

**October 2017**

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**KOS**  
**NEWS**



KOS is celebrating quite a few birthdays this October!

**Daniel Hinterlong – 8<sup>th</sup>**  
**Jill Grung – 13<sup>th</sup>**  
**Diana Spatoulas – 15<sup>th</sup>**  
**Carol Weaver – 19<sup>th</sup>**  
**Garret Kubacki – 20<sup>th</sup>**

**Congratulations!**

KOS is celebrating some anniversaries this month!

**Alan Kalfen – 40 yrs**  
**Ben Darcy – 28 yrs**  
**Lais Gruman Castello – 1 yr**

## **Seven Time-Tested Year-End Tax Tactics**

### *Practical approaches for individuals*

At this point, it is still uncertain whether any significant tax reform will be enacted this year. Keeping that in mind, individual taxpayers may stick with “tried-and-true” methods to reduce taxes owed at year-end. Here are seven prime examples:

#### **1. Harvest capital gains or losses.**

Typically, you might realize capital gains or losses from sales of securities that can offset each other at year-end. The maximum tax rate on net long-term capital gains is 15% (20% for those in the top 39.6% bracket). Conversely, capital losses can offset gains plus up to \$3,000 of ordinary income in 2017. Note that other tax provisions, including the 3.8% surtax on net investment income (NII), may come into play.

#### **2. Donate to charitable causes.**

Generally, you can deduct the full amount of cash or (cash-equivalent) gifts made to qualified charitable organizations, as long as you know the necessary records. Also, you may deduct the fair market value of gifts of appreciated property if certain requirements are met. However, special limits often apply, including a 3% reduction in deductions for certain high-income taxpayers.

#### **3. Account for the AMT.**

The alternative minimum tax (AMT) continues to trap millions of taxpayers each year. This “stealth tax” may apply if you have an overabundance of “tax preference items,” especially if you reside in a high-tax state. Have a review of your AMT liability conducted to determine if you should shift income items or deductions at year-end.

#### **4. Prepay state and local income taxes.**

Absent other circumstances, the conventional wisdom is to reduce your current income tax bill whenever possible. Therefore, you might arrange to prepay any state and local income taxes due by January 1, 2018, before the end of 2017. As a result, you can increase your deduction for state and local taxes in 2017.

*Continued*



Congratulations to Inna Olinevich and her fiancé, T.J. Wrenn, on their marriage. We wish the happy couple many years of joy!

Hats off to Larry Krupp on his being elected Board Vice President for First Folio Theatre, a not-for-profit theater company in Oakbrook.



Thanks to all attendees of the Fifth Annual KOS Women's Professional Empowerment Event! It was a successful event and we appreciate your participation! A special thank you to our speakers: Katrina Calihan, Tammy Cook, and Lee Ann Piano.

## Seven Time-Tested Year-End Tax Tactics

*Continued*

### 5. Secure dependency exemptions for children.

Generally, you can claim a dependency exemption for children under age 19 or full-time students under age 24. However, you must provide more than half the child's support to qualify. When necessary, increase support at year-end to ensure that you clear the half-support mark this year.

### 6. Bunch up medical expenses.

For all taxpayers, the current threshold for deducting medical expenses is 10% of adjusted gross income (AGI) for the year. (Prior to 2017, it was 7.5% of AGI for taxpayers age 65 or older.) Thus, it may be advantageous to move nonemergency medical expenses, such as dental cleanings and physical examinations, into this year. Try to move medical expenses into the tax year when they will do you the most tax good.

### 7. Avoid RMD penalties.

If you are older than age 70½, you must take annual required minimum distributions (RMDs) from your qualified plans and IRAs. The penalty for failing to take RMDs is equal to 50% of the required payment. Comply with the rules before it is too late.

Of course, this is only a general overview of year-end tax planning. Your personal situation may require a different approach. Schedule a meeting with your KOS professional advisers to discuss the alternatives.



## Volunteering = Happiness

KOS celebrated the CPA day of service volunteering at Bernie's Books for children.



## Five Year-End Moves for Small Businesses

### *Top Ideas for Your Business Operation*

As with individuals, year-end tax planning for businesses remains somewhat uncertain. However, the Protecting Americans from Tax Hikes (PATH) Act of 2015 preserved certain tax benefits that can be incorporated into a logical year-end plan. Here are five ideas for small-business owners to consider:

#### **1. Speed up equipment deductions.**

Under the PATH Act, the maximum Section 179 deduction for qualified business property is set at \$500,000, subject to a phase-out threshold of \$2 million, and these figures are indexed for inflation (\$510,000 and \$2,030,000 for 2017, respectively). This entitles your business to a current deduction up to the limits. Furthermore, your business may claim 50% bonus depreciation on qualified property. This tax break will be reduced to 40% in 2018 and 30% in 2019, before expiring in 2020. Plan equipment purchases to maximize the tax benefits.

#### **2. Investigate research credits.**

A business may be entitled to a tax credit for incurring qualified research and development costs. Generally, the research credit is equal to 20% of the expenses over a base amount, or the business can elect a simplified 14% credit. Be aware that the credit, which has expired and been extended numerous times in the past, was finally made permanent by the PATH Act.

#### **3. Hire target group workers.**

The PATH Act also extends through 2019 the Work Opportunity Tax Credit (WOTC) for hiring workers from certain “target” groups. Generally, the WOTC is equal to 40% of first-year wages up to \$6,000, for a maximum credit of \$2,400 per worker. (Other special rules may apply.) There is no limit on the number of credits your business can claim for qualified workers.

#### **4. Rescue bad debt deductions.**

If you have not been paid amounts owed to your business, you may be able to salvage a deduction for debts that are “worthless.” But you must show that you’ve made good faith efforts to collect the debts. To secure a deduction for 2017, step up your collection activities before the end of the year. Keep detailed records—including correspondence, e-mails and telephone calls with debtors—of your collection efforts.

#### **5. Kick off a new business venture.**

A special provision in the tax code currently allows you to deduct up to \$5,000 of qualified startup expenses for a new business. Any excess must be amortized over 180 months. However, to qualify for the current tax write-off, the operation must be an ongoing activity, so make sure the doors are officially “open for business” before the end of the year.

This is just a brief overview of several potential tax moves for small-business owners. Contact your KOS Tax Professional for specific guidance related to the best approach for your business.



## **Equifax Data Breach**

### *Considerations for protecting your finances*

On September 7, 2017, Equifax, one of the three main American credit reporting agencies, announced a massive cybersecurity incident that exposed consumer information - including names, addresses, birth dates, and Social Security numbers - leaving millions vulnerable to identity theft. Here are some things to consider to help protect your finances:

#### **What can I do?**

1. To check if you or anyone in your household has been affected by the breach, visit [equifaxsecurity2017.com](http://equifaxsecurity2017.com).
2. Click on "Potential Impact," then "Check Potential Impact," where you will be asked to provide your last name and the last six digits of your Social Security number.
3. You will receive a message indicating whether your personal information may have been impacted.
4. Whether or not your information was impacted, you have the option to sign up for free identity theft protection and credit monitoring. This can be done by clicking "Enroll," then following the instructions to go through the enrollment process with TrustedID Premier. The free enrollment period ends November 21, 2017.

#### **How can I protect my information?**

In addition to the specific actions above, there are many ways to protect your personal and financial information on an ongoing basis, including:

- Monitoring your financial, bank and credit card statements for unauthorized use
- Check your credit file by registering for a free copy of your credit report from each of the major credit reporting agencies once every 12 months by visiting [annualcreditreport.com](http://annualcreditreport.com) or by calling 1-877-322-8228.
- Establishing fraud alerts with the three major credit reporting agencies. A fraud alert tells creditors to contact you before they open any new accounts or change your existing accounts. There is no cost to use this service. To place a fraud alert on your credit, call any one of the three major credit reporting agencies.
- Consider placing a security freeze on your credit file. This prohibits anyone from opening new credit in your name - even you. It makes it impossible for anyone to access your credit report and it stays in place until you remove it. There is a cost for this service.

#### **Other suggestions:**

- Keeping passwords and PINs secure; also, make sure your passwords are strong and unique
- Keeping computer security, encryption and firewall software up to date
- Using personal computers for financial transactions, avoiding public use computers
- Never giving out personal information to strangers, especially over the phone or via email
- Monitoring email, social media and online accounts for unauthorized changes
- Only clicking on email attachments from trusted sources

