



## More Tax Changes for 2017

February 2018 Newsletter

We hope everyone is doing well through this winter and flu season. Tax season is underway, but there were some recent changes that were passed that may affect your 2017 tax return. I will summarize the effect below, but if you have already filed and if any of these affect you an amended return will be required. The IRS issued the following statement:

*"The IRS is reviewing the legislation signed Feb. 9 that retroactively extended and modified numerous tax provisions covering 2017. We are assessing these significant changes in the tax law and beginning to determine next steps. The IRS will provide additional information as quickly as possible for affected taxpayers and the tax community."*

Here is a summary of changes that may affect you:

- **Discharge of Qualified Principal Residence Indebtedness** exclusion from gross income extends through 2017.
- **Mortgage Insurance Premiums** deductible as mortgage interest deduction through 2017. As a note, this deduction phases out for taxpayers with adjusted gross income of \$100,000 to \$110,000.
- **Qualified Tuition and Fees Deduction** is extended through 2017. The American Opportunity Credit and Lifetime Learning credit have not been affected by legislation, so this leaves three different opportunities to maximize tax benefits for educational expenses.
- **Nonbusiness Energy Credit** has been extended through 2017. This credit has been in existence, in one form or another, since 2006. There is a lifetime maximum \$500 credit available for new windows, exterior doors, insulation, furnaces, air conditioners, roofs, and various other energy saving purchases.

### Crypto Currency Tax Reporting

Many people have invested in overseas crypto currency. Prices have skyrocketed over the past year and if you have sold any such currency, we are recommending strongly that you report all sales on your tax return. Unlike US investments, you will probably not get a 1099 tax statement detailing your sales of crypto currency. This will make it harder to get the information you need on purchase and sale information. There are still 2 months left of the tax season, so there is still plenty of time to get this information together. Most crypto currency accounts will have a transaction report that you can download. If they don't have one, then you will need to personally record every transaction you make.

Another important implication of these accounts is that if you have more than \$10,000 in foreign financial accounts you will have to file a Foreign Bank and Financial Account (FBAR) by April 15th. In addition, you will have to file form 8938 with your taxes, which is a statement of foreign financial assets. This form is required for foreign investments of \$50,000 or more for single taxpayers and \$100,000 for married couples.

### 2017 Taxes Quick Hits

Did you know?

- The \$250 deduction for teaching supplies on the federal return for teachers also counts on a new IL credit teacher credit of \$250. This feels, like double dipping, but it appears to be okay.
- Legal fees for property tax reductions, discrimination, and anything related to earned income are tax deductible. For divorce, the services would have to be tax advice related to the divorce and the bill would have to specify how much is for tax advice. Legal fees are deductible on Schedule A as itemized deductions, but are included in miscellaneous deductions which have to exceed 2% of your income. These type of deductions will be phased out in 2018.
- You can use part of your refund to purchase US Savings bonds. Ask us how!



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