

SBG Consulting, Inc. & Bookkeeping Matters, LLC

2018 Tax Packets are Heading Your Way Soon!

We are busy preparing for tax year 2018! Please be on the lookout for your tax packet to arrive in your mailbox before the end of December. Included in your packet and needing your immediate attention will be your:

- Statement of Work—sign and return by 1/31/19
- Master Service Agreement—sign and return by 1/31/19
- Foreign Financial Assets Disclosure Statement—sign and return by 1/31/19
 - Questionnaire—complete and return by 3/1/19
- Organizer—complete at least pages 3-7 and return by 3/1/19
 - Credit Card and ACH authorization forms (optional)

Is all your information the same as last year? We still need you to fill out each form in its entirety. You would be surprised what has gone unreported because clients or previous tax preparers have failed to provide complete information - dependent children, alimony payments, sales of large assets, and more!

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Business Meal Deductions

Hip, hip, hooray for the IRS!

In Notice 2018-76, the IRS states that client and prospect business meals continue as tax deductions under the Tax Cuts and Jobs Act.

This is very good news indeed.

Under this new IRS guidance, you may deduct 50 percent of your client and prospect business meals if

1. the expense is an ordinary and necessary expense under Internal Revenue Code (IRC) Section 162(a) that is paid or incurred during the taxable year in carrying on any trade or business;
2. the expense is not lavish or extravagant under the circumstances;
3. the taxpayer, or an employee of the taxpayer, is present at the furnishing of the food or beverages;
4. the food and beverages are provided to a current or potential business customer, client, consultant, or similar business contact; and

in the case of food and beverages provided during or at an entertainment activity, the food and beverages are purchased separately from the entertainment, or the cost of the food and beverages is stated separately from the cost of the entertainment on one or more bills, invoices, or receipts. The entertainment disallowance rule may not be circumvented through inflating the amount charged for food and beverages.

To prove your business meals, follow the two easy steps below:

1. Keep the receipt that shows the name of the restaurant, the number of people at the table, and an itemized list of food and drinks consumed.

On the receipt, record the name or names of the person or persons with whom you had the meal and also record the business reason for the meal.

In the event that the receipt is not available, such as with the purchase of hot dogs and drinks at a baseball game while sitting in the stands, make sure to make a written note of the expenditures immediately after the game.

If you charge a business meal to a credit card, the credit card statement provides your proof of payment. When possible, always pay by credit card or write a check so that you have clear proof of payment. However, please note, proof of payment is not proof of what you purchased, so in addition to proof of payment, keep the receipt with the notations as described earlier. With this combination of proof of payment and receipt with notations, you have what we call audit-proof documentation.

Last Minute Charitable Contributions



If you have last minute charitable contributions or RMD distributions to charitable organizations, make sure you send contributions directly to the charitable organization from your retirement account.

Taxpayers Who Will Suffer the Most Harm under the New Tax Law

Homeowners

- Taxpayers whose home mortgage loans are above \$750,000 and loans were originated after Dec. 15, 2017. These taxpayers are subject to the new \$750,000 mortgage loan limit.
- Taxpayers with acquisition debt of more than \$1 million from loans originated on or before Dec. 15, 2017. (Previously, interest from an additional \$100,000 in acquisition debt was deductible.)
- All taxpayers that have a HELOC (home equity line of credit) that wasn't used for acquisition, building or improvements on their principal home – interest is no longer deductible.

Itemizers

- Taxpayers who have combined state and local taxes over \$10,000.
- Taxpayers who pay foreign property taxes, which is no longer a deduction under the new tax law.
- Employees who are no longer permitted to deduct unreimbursed expenses such as office-in-home, mileage, travel, meals and entertainment.

Self-Employed Taxpayers

- Self-employed taxpayers whose income is above the threshold will be ineligible for the new Section 199A deduction if they belong in a “specified service trade or business” such as accounting.

Parents and Taxpayers with Dependents

- Taxpayers with dependents who are 17 years of age and over will lose the dependent exemption and the Child Tax Credit.

Divorcing Taxpayers

- Taxpayers who pay alimony and were divorced after Dec. 31, 2018. The deduction of alimony is no longer a valid deduction.
- Taxpayers who receive alimony and will have a final divorce decree before Jan. 1, 2019 will need to claim the alimony as ordinary income.

Do any of these changes effect you? Do you want to understand or plan for how these may impact you? Call our office today for an appointment. Space is limited! You must address these issues BEFORE we start preparation on your return. 702-320-9200.



The Number 1 IRA Mistake - NOW is the Time for a Checkup

We are hearing more about people who expected to inherit money from a loved ones IRA but found out they were not the beneficiary. Missing or incorrect beneficiary forms are still an epidemic and costly both in lost tax benefits and family harmony. It's a mistake that generally cannot be fixed since it is often discovered after the IRA owner or plan participant has died.

With IRAs, other retirement accounts, and other investments with designated beneficiaries, there are two areas that are most prone to beneficiary form problems: divorce and IRA trust. There have been numerous cases where a beneficiary form was not updated after a divorce. The Supreme Court ruled in one case unanimously that a retirement account should be paid to the ex-wife because she was never removed as the beneficiary after a divorce, even though she waived her rights to the account as part of the divorce settlement. The daughter was supposed to be the beneficiary but instead lost the \$402,000 401K her father had intended for her to inherit. Said another way, the beneficiary form trumps all: wills, trusts, divorce decree, and trusts. If the beneficiary form lists your ex-spouse, they will receive the funds.

In another case, an IRA owner created a trust to inherit the IRA, the trust was never named on the IRA beneficiary form. This is sometimes overlooked thinking that the trust takes care of naming the beneficiary. It does NOT. In order for the IRA to go to the trust, the trust must still be named on the IRA beneficiary form.

In another case, the client named one of three children as the IRA beneficiary because that was the child that was to take care of all the paperwork, but his real intention was to have the IRA split evenly among his three children. He included the equal split in his will, but after death, the IRA beneficiary form overrode his will and the entire IRA went to the one child named. In one case, the daughter who was named on the IRA beneficiary form could have legally taken the entire IRA, but did not want to because she knew her father's intent was to have the account split evenly. However, this required she disclaim other assets to even things up. This can be a bit messy and avoidable if the IRA beneficiary form lists all the intended beneficiaries correctly.

Also in cases where there are no clear instructions, beneficiaries are then forced to involve tax, legal and financial advisers to figure out how to distribute the funds leading to expensive and family disputes that often do not end well.

In these stories and many others, what you should learn and understand is that the beneficiary form takes precedence your will or trust does NOT replace or cover who the beneficiary is to be.

It is also important that you name a contingent beneficiary in case the primary beneficiary predeceases the owner or if the primary beneficiary wishes to disclaim his or her interest.



Don't delay do the following NOW:

- Take an inventory of all retirement account and life insurance accounts that have beneficiary forms
- Locate the forms for each one.
- Make sure each beneficiary form not only names the beneficiaries you desire but also names contingent beneficiaries.
- Make sure that the beneficiary is an individual or qualified trust. Not all beneficiaries are designated beneficiaries. Talk to your estate planning attorney for more details.
- Do a checkup of your trust and talk to your estate/trust attorney.
- Provide copies of beneficiary forms to your estate attorney, your trustee, and family members or let them know where to locate all the beneficiary forms.

Beneficiary forms apply to all retirement plans not just IRAs (401K, SEP, Simple, etc), life insurance, wills, and trust documents. Make sure you do a self-checkup annually. Now is the best time!

These mistakes are easy to avoid: Review YOUR beneficiary forms today!

Claiming the New Employer Tax Credit for Family and Medical Leave

You compete for employee talent in a variety of ways, including perhaps by implementing a medical and family leave policy.

The good news on this front is that your federal government may have given you a tax credit (yes, that lovely dollar-for-dollar offset to your taxes) for what you wanted to do anyway.

The Tax Cuts and Jobs Act (TCJA) establishes a new federal income tax credit for employers that provide qualifying paid family and medical leave benefits to their employees.

This new tax credit is available for two employer tax years only—those beginning between January 1, 2018, and December 31, 2019. If your business operates on a calendar year for tax purposes, you can put your business in a position today to claim the tax credit for both the 2018 and 2019 tax years. But you will need to hurry.

If eligible, you can claim a credit equal to 12.5 percent of wages paid to “qualifying employees” (defined later) who are on family and medical leave, as long as the leave payments are at least 50 percent of the normal wages paid to those employees.

You can increase the credit beyond the 12.5 percent. For each 1 percent increase in medical leave payments over the 50 percent threshold, the credit rate increases by 0.25 percent, up to a maximum credit rate of 25 percent.

A qualifying employee is one who has been employed by your company for at least one year and whose compensation last year was less than \$72,000.

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For purposes of qualifying for the credit, “family and medical leave” is defined as leave taken by a qualified employee for any of the following reasons:

- The birth of the employee’s son or daughter, in order to care for the son or daughter.
- The placement of a son or daughter with the employee for adoption or foster care.
- A serious health condition of the employee’s spouse, son, daughter, or parent.
- A serious health condition that makes the employee unable to perform the functions of his or her position.
- Any qualifying exigency arising out of the fact that the employee’s spouse, son, daughter, or parent is a member of the Armed Forces (including the National Guard and Reserves) who is on covered active duty or has been notified of an impending call or an order to covered active duty.
- A serious injury or illness of a covered service member who is the employee’s spouse, son, daughter, parent, or next of kin.

Employer-provided vacation leave, personal leave, or medical or sick leave (other than qualifying leave as defined above) is not considered leave eligible for the credit. Also, leave that is paid by a state or local government or that is required by state or local law does not create leave eligible for the credit.

The maximum length of paid family and medical leave taken by a specific employee who can qualify for the credit is 12 weeks per tax year of the employer.

When Must Your Company’s Family and Medical Leave Policy Be Established?

Good question. The general rule is that to claim the credit for your company’s first tax year that begins after December 31, 2017, your written family and medical leave policy must be in place before the paid family and medical leave for which the credit will be claimed.

But under a favorable transition rule for the first tax year beginning after December 31, 2017, your company’s written leave policy (or an amendment to an existing leave policy) will be considered in place as of the effective date of the policy (or amendment) rather than the later adoption date.

So if you make the effective date of the policy January 1, 2018, your company can claim the credit for qualifying family and medical leave payments made on or after that date. This transition rule is available if

1. the policy or amendment is adopted on or before December 31, 2018, and
2. you bring your leave practices into compliance with the terms of the retroactive policy (or amendment) for the entire period covered by the policy (or amendment), including making any retroactive leave payments by no later than the last day of the tax year.

Example. Your company uses the calendar year for tax purposes. Back in January, Wanda Workshard took two weeks of unpaid family and medical leave for the period beginning on January 15, 2018.

On November 15, 2018, your company adopts a written policy that satisfies the family and medical leave policy requirements explained earlier and makes that policy effective retroactively as of January 1, 2018.

On or before December 31, 2018, the company pays Wanda for two weeks of leave at 50 percent of her normal pay, as specified by the new policy.

Assuming all the other requirements for the family and medical leave credit are met, your company can claim the credit for the 2018 leave payments made to Wanda.

If you have paid and qualify and want to claim this credit you need to hop on it immediately.

In order to claim the credit you will need to provide us with a copy of your written policy AND a schedule by employee of the amount paid.

Recommended Resources

Feeling stressed about keeping track of all your records?
Here are a few apps we love.

Manage your receipts

SmartVault - free for SBG & BKM Clients www.smartvault.com

Send and receive files the smart way. Emails are not secure!

The Neat Company www.neat.com

Expensify www.expensify.com

Track your mileage

MileIQ www.mileiq.com

Video conference or screen share with your SBG or BKM staff member

Zoom www.zoom.us

SBG CONSULTING & BOOKKEEPING MATTERS

CORE VALUES/BELIEFS

Integrity – Embracing what is right even when no one is looking, by choosing to be accountable

Client experience – Going the extra mile to build valuable relationships

Teamwork – Proactively provide and request support, knowledge, tasks and ideas from my teammates

Resourcefulness – Choose communication, creativity, determination, passion, decisiveness, honesty, sincerity, and love

Enjoyment of work – Engaged intellectually and emotionally in my work and celebrate with my team

Your SBG Consulting and Bookkeeping Matters team is
always there to help you!

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