deduction. Charitable donations are under scrutiny by the IRS, and many donations without adequate documentation are being rejected. Here are six things you need to do to ensure your charitable donation will be tax-deductible:

1. Make sure your charity is eligible. Only donations to qualified charitable organizations registered with the IRS are tax-deductible. You can confirm an organization qualifies by calling the IRS at (877) 829-5500 or visiting the IRS website.

2. Itemize. You must itemize your deductions using Schedule A in order to take a deduction for a contribution. If you are going to itemize your return to take advantage of charitable deductions, it also makes sense to look for other itemized deductions. These include state and local taxes, real estate taxes, home mortgage interest and eligible medical expenses over a certain threshold.

3. Get receipts. Get receipts for your deductible contributions. Receipts must be kept with your tax records. You must get the receipt at the time of the donation or the IRS may not allow the deduction.

4. Pay attention to the calendar. Contributions are deductible in the year they are made. To be deductible in 2017, contributions must be made by Dec. 31. Contributions made by credit card are deductible even if you do not pay off the charge until the following year, as long as the contribution is reported on your credit card statement by Dec. 31. Similarly, contribution checks written before Dec. 31 are deductible in the year written, even if the check is not cashed until the following year.

5. Take extra steps for noncash donations. You can make a contribution of clothing or items around the home you no longer use. If you decide to make one of these noncash contributions, it is up to *you* to determine the value of the contribution. However, many charities provide a donation value guide to help you determine the value of your contribution. Your donated items must be in good or better condition and you should receive a receipt from the charitable organization for your donations. If your noncash contributions are greater than $500, you must file a Form 8283 to provide additional information to the IRS about your contribution. For noncash donations greater than $5,000, you must also get an independent appraisal to certify the worth of the items.

6. Keep track of mileage. If you drive for charitable purposes, this mileage can be deductible as well. For example, miles driven to deliver meals to the elderly, to be a volunteer coach or to transport others to and from a charitable event, can be deducted at 14 cents per mile. A log of the mileage must be maintained to substantiate your charitable driving.

Remember, charitable giving can be a valuable tax deduction – but only if you take the right steps.

Business Solutions

Contractor or Employee?
Knowing the difference is important

Is a worker an independent contractor or an employee? As an employer, getting this wrong could land you with an IRS audit and cost you plenty in many other ways. Here is what you should know:

As the worker: If the worker is a contractor and not considered an employee, he/she must:

- Pay self-employment taxes (Social Security and Medicare related taxes).
- Make estimated federal and state tax payments.
- Handle his/her own benefits, insurance and bookkeeping.

As the employer: You must ensure your employee versus independent contractor determination is correct. Getting this wrong in the eyes of the IRS can lead to:

- Payment and penalties related to Social Security and Medicare taxes.
- Payment of possible overtime, including penalties for a contractor reclassified as an employee.
- A legal obligation to pay for benefits.

When the IRS recharacterizes an independent contractor as an employee, they look at the business relationship between the employer and the worker. The IRS considers if the employer has the right to control the work (when, how and where the work is done) and the financial relationship (i.e., a contractor has a contract and customers, and invoices the company).

The more reasonable your basis for classification and the more consistently it is applied, the more likely an independent contractor classification will not be challenged.

NOLAN GIERE
CERTIFIED PUBLIC ACCOUNTANTS

206 W. Main Street Troy, OH 45373
Phone 937-339-3118 www.nolangiere.com

The Equifax breach and you: be proactive

Earlier this year, hackers were able to breach the security of Equifax, one of the three national credit reporting agencies. More than 143 million Americans – nearly half the entire country – were exposed to the attack, and may have had their personal information stolen (including names and birthdates, and Social Security and driver's license numbers).

Equifax is still determining exactly whose data has been exposed. While you wait to find out, it is worth taking a few proactive steps to make sure your info is not misused by hackers.

1. Start checking. Visit Equifax's website at www.equifaxsecurity2017.com and enter your last name and last six digits of your Social Security number. The site will tell you whether it's likely or not your data has been exposed, and put you on a list to get more information. You can also sign up for a year's worth of free credit monitoring.

2. Watch your statements. Start checking your credit card statements, and pay special attention to cards you don't use often. The initial reports from the breach were that hackers may have been making charges on underused cards.

3. Check your credit reports. You can look for suspicious items on your reports, such as new accounts being opened in your name, at all three credit report agencies: Equifax, Experian and TransUnion. Get your free annual reports at www.annualcreditreport.com. You may want to stagger your use of the reports to one from each agency every four months. More frequent checks will cost you a small fee.

4. Freeze your credit. If you suspect you may become a victim of identity theft, you can place a credit freeze on your profile at each of the three credit reporting agencies. This stops new accounts from being opened in your name. Note that you will have to unfreeze your accounts if you want to apply for new loans or make your credit accessible for things such as job applications.

5. File your taxes early. One of the most common ways identity thieves use your information is to try to claim a tax refund with your data. This was the most common scam in 2016, according to the Better Business Bureau. If you file your tax return as early as possible, you shut down this opportunity for any would-be thieves.

How to Ace the FAFSA

The Free Application for Federal Student Aid (FAFSA) is a tool that students use to apply for more than $120 billion in federal funds. Unfortunately, each year many students miss out.

Even if you don't think you or your child qualify for federal aid, filling out a FAFSA is important because it could be used to determine eligibility for nonfederal aid and private funds.

FAFSA available October 1, 2017
Previously, the FAFSA was unavailable until January. A recent change makes the application available on the first day of October, 2017. That's because the 2018-2019 FAFSA can be completed with your 2016 tax info.

Say Goodbye to the College Tuition Deduction

Congress decided not to extend this $4,000 deduction for 2017, leaving many parents worried that college will now be more expensive. However, Congress left in place two popular education credits that may offer a more valuable tax break:

- **The AOTC.** The American Opportunity Tax Credit (AOTC) is a credit of up to $2,500 per student per year for qualified undergraduate tuition, fees and course materials. The deduction phases out at higher income levels, and is eliminated altogether for married couples with a modified adjusted gross income of $180,000 ($90,000 for singles).

- **Lifetime Learning Credit.** The Lifetime Learning Credit provides an annual credit of 20 percent on the first $10,000 of tuition and fees, for either undergraduate or graduate level classes. There is no lifetime limit on the credit, but only couples making less than $131,000 per year (or singles making $65,000) qualify. Unlike the AOTC, this deduction is per tax return, not per student.

So who is affected by the loss of the tuition and fees deduction? If you are paying for your student's graduate-level courses and are making too much to qualify for the Lifetime Learning Credit, the tuition and fees deduction is generally the only means you have to reduce your tax bill.

Thankfully, there are many other tax benefits that help reduce the cost of education. There are breaks for employer-provided tuition assistance, deductions for student loan interest, tax-beneficial college savings options, and many other tax-planning alternatives.

Firm Highlights

Congratulations to this year's Leadership Troy Class. Kim Harvey is the most recent member of our staff to complete the Leadership Troy Program. Kim was honored with the rest of the graduates at the Troy Chamber of Commerce Annual Dinner.

On September 27, 2017 Michelle Ireton, along with her husband Simon, were blessed with the arrival of their beautiful daughter Piper Elizabeth. Please meet the youngest member of the Nolan Giere Family.

We are very pleased to welcome Erin Studebaker to our team. Erin graduated from Sinclair Community College in 2014 with an Associate's degree in Accounting and became a CPA in 2017. Prior to her accounting career, Erin received both her bachelor's and master's degrees in education from Wright State University and taught mathematics for ten years. Erin specializes in payroll reporting as well as income tax. She is a member of the Ohio Society of CPAs and lives with her husband and two children in West Milton.

May you enjoy a joyous Holiday Season and a healthful, Happy New Year!