The Bandy Articles

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When it's Safe to Shred Your Tax Records

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After One Year

You can shred pay stubs after you've checked them against your W-2s, and you can generally shred monthly brokerage statements after they match up with your year-end statements and 1099s.

After Three Years

Keep the following documents with your tax files for at least three years after the tax-filing deadline:

•Form W-2s reporting income

•Form 1099s showing capital gains, dividends and interest on investments

•Form 1098 if you deducted mortgage interest

•Canceled checks and receipts for charitable contributions

•Records showing eligible expenses for withdrawals from health savings accounts and 529 college-savings plans

•Records showing contributions to a tax-deductible retirement-savings plan, such as a traditional IRA

After Six Years

The IRS has up to six years to initiate an audit if you've neglected to report at least 25% of your income. For self-employed people, who may receive multiple 1099s reporting business income from a variety of sources, it can be easy to miss one or overlook reporting some income. To be on the safe side, they should generally keep their 1099s, their receipts and other records of business expenses for at least six years.

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Special Situations

You'll need to keep some records for as long as you hold the investments, plus another three years after you sell.

For example, keep records of contributions to a nondeductible IRA for three years after the account is depleted. You'll need these records to show that you already paid taxes on the contributions and shouldn't be taxed on them again when the money is withdrawn.

Keep investing records showing purchases in a taxable account (such as transaction records for stock, bond, mutual fund and other investment purchases) for up to three years after you sell the investments. You'll need to report the purchase date and price when you file your taxes for the year they are sold to establish your cost basis, which will determine your taxable gains or loss when you sell the investment. Brokers must report the cost basis of stock purchased in 2011 or later, and of mutual funds and exchange-traded funds purchased in 2012 or later. But it helps to maintain your own records in case you switch brokers. (If you inherit stocks or funds, keep records of the value on the day the original owner died to help calculate the basis when you sell the investment.)

Keep home-purchase documents and receipts for home improvements for three years after you've sold the home. Most people don't have to pay taxes on home-sale profits—singles can exclude up to $250,000 in gains and joint filers can exclude up to $500,000 if they've lived in the house for two of the five years prior to the sale. But if you sell the house before then or if your gains are larger, then you'll need to have your home-purchase records to establish your basis. You can add the cost of significant home improvements to the basis, which will help reduce your tax liability. See IRS Publication 523, Selling Your Home, for more details.

For further information about how long to keep tax records, see the IRS's Recordkeeping fact sheet: https://www.irs.gov/taxtopics/tc305

www.kiplinger.com/article/taxes/T055-C001-S003-when-it-s-safe-to-shred-your-tax-records.html

Tax Reform Law

The President has signed the biggest tax reform law in over 30 years. When you file your 2018 tax returns — about a year from now — your tax return will look very different. And because most changes don't happen until then, we have some time to learn about the changes and plan for next year. Here are a few of the biggest changes that may affect you.

"Married taxpayers filing a joint return can claim the full credits if their adjusted gross income is $400,000."

Tax rate changes: Both individual and corporate rates have changed. The maximum individual rate is reduced to 37% and the corporate rate is now a flat 21%. The rate change could benefit you — or in some cases cause your tax liability to go up.

Standard deduction increases: However, there are no more personal exemption deductions allowed. So this may help you — or hurt you.

Increased Child Tax Credit and new Dependent Credit: The credit is increased for each child to $2,000 (up to $1,400 of which is refundable for each child) and each non-child dependent can now receive a new credit of $500. But you will have no exemption credit or deduction for yourself, your spouse, or your dependents.

The phaseout thresholds for these credits are drastically increased. Married taxpayers filing a joint return can claim the full credits if their adjusted gross income is $400,000 or less ($200,000 for all others). The credits are fully phased out for married taxpayers filing a joint return when their adjusted gross income reaches $440,000 ($240,000 for all others). This means that many more taxpayers will be able to claim these credits in 2018 and beyond.

Disappearing deductions: Beginning with the 2018 tax year, you will no longer be able to deduct:

•State income tax and property taxes above $10,000 per year in total;

•Moving expenses (with an exception for certain military);

•Employee business expenses such as mileage, travel, entertainment, home office expenses, union dues, tax preparation fees, and investment fees, among others;

•Mortgage interest beyond interest on $750,000 of acquisition debt, if you purchase a new home; and

•Mortgage interest paid on equity debt (this is no longer deductible for any taxpayers).

Some new benefits for individuals: These new benefits include:

•The medical expense AGI threshold will temporarily drop to 7.5% of AGI for 2017 and 2018;

•The AMT threshold is increased, so fewer middle-income taxpayers will be subject to AMT;

•The estate tax exclusion has nearly doubled, to $10 million (adjusted for inflation); and

•The annual gift tax exclusion remains the same ($14,000 for 2017 and $15,000 for 2018), but the maximum rate on gifts is 35%.

Small business benefit: Beginning in 2018, there will be up to a 20% deduction from net business income for a sole proprietorship, LLC (excluding those taxed as a C corporation), partnership, S corporation, and rental activity. The rules are incredibly complex but there is a lot of planning that we can do to maximize this deduction for you.

California Now World's Fifth-Largest Economy

California is now the world's fifth-largest economy, according to data released by the U.S. Department of Commerce. Its 2017 Gross State Product was $2.747 trillion, surpassing the United Kingdom's $2.625 trillion Gross Domestic Product.

"Its 2017 Gross State Product was $2.747 trillion."

The new ranking marks the highest point for California's relative GSP since 2002. The state had slipped to the 10th-largest world economy in 2012, when its GSP was just $2.003 trillion.

Texas was the U.S.'s next highest-producing state with a GSP of $1.696 trillion, followed by New York, Florida and Illinois. Vermont, Wyoming and Montana produced the least valuable goods and service in the U.S.

California trails only Germany ($3.685 trillion), Japan ($4.872 trillion), China ($12.015 trillion) and the United States ($16.644 without California) among the world's leading economies.

http://www.sacbee.com/news/business/article210466514.html

New Member of Our Team!

We recently added a new member to our team!

Feliciano Sarmiento is our newest staff accountant. He started with us at Bandy & Associates as a student intern. He recently graduated from California State University, Fresno with a Bachelor of Science in Business Administration - Accountancy Option. Go dogs!

We are excited to have him on our team!

Feliciano Sarmiento, Staff Accountant

Our New Office Manager

You've probably seen ShouaNha at the front desk or spoke with her on the phone. She started working with us as an Administrative Assistant, then as the Administrative Coordinator and now as our Office Manager! ShouaNha recently graduated from California State University with a Master of Business Administration and got engaged!

We are excited for what she has in store for us!

ShouaNha Moua, Office Manager, MBA

Congratulations to OH MY!

If you didn't already know this, Dan Bandy is on a softball team (a senior softball team), OH MY. OH MY recently played at the Rock 'n Reno Challenge Cup and won 21-7! As a result of winning the tournament, they got a Golden Ticket inviting them to the Tournament of Champions in Florida! Great job OH MY!

Bandy & Associates
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