

Lassus Wherley

=====*Certified Public Accountants*=====

LW News

**Lassus Wherley Welcomes
Dawn H. Brown
To the Team!**

**Laurie Wolfe and Pat Daquila
Completed
CERTIFIED FINANCIAL PLANNER™
Certification requirements!**

**Robin Rabin Retired December 2017.
We wish her health and happiness!**

***"Best Places To Work in New Jersey"*
Awarded for 7th consecutive year**

**Women's Choice Award
for Financial Advisors
Received for the Third Time**

**Borough of New Providence recognized
Lassus Wherley for
Outstanding Business Sponsorship
AGAIN**

**Diahann Lassus reappointed to the
CNBC Financial Advisor Council**

**2018 Five Star Wealth Manager
Award recipients
Diahann Lassus, Dawn Brown
Lisa McKnight**

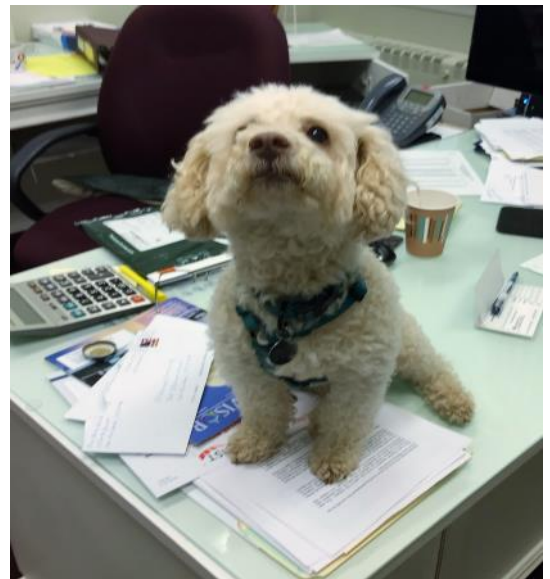
**2018 Five Star Investment
Professional Award recipients
Pat Daquila, Cynthia Fusillo
Laurie Wolfe**

**NJBIZ Honors Pat Daquila
Among New Jersey's Best 50 Women in
Business in 2017**

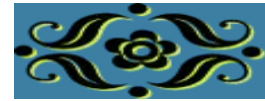
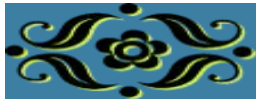
**Diahann Lassus named one of
Investopedia's Top 100
Most Influential Financial Advisors**

Warning!

PLEASE
DO NOT SEND
TAX INFORMATION
VIA
EMAIL!



Duffy Doodle is our new poodle.
He quickly made himself feel at home.
And, as seen, is now in charge!



In Perspective

Will I or Won't I...pay more taxes under the new tax law?

Courtesy CNBC on the Web

At a glance...

New Jersey (2019)

Income Group	Income Range		
Richest 1%	\$1,116,200 and higher	24%	76%
Next 4%	\$336,620 to \$1,116,200		97%
Next 15%	\$142,390 to \$336,620	21%	79%
Fourth 20%	\$79,890 to \$142,390	17%	82%
Middle 20%	\$50,100 to \$79,890		88%
Second 20%	\$26,830 to \$50,100		83%
Poorest 20%	Less than \$26,830	26%	71%

New Jersey (2027)

Income Group	Income Range			
Richest 1%	\$1,412,880 and higher			100%
Next 4%	\$440,220 to \$1,412,880			98%
Next 15%	\$188,540 to \$440,220			93%
Fourth 20%	\$111,120 to \$188,540	29%		69%
Middle 20%	\$68,330 to \$111,120	33%		64%
Second 20%	\$36,900 to \$68,330	28%		63%
Poorest 20%	Less than \$36,900	32%	15%	52%

Tax Cut
 No change
 Tax Hike

For more detail on all states results and a better understanding...

Go To

<https://www.cnbc.com/2017/12/19/heres-how-the-final-gop-tax-bill-would-hit-your-wallet.html>

How the projections turned out..

Trump and/or Republican Changes for 2018

Rates

- Lower rates for ordinary income, possibly 15% 25% and 35% or 12%, 25% and 33% **actually became** 10%, 12%, 22%, 24%, 32%, 35% and 37%.
- **No change** for Capital Gains and Qualified Dividends all turned out to be true!
- Elimination of the Medicare Surtax on Capital Gains just **didn't happen**.
- Elimination of the Alternative Minimum Tax—still exists **but for much higher income levels**.

Deductions

- Larger Standard Deductions (\$15,000 for Single, \$30,000 for Married) - but became \$12,000 and \$24,000.
- Keep Mortgage Interest and Charitable Deductions but eliminate the others—kind of—**limited interest** but **broadened charity, kept medical** but **eliminated taxes and miscellaneous**.
- Cap total deductions at \$100,000 for Single filers and \$200,000 for Married - **didn't happen!**
- Eliminate the Married Filing Separate status—**no**.
- **Phased out exemptions** completely or raise the standard deduction higher—see above.

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Tax Prep is Changing

This year we are making big strides in technology for our Tax Department. In addition to expanding use of our client portal, FileGenius, we are testing software that will automate workpapers, reduce the instances of errors in input and provide a more organized workflow.

FileGenius

We have already advised many of you that we would like to deliver final tax returns, the efile authorization, estimates (if applicable) and our invoice via our client portal, File Genius. If you do not already have a FileGenius account, one can be set up for you. You will have a username and password. The technology allows us to easily store, view and share files with you.

It will offer you anytime, anywhere access to your documents while feeling confident that your data is secure.

Exchanging files using a client portal workspace is far more secure than email and more convenient than using a CD, USB device, or snail mail.

Beginning in 2018 (2017 tax year), we will be uploading final tax returns to FileGenius, when completed. We will provide paper copies to those who do not have computer access. Beginning in 2019, we expect that the majority of returns we prepare will be delivered via FileGenius.

SurePrep

This product recognizes standardized IRS documents and indexes them in a well-organized file. It automatically performs calculation checks and provides a process for us to review the work papers in a very efficient manner. It keeps track of items that were present in prior years and missing from this year's work papers, identifying a list of missing items to be emailed to you. It keeps track of items that have not been reviewed, ensuring nothing is overlooked. After finalization of the return, the file is saved in PDF format providing well-organized support in the event of an audit.

Tax Caddy App

This is a smart phone application some clients may enjoy using. It provides a means for you to deliver your tax documents directly to us using the same technology banks use to capture check images for deposit on their apps. You can also answer our questionnaire and sign our engagement letter right on your phone. If you have an interest in this very cool app please let us know and we will get you on the list!

Security

Security is always our utmost concern. Because email does not provide sufficient security for sending personal information, we have sought methods of information exchange that have an enhanced level of security and convenience.

Happenings

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A pontoon boat ride on the Hackensack River with a guided tour through the Meadowlands! It was a cloudy day but spirits were bright!



Golf was the name of the game in 2017! Yes there really is golf in this picture!

New Jersey Chamber of Commerce
Liberty Gala
Honoring the Military
Proud to be a Sponsor!

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Should Businesses Consider Becoming a Corporation or LLC?

A “Most Asked Question” and Huge Change to the Tax Code!

The new tax law, Tax Cuts and Jobs Act (TCJA) has a provision that allows a 20% deduction of qualified business income to certain pass-through businesses and a provision that lowers the corporate income tax rate permanently to 21% for C corporations. Given your personal circumstances, either of these could result in a lower tax bill than you currently have.

The rules specifically exclude any trade or business involving the performance of services in the fields of health, consulting, law, athletics, financial services, brokerage services, or any trade or business where the principal asset is the reputation or skill of one or more of its employees or workers. It further excludes someone in the trade or business of performing services as an employee. The purpose of this part of the law is to prevent people from setting up business entities solely for the purpose of avoiding W-2 income and the social security taxes that go along with it. In a late win, architects and engineers were excluded from this provision, with the argument being that their work is more in the line of manufacturing than personal services.

For those businesses excluded from the above rule, there are exceptions if income is below a threshold. Those taxpayers with taxable income below \$157,000 (\$315,000 for married couples) are not prohibited from taking the 20% deduction. This is a simplified explanation of this new provision.

Under TCJA sole proprietorships, partnerships, LLC members and S Corporation shareholders who are individuals, trusts or estates are eligible for this deduction. Because this deduction covers both sole proprietorships and LLCs, the new provisions themselves were not intended to have different results among these different entity types. There are additional limitations to the deduction based on the W-2 wages of the business and the property it owns. Because S Corporations are the only pass-through entities that pay wages to owners, the calculation of the deduction results in a different amount when this limitation comes into play. Because the law was rushed to finalize, there will likely be many such errors of interpretation and hopefully fixes will be made. Because of these likely changes, do not rush to change a current business structure based on the results of this limitation.

C corporations are not pass-through entities, meaning their income does not flow through to be taxed at the individual, trust or estate level. The C Corporation's tax is calculated on the corporate income and the tax is paid by the corporation. When dividends are paid out to the shareholders, the shareholders pay tax on those dividends. You may have heard of “double taxation”. This is what that term is referring to. The corporation pays tax on its income and the shareholders pay tax on that same income when it is distributed out to them in the form of a dividend. This is one of the reasons that S Corporations came into being and why so many businesses migrated to this form of entity. In an S Corporation, the shareholders pay the tax on the income of the corporation and distributions are not taxed.

Another downside of the C Corporation is that losses are trapped inside the company and can only offset future income of the business. Losses of pass-through entities can, with exceptions, offset the unrelated other income of the individual owner.

So why would anyone want to be a C Corporation in light of the new tax law? Well, if you are in a business which is capital intensive and profits are not passed out to shareholders, but rather retained in the business to invest in growing the business, the tax savings due to the lower rate avails the business of more after-tax money with which to invest. The money is growing on a tax-deferred basis. The anticipation is that the growth the company experiences will make up for the double taxation of any income that is passed out.

There are other reasons that C Corporations can be beneficial. These could include self-employment tax savings and minimizing adjusted gross income at the owner level when compared to pass-throughs. There are many limitations and phase-outs at the individual level that are tied to adjusted gross income.

Laurie Wolfe, CPA, CFP®

Web Tax Humor

"Optimist: Someone who sets aside two hours to do his income tax return."
—Author Unknown

"The present tax code is about 10 times longer than the Bible, a lot more complicated, and, unlike the Bible, contains no good news."
—Don Nickles, former U.S. Senator

"Next to being shot at and missed, nothing is really quite as satisfying as an income tax refund."
—F.J. Raymond

"A tax loophole is something that benefits the other guy. If it benefits you, it is tax reform."
—Russell B. Long, former U.S. Senator

"There's nothing wrong with the younger generation that becoming taxpayers won't cure."
—Dan Bennett

