

2018 Tax POCKET GUIDE

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RECORD RETENTION FOR BUSINESSES

In business, good recordkeeping is essential not only for tax reporting purposes but also for the success of the company. The guidelines below give general retention periods for the most common business records. Call us if you'd like more information or assistance with your record retention program.

ACCOUNTING RECORDS	RETENTION PERIOD
Accounts payable	7 years
Accounts receivable	7 years
Audit reports	Permanent
Chart of accounts	Permanent
Depreciation schedules	Permanent
Expense records	7 years
Financial statements (<i>annual</i>)	Permanent
Fixed asset purchases	Permanent
General ledger	Permanent
Inventory records	7 years ¹
Loan payment schedules	7 years
Purchase orders (<i>1 copy</i>)	7 years
Sales records	7 years
Tax returns	Permanent

BANK RECORDS	
Bank reconciliations	2 years
Bank statements	7 years
Cancelled or substitute checks	7 years ²
Electronic payment records	7 years

CORPORATE RECORDS	
Board minutes	Permanent
Business licenses	Permanent
Bylaws	Permanent
Contracts – major	Permanent
Contracts – minor	Life + 4 years
Insurance policies	Life + 3 years ³
Leases/mortgages	Permanent
Patents/trademarks	Permanent
Shareholder records	Permanent
Stock registers	Permanent
Stock transactions	Permanent

EMPLOYEE RECORDS	
Benefit plans	Permanent
Employee files (<i>ex-employees</i>)	7 years ⁴
Employment applications	3 years
Employment taxes	7 years
Payroll records	7 years
Pension/profit-sharing plans	Permanent

REAL PROPERTY RECORDS	
Construction records	Permanent
Leasehold improvements	Permanent
Lease payment records	Life + 4 years
Real estate purchases	Permanent

¹ Permanent for LIFO system

² Permanent for real estate purchases

³ Check with your agent. Liability for prior years can vary

⁴ Or statute of limitations for employee lawsuits

RECORD RETENTION FOR INDIVIDUALS

Good recordkeeping can cut your taxes and make your financial life easier.

How long to keep records is a combination of judgment and state and federal statutes of limitations. Since federal tax returns can generally be audited for up to three years after filing and up to six years if the IRS suspects underreported income, it's wise to keep tax records at least seven years after a return is filed. Requirements for records kept electronically are the same as for paper records. Generally, follow these recommended retention periods for various documents:

RECORD	RETENTION PERIOD
Tax returns (<i>uncomplicated</i>)	7 years
Tax returns (<i>all others</i>)	Permanent
W-2s	7 years
1099s	7 years
Bank deposit slips	7 years
Bank statements	7 years
Cancelled or substitute checks supporting tax deductions	7 years
Charitable contribution records	7 years
Credit card statements	7 years
Dividend reinvestment records	Ownership period + 7 years
Divorce documents	Permanent
Estate planning documents	Permanent
Home purchase and improvement documents	Ownership period + 7 years
Home repair receipts	Warranty period for item
Insurance policies	Life of policy + 3 years*
Investment purchase and sales documents	Ownership period + 7 years
IRA annual reports	Permanent
IRA nondeductible contributions Form 8606	Permanent
Loans	Term of loan + 7 years
Mutual fund annual statements	Ownership period + 7 years
Receipts, diaries, logs pertaining to tax return	7 years
Retirement plan annual reports	Permanent
Year-end brokerage statements	Ownership period + 7 years

*Check with your agent. Liability for prior years can vary.

2018 INDIVIDUAL TAX RATES – Taxable Income

TAX RATE	SINGLE	JOINT*	HEAD OF HOUSEHOLD
10%	\$ 1 - 9,525	\$ 1 - 19,050	\$ 1 - 13,600
12%	9,526 - 38,700	19,051-77,400	13,601 - 51,800
22%	38,701 - 82,500	77,401 - 165,000	51,801 - 82,500
24%	82,501 - 157,500	165,001 - 315,000	82,501 - 157,500
32%	157,501 - 200,000	315,001 - 400,000	157,501 - 200,000
35%	200,001 - 500,000	400,001 - 600,000	200,001 - 500,000
37%	Over 500,000	Over 600,000	Over 500,000

*Amounts for married separate are one-half joint amounts.

2018 DEDUCTIONS AND EXEMPTIONS

Standard Deduction

Single	\$ 12,000
Joint returns & surviving spouses	\$ 24,000
Married filing separately	\$ 12,000
Head of household	\$ 18,000

The standard deduction is increased by \$1,300 for a married taxpayer aged 65 or older or blind (\$2,600 if both 65 and blind); by \$1,600 for a single taxpayer aged 65 or older or blind (\$3,200 if both 65 and blind).

Personal Exemption

Suspended through 2025
No personal exemption is allowed to an individual who is eligible to be claimed as a dependent on another taxpayer's return.

2018 TAX BENEFIT INCOME* – Phaseout level

ITEMIZED DEDUCTIONS

- No Pease limitation.
- No home equity interest.
- \$750M new acquisition indebtedness interest limit after 12/14/17.
- \$10M property/state income & sales tax limit.
- Personal and casualty losses limited to presidentially declared disaster.
- Wager loss limitation applies to gambling and related expenses.
- No miscellaneous itemized deductions over 2%.
- Medical expense threshold 7.5% for everyone in 2018 only.

PERSONAL EXEMPTION

Single	Not applicable
Joint returns & surviving spouses	Not applicable
Married filing separately	Not applicable
Head of household	Not applicable

CHILD TAX CREDIT

Single and head of household	Starts at \$200,000
Joint	Starts at \$400,000
Married filing separately	Starts at \$200,000

Family tax credit. \$500/dependent for those not qualified for CTC

IRA DEDUCTIBILITY (with company pension)

Single and head of household	\$ 63,000 – 73,000
Joint	\$ 101,000 – 121,000
When spouse has company pension	\$ 189,000 – 199,000
Married filing separately	\$ 0 – 10,000

ROTH IRA ELIGIBILITY

Single and head of household	\$ 120,000 – 135,000
Joint	\$ 189,000 – 199,000
Married filing separately	\$ 0 – 10,000
Conversion of traditional IRA to a Roth IRA	No income limit

EDUCATION SAVINGS ACCOUNT (Ed. IRA)

Single, head of household and married filing separately	\$ 95,000 – 110,000
Joint	\$ 190,000 – 220,000

AMERICAN OPPORTUNITY (HOPE) CREDIT

Single and head of household	\$ 80,000 – 90,000
Joint	\$ 160,000 – 180,000
Married filing separately	\$ 0

LIFETIME LEARNING CREDIT

Single and head of household	\$ 57,000 – 67,000
Joint	\$ 114,000 – 134,000
Married filing separately	\$ 0

COLLEGE BOND INTEREST EXCLUSION

Single and head of household	\$ 79,700 – 94,700
Joint	\$ 119,550 – 149,550
Married filing separately	\$ 0

INTEREST ON EDUCATION LOANS

Single and head of household	\$ 65,000 – 80,000
Joint	\$ 135,000 – 165,000
Married filing separately	\$ 0

*Adjusted or modified adjusted gross income

2018 FICA TAX RATES

TAX	MAXIMUM TAX RATE	MAXIMUM WAGE BASE	MAXIMUM TAX
Social Security	6.20%	\$ 128,400	\$ 7,960.80
Medicare	1.45%*	No limit	No ceiling

FICA tax is a combination of a Social Security tax and a Medicare tax. The Social Security tax is assessed on wages up to \$128,400; the Medicare tax is assessed on all wages.

Self-employed individuals pay a self-employment tax which is the equivalent of FICA tax. For 2018, they will pay a 12.4% OASDI tax (the old age, survivors, and disability insurance tax) on the first \$128,400 of self-employment income. A 2.9%* Medicare tax is imposed on all net self-employment income.

*A 0.9% Medicare surtax is assessed on all wages or self-employment income in excess of \$200,000 for singles, \$250,000 for joint returns, and \$125,000 for married couples filing separately.

2018 CORPORATE TAX RATES*

C Corporations

- Flat 21% corporate tax rate. Now includes personal service corporations.
- No alternative minimum tax (AMT).

Pass-through entities

(S corps, partnerships and sole proprietors)

- Taxed as ordinary income.
- New 20% income deduction calculation now available. Qualified service trade business threshold: \$157,500 (\$315,000 joint)
Select service companies above these limits have the income deduction reduced.

2018 TAX FILING DEADLINES

- January 16** – Due date for the fourth installment of 2017 individual estimated tax.
- 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).
- January 31** – Due date for payers to provide most Forms 1099-MISC with non-employee compensation in box 7 to recipients and to the IRS.
- January 31** – Employers must file 2017 federal unemployment tax returns and pay any tax due.
- January 31** – Due date for providers to send Forms 1095 to recipients and the IRS.
- February 28** – Payers must file most other Forms 1099 (except certain Forms 1099-MISC due Jan. 31) with the IRS.*
- March 1** – Farmers and fishermen who did not make 2017 estimated tax payments must file 2017 tax returns and pay taxes in full.
- March 15** – 2017 calendar-year S corporation income tax returns are due.
- March 15** – 2017 partnership returns are due.
- March 15** – Deadline for calendar-year corporations to elect S corporation status for 2018.
- April 17** – Individual income tax returns for 2017 are due.
- April 17** – 2017 annual gift tax returns are due.
- April 17** – 2017 calendar-year C corporation income tax returns are due.
- April 17** – Deadline for making 2017 IRA contributions.
- April 17** – First installment of 2018 individual estimated tax is due.
- June 15** – Second installment of 2018 individual estimated tax is due.
- September 17** – Third installment of 2018 individual estimated tax is due.
- October 15** – Deadline for filing 2017 individual tax returns on extension from the April deadline.
- January 15, 2019** – Fourth installment of 2018 individual estimated tax is due.

*April 2 if filing electronically

Call our office for details or for assistance with any tax filing. Also be aware that tax change can occur at any time. As needed, contact us for current rates and rules.

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