

# ***GET READY TO PREPARE YOUR 2018 TAX RETURNS***

*by Robert D Flach  
The internet's "[Wandering Tax Pro](#)"*

You have prepared and submitted your 2017 federal and state tax returns and paid the tax due or received your refund.

It is now time to begin working on your 2018 tax returns.

## **(1) SET UP A RECORDKEEPING SYSTEM**

You **MUST** keep good, contemporaneous records of all your income and deductions in the manner prescribed by the IRS and the Tax Code. If you have not already done so, you need to set up a recordkeeping system.

Go out and buy an accordion file folder. Label the first pocket "Income Tax Returns". This is where you will put your copy of your federal and state income tax returns once completed.

Label the second pocket "Information Returns". As you begin to receive Form W-2s, 1099s, 1098s, K-1s, etc. next January and February put them in this pocket. The remaining pockets should be labeled for the various types of deductible expenses, such as (where applicable)

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- Education Expenses
- Retirement Plan Contributions
- Medical Expenses
- Taxes
- Interest Expense
- Contributions
- Gambling Losses
- Child Care Expenses

During the year put acknowledgements, receipts, statements and other forms of documentation for deductible expenses in the applicable pocket. These items will be the back-up for entries you make on the various forms, schedules and worksheets in this package.

If you itemize deductions on Schedule A, you are allowed to deduct travel for medical and charitable purposes. Keep track of all round-trip mileage to doctors, dentists, hospitals, therapists, etc. to receive medical care, and for volunteer work for your church or a qualified non-profit organization. Keep a travel diary listing the date, location, purpose, and miles driven for each trip. A simple pocket date book can act as your travel diary, provided there is enough space for each day to make the necessary entries. Also record parking and toll costs expenses in the diary, as receipts are not always available for these items.

## **(2) LEARN ABOUT THE NEW TAX LAWS**

The Tax Cuts and Jobs Act”, aka the GOP Tax Act, has drastically changed the United State Tax Code. Beginning with the 2018 Form 1040 the Act will affect every income tax return filed.

It is impossible to know the right moves to make in your daily financial life without a basic knowledge of the tax implications of your actions. Learn how the new law has changed what items you can, and cannot, deduct on your tax return and the rules governing any special situations that apply to you.

I have written a new book - THE GOP TAX ACT AND THE NEW 1040: ADVICE AND INFORMATION FOR DEALING WITH THE NEW TAX LAWS – that explains how the Act affects wage-earning 1040 filers and provides advice and strategies to help make sure you pay the absolute least amount of federal income tax possible under the new laws. See the full-page ad at the end of this report.

Throughout the year the IRS will need to issue new regulations, notices, rulings, and other guidance regarding how the new tax laws will be interpreted and applied. And Congress will need to pass a “Technical Corrections Act”. You can keep up-to-date on tax law developments by becoming a regular visitor to my blog THE WANDERING TAX PRO at <http://wanderingtaxpro.blogspot.com>.

Even if you use a tax professional to prepare your return, the more informed you are on tax matters, the more prepared you will be when you go to your annual tax appointment.

## **(3) REVIEW YOUR WITHHOLDING**

The GOP Tax Act reduced the tax rates for all Americans. The withholding tables were revised to reflect the new rates – so most workers should have noticed a slight increase in take-home pay beginning with the first check received in February.

However, considering the other changes made by the GOP Tax Act – the elimination of the personal exemption deduction and the loss or limitation of itemized deductions – it is important to review your withholding status and allowances. The reduction in withholding based on your current Form W-4 may be more than actually appropriate for your specific tax situation. Many factors affect your tax liability and doing nothing may result in a surprise when you prepare your 2018 return. You may need to submit a new Form W-4 to your employer.

The IRS has a new Withholding Calculator – go to <https://www.irs.gov/individuals/irs-withholding-calculator>.

PAYCHECK CITY has several online calculators, including a W-4 Calculator, so you can see how changes in your filing status and withholding allowances will affect your withholding and take-home pay – go to <https://www.paycheckcity.com/index.php>.

You may want to give your tax professional a copy of your most recent pay stub so he or she can see if the revised withholding is appropriate or if you need to have more federal income tax withheld.

#### **(4) KEEP IN TOUCH WITH YOUR TAX PROFESSIONAL**

Taxpayers usually only speak with their tax professional during the tax filing season, when they have their returns prepared. But there are other times you should consult your tax pro during the year.

Contact your tax pro if any of these events occur -

- you get married, divorced, or become widowed
- you have a child
- you change jobs
- your spouse starts working
- you have a substantial increase in income
- you have a substantial gain from the sale of investments
- you buy or sell a home or rental real estate
- you start, acquire, or sell a business
- you retire
- you make an unplanned withdrawal from an IRA or pension plan
- you receive an inheritance
- you receive correspondence from the IRS or a state tax agency

You should actually contact him or her BEFORE many of these events are finalized. For example, if you are beginning the process of divorce contact us for guidance in negotiating the divorce agreement and the distribution of assets.

With the new tax laws in effect you may want to make an appointment with your tax professional now, if you did not already discuss how the changes in the law will affect you when having your 2017 returns prepared.

If you need to find a qualified and competent tax professional in your area you can begin your search at FIND A TAX PROFESSIONAL - <http://www.findataxprofessional.com>. This website I have created has searchable databases of tax professionals and articles with valuable information to help in your search and decision.

#### **(5) TAKE ADVANTAGE OF TAX PLANNING OPPORTUNITIES**

For as long as I have been writing about taxes I have been saying this – *"You are paying too much income tax - and it's nobody's fault but your own! You do not have to wait for Congress to pass a tax cut bill. You can enact your own personal tax cut with careful tax planning."*

Become aware, and take advantage of, tax planning opportunities available to you. Your tax pro can help you with this. I discuss some specific tax planning ideas in my book on the GOP Tax Act (see full-page ad at end of this report).

Here is some tax planning basics:

\* The difference between tax avoidance and tax evasion is \$10,000 and five years in prison! Tax avoidance is the lawful and ethical use of accepted procedures to reduce your tax liability. Tax evasion is a willful misrepresentation or concealment of information. Despite

growing public acceptance of cheating on tax returns, reckless tax evasion is a very dangerous matter. There are many legal ways to reduce your tax liability - too many to risk your future with tax fraud.

\* Tax planning is a year-round process and must incorporate short and long-term considerations. While handling a transaction in one way may produce a greater short-term tax savings, it may be more costly in the long run.

\* There is no tax planning technique or strategy that applies to all taxpayers in all situations. The application of a tax planning technique or strategy is dependent on the special "facts and circumstances" of each particular situation. One person's tax savings may be another's overpayment. You must evaluate each technique or strategy considered in the context of our own individual situation.

\* When evaluating a tax planning technique or strategy you must also consider how it will affect your resident and non-resident state and local tax returns. A strategy may save you \$50.00 in federal taxes but cause you to pay \$100.00 more in state income taxes.

Year-end tax planning is especially important. I usually prepare a special report on year-end tax planning in the fall. I will post on THE WANDERING TAX PRO when this report is available. You may want to schedule a meeting with your tax professional in November to discuss tax year-end tax planning for your specific situation.

## THE LAST WORD

As a veteran tax professional and author, I have often been asked over the years by friends, family, clients, readers, and cocktail party guests, "What is your best tax advice?" I thought long and hard and here is the absolute best tax advice I can give anyone - ***Do not accept tax advice from anyone other than a professional tax preparer.***

Don't listen to a broker, banker, insurance salesman, or your Uncle Charlie! You wouldn't ask your butcher for a medical opinion, so why listen to tax advice from your doctor?

Over the years clients have come to me wanting to claim the strangest things – telling me "my neighbor" or "a guy I ride in to work with on the train" said it was deductible. And it seems that just about every workplace has a resident self-proclaimed "tax pro".

Also, beware of advice you hear on tv or the radio or in a print or online newspaper, newsletter, magazine, or blog.

If you are given any tax advice or information by any non-tax person, hear any tax advice or information on a television or radio program, or read any tax advice or information in a print newspaper, newsletter, magazine, or online be sure to check it out with your own tax professional before taking any action.

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*"GREAT BOOK, BOB! IT IS MY SUMMER  
BEACH READING!"*

## **THE GOP TAX ACT AND THE NEW 1040: ADVICE AND INFORMATION FOR DEALING WITH THE NEW TAX LAWS**

by Robert D Flach - the internet's "Wandering Tax Pro"

"The Tax Cuts and Jobs Act", aka the GOP Tax Act, has drastically changed the United State Tax Code. Beginning with the 2018 Form 1040 the Act will affect every income tax return filed. This book explains how the Act affects wage-earning 1040 filers and provides advice and strategies to help make sure you pay the absolute least amount of federal income tax possible under the new laws. It is a "must-read" for everyone who files a Form 1040.

It answers these questions in detail –

- So, what does the GOP Tax Act do?
- How has the GOP Tax Act changed Schedule A?
- What can you do to deal with the tax law changes?
- What Can You Deduct on Schedule A for 2018 and Beyond?
  - To be or not to be an independent contractor?

A copy of this book in pdf format, sent as an email attachment, is *only \$6.95*. A print version, sent via postal mail, is also available for \$8.95.

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