

Tax Talk

A Service of:
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LOTS OF CHANGES –

Each newsletter this year has discussed the impact of the new tax laws passed late in 2017. I have been busy taking classes and reading to update my knowledge of the changes. It will impact pricing of tax returns as well. Many of you will no longer itemize deductions so the cost may decrease. Those of you with company tax returns or those who are sole proprietors, farmers or owners of rental or royalty properties will pay more in fees, but should see your taxes decrease with a new special deduction, but there are limitations.

CORRECTION – The May 2018 newsletter contained an error. I indicated that the Obamacare penalty was repealed for the 2018

tax year. Unfortunately, it is not repealed until 2019, so those without health insurance will be subject to penalty for the 2018 tax year.

Oklahoma Changes –

To the best of my knowledge, Oklahoma will continue to mirror federal tax law in most areas. However, there is one BIG change. Oklahoma will limit itemized deductions to \$17,000 with some exceptions for medical and charity expenses. This may mean that you pay more in Oklahoma taxes.

Gamblers should beware!

The new federal standard deduction means you may not be able to write off losses while paying taxes on income. The Oklahoma limitation could mean you pay

taxes on money you don't have!!

The mouth of the righteous is a fountain of life, but violence overwhelms the mouth of the wicked. Hatred stirs up dissension, but love covers over all wrongs. Proverbs 10:11-12

GOFUNDME – I have seen lots of these pop up on FaceBook pages. First, be aware that these do not qualify as a 501(c)(3) charity and donations are NOT tax deductible. Second, this is an area which is ripe for fraud. There is a news story now where a couple raised thousands of dollars for a homeless man who did not receive a dime. If you do choose to donate, be sure your funds are used for the right purpose.

In the study of black history, I think one of the most overlooked people is George Washington Carver, an incredible scientist. He found over 300 uses for the peanut and 118 uses for the sweet potato. He taught at both the Iowa State College of Agriculture and the Tuskegee Institute. Both Henry Ford and Thomas Edison tried to lure him into the world of business, but he wanted to teach and be of use to his people. He said (with a twinkle in his eye), "I always look forward to introductions as opportunities to learn something about myself..."

CROWDFUNDING

The SEC has provided some new options for companies to offer stock or ownership in start-up operations. One of these is called "crowdfunding". The basic idea is that all your relatives and friends send in \$50 or \$100 or \$1,000 to invest in your company and they now own a small percentage of the company.

While this may help your friend, it is not a good

way to invest. You should consider a regular savings and investment plan with a bank or financial planner that invests in stocks and bonds offered on the regular stock market.

Crowdfunding has no regular market where you can go to sell so you may never recover your investment. Be prepared to lose everything you "invest".

Business Owners and Salaries – When you start a business, there is often not enough left to pay the owner, but you need to revisit that decision on a regular basis. First, the IRS wants to see a reasonable salary for the owners so don't get caught with a \$10,000 salary and \$100,000 of income from your business.

Next, the banker will ask for financial information and tax returns when you finance equipment, vehicles or that new home. If income is too low because you didn't want to pay taxes or a

reasonable salary to yourself, you may be shooting yourself in the foot!

Finally, when you go to sell that business to do something else or to retire, the new buyer will want to see a reasonable salary paid. The new owner will pay more because the company pays a good salary and has a history of profitability.

Victor Hugo, the famous French author of the Hunchback of Notre Dame & Les Miserables was exiled from France several times and spent time in England. He said, "England has two books, the Bible and Shakespeare. England made Shakespeare, but the Bible made England."

Estimated Taxes – The IRS and the OTC impose penalties for underpaid taxes if your tax bill exceeds, \$1,000 and you did not pay as much as last year. Estimated taxes are paid in April, June, September and January to avoid those penalties. Call if you have questions.