

## STATE & LOCAL TAX NEWSLETTER



*National Tax Recovery LLC  
(State & Local Tax Services)*

**State & Local Tax Refund Program identifies and recovers overpaid state and local taxes paid directly to the State through use taxes or tax paid to vendors.**

**State & Local Tax Audit Assistance Program helps clients to defend and lower their state tax audit assessment.**

**State & Local Tax Advisory Program helps clients develop and implement tax strategies that will make state and local taxes a controllable expense and explore every legitimate way to limit your tax obligation.**

**Income Tax Advisory Service gives clients the proper knowledge and expertise needed to interpret the complex and ever changing IRS regulations and laws.**

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## 7 Things To Do Right Now To Save On Taxes This Year

### 1. Review last year's tax return.

Check your return for errors: you can always file an amended return if you've left something out. If any deductions were disallowed because of a lack of documentation, etc., make a mental note to get it right this year. If you owed taxes last year, think about how you can reduce the hit at the end and eliminate any potential penalty; if you were owed taxes last year, consider tweaks to your withholding (keep reading) to get that money back during the year instead of all at one time. Finally, if you've had any significant changes in circumstances since last year, you'll want to consider how that might affect your overall tax picture. This includes marriage, divorce, or a new baby, as well as changes to your job situation.

### 2. Double check your retirement contributions.

Making contributions to retirement accounts is an easy way to save for the future and get an immediate tax break since deductions may be deductible or excludable. That money isn't subject to tax now and it grows tax-free until retirement. The more you stash away now - without paying taxes on that money today - the more you'll have for retirement later.

*Quick note:* not all retirement plans are tax-deferred. If you opt for a Roth IRA or other retirement account, you'll pay the tax now, but your money will grow tax-free forever.

### 3. Make sure that you're taking your proper retirement withdrawals.

Most taxpayers are aware that they are subject to a penalty if they withdraw money too early from certain retirement accounts but did you know that you can also get hit with a penalty for withdrawing money too late? By law, you are required to withdraw funds from certain retirement accounts each year after you reach age 70½ (or the year in which you retire if you retire after that age). That amount is referred to as a required minimum distribution (RMD). Failure to make those RMDs can leave you with a penalty come tax time. To avoid the hit, make sure that you're making those withdrawals on time.

### 4. Fund or top up your Health Savings Account (HSA) or Flexible Spending Account (FSA).

Consider funding a savings plan for health care now so that you can sock away money to pay expenses on a pre-tax basis for the rest of the year (the HSA can also roll over to next year). If your employer offers a flexible spending

account (FSA), you can put aside pre-tax dollars to be used for qualifying medical expenses, including insurance copays and deductibles. Consider a health savings account (HSA), too, since the payment of qualified medical expenses from your HSA is federal income tax-free and you don't need to have an employer-sponsored plan.

### 5. Make changes to your W-4 or consider changing your withholding.

The form W-4 is the form that you complete and give to your employer - not the IRS - so that your employer can figure how much federal income tax to withhold from your pay. You typically fill out a form W-4 when you start a new job or at the beginning of the year. However, you may also want to fill out a new form W-4 when your personal or financial situation changes (see #1). Generally, the more allowances you claim on your W-4, the less federal income tax your employer will withhold from your paycheck (the bigger your take home pay) while the fewer allowances you claim, the more federal income tax your employer will withhold from your paycheck (the smaller your take home pay). You want to get this number right since if you owe too much at tax time, you could be subject to an underpayment penalty.

### 6. Review your estimated payments.

If you receive payments or other money throughout the year without having any federal income taxes withheld, you should consider making estimated payments. This rule applies to the self-employed or occasional freelancers, and also to those taxpayers who may receive income from other sources not subject to withholding (landlords, S corporation shareholders, or taxpayers with significant investments). Use the worksheet on the federal form 1040-ES to figure your estimated tax. Each period has a specific payment due date as determined by IRS (usually April 15, June 15, September 15 and January 15). If you don't pay on time, you may be subject to a penalty.

### 7. Make an appointment to see your tax professional.

Many tax professionals have a bit of lull in June and July (things often pick up closer to the date that extended returns are due) which makes it a good time to make an appointment. Also, fees for tax advice are generally deductible.

<https://www.forbes.com/sites/kellyphillips/2017/05/22/7-things-to-do-right-now-to-save-on-taxes-this-year/?ss=taxes#4baeee4f6272>

## RECENT TAX POLICY LETTER RULINGS &amp; DECISIONS

**Arkansas ~ Sales and Use Tax: Purchases Not Qualified for Manufacturing Machinery and Equipment Exemption**

An Arkansas manufacturer's purchase of calibration services did not qualify for a manufacturing machinery and equipment exemption from sales tax because these services constituted a machinery repair service rather than replacement.

Under Arkansas law, an exemption is available for the purchases of machinery or equipment that result in a substantial replacement of machinery or equipment to which the purchased items are attached. In this case, the calibration services restored the manufacturer's machinery to its proper working order.

Further, the manufacturer's purchase of gutter cleaning services were taxable regardless of whether or not they were performed with a nontaxable service. Exemptions were denied for purchases of tool-holders and collets, process control panel and operator control replacements, and swing-down gauge replacements since these items were considered to be insubstantial replacements of manufacturing machinery.

Finally, the manufacturer's purchase of a transformer and chip conveyor components did not qualify for an exemption since these items were not used directly in the manufacturing process.

<http://news.cchgroup.com/2017/05/15/arkansas-sales-use-tax-purchases-not-qualified-manufacturing-machinery-equipment-exemption/>

**Illinois ~ Corporate Income Tax: Senate Passes Privilege Tax on Investment Management Service Businesses**

The Illinois Senate has passed a bill that would impose a 20% privilege tax on the fees of partnerships, including investment partnerships, and S corporations engaged in the business of conducting investment management services. The legislation would not take effect unless Connecticut, New Jersey, and New York enact the same laws.

<http://news.cchgroup.com/2017/05/30/illinois-corporate-income-tax-senate-passes-privilege-tax-investment-management-service-businesses/>

**Iowa ~ Income Tax: New State Tax Credit created for first-time homebuyers**

A new state law establishes a new income tax credit for individuals and couples saving for their first home.

The new law applies to deposits in savings accounts Iowans use exclusively to set aside money to cover the costs of buying their first home. Individuals may claim a yearly credit of up to \$2000. Couples saving for their first home could get a yearly \$4000 tax break.

Governor Branstad approved the bill creating this new tax credit. Iowans will be able to start claiming the income tax credit for savings deposits made after January 1, 2018.

<http://www.radioiowa.com/2017/05/10/new-first-time-homebuyers-state-tax-credit-created/>

**Louisiana ~ Minimum Wage Hike Goes Nowhere, Rejected in Senate**

Gov. Edwards' push to raise Louisiana's minimum wage crashed again in the Senate, leaving the state's lowest-wage workers to be paid at the federal rate of \$7.25 per hour.

The bill would have boosted the minimum wage to \$8 per hour in 2018 and to \$8.50 an hour a year later. The Senate Finance Committee voted 7-3 against the proposal.

Supporters said the wage increase would lift people out of poverty and make them less-reliant on government-financed services, giving 85,000 Louisiana workers an estimated \$852 pay increase on average. Opponents said the higher pay could harm businesses and cause them to lay off some employees to pay other workers higher wages.

Twenty-nine states have minimum wages above the federal level, according to the National Conference of State Legislatures.

<https://www.usnews.com/news/best-states/louisiana/articles/2017-05-24/louisiana-minimum-wage-hike-goes-nowhere-rejected-in-senate>

"Your attitude, not your aptitude, determines your altitude."  
— Zig Ziglar

**Pennsylvania ~ Sales and Use Tax: Remote Seller Notice Requirements Passed by House**

Legislation passed by the Pennsylvania House of Representatives would require certain out-of-state sellers to notify purchasers in Pennsylvania that sales or use tax is due on their nonexempt purchases and that the tax must be paid on the purchaser's tax return.

The notice requirement would apply to remote sellers, i.e., vendors located outside Pennsylvania who sell tangible personal property or services that are not exempt from Pennsylvania sales and use tax to a purchaser in the state and who do not collect the tax.

In addition, remote sellers would be required to, on or before January 31 of each year, send a notice to each purchaser in Pennsylvania who made purchases of \$500 or more from the seller in the previous calendar year.

This notice would have to include the total amount paid by the purchaser for purchases made from the remote seller in the previous calendar year; a statement that Pennsylvania requires a sales or use tax return to be filed and sales or use tax to be paid on nonexempt purchases that the purchaser makes from the remote seller; and other information required by the Department of Revenue.

[http://news.cchgroup.com/2017/05/11/pennsylvania-sales-use-tax-remote-seller-notice-requirements-passed-house/?utm\\_campaign=Tax+News+Headlines+May+2017&utm\\_medium=EM-BRANDING&utm\\_source=TNH+May+11+2017](http://news.cchgroup.com/2017/05/11/pennsylvania-sales-use-tax-remote-seller-notice-requirements-passed-house/?utm_campaign=Tax+News+Headlines+May+2017&utm_medium=EM-BRANDING&utm_source=TNH+May+11+2017)

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