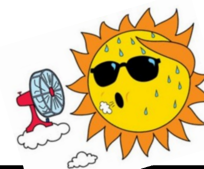
National Tax Recovery, LLC

Volume 17 Issue 7

August 2017



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.

National Tax Recovery, LLC

2080 North State Hwy. 360
Suite 140
Grand Prairie, Texas 75050

(972) 606-4848 (Office)
(972) 606-4859 (Fax)

www.ntrecoveryllc.com

Pay Less Taxes in Retirement

DEDUCTIONS MAY DISAPPEAR
If your children are grown and your house is paid off, you'll no longer get tax breaks for dependents or mortgage interest. And you'll no longer be able to get a tax break for contributing to a 401(k) or IRA, Slott says. Your deductions for charitable contributions may decline, too, as many retirees tend to volunteer more than donate. And starting with the 2017 tax year, taxpayers age 65 and older will be able to deduct only the amount of medical expenses exceeding 10 percent of adjusted gross income, up from 7.5 percent.

Solution: Take advantage of available tax breaks while you still can. Bunch up any elective medical expenses into one year to meet the higher health deduction. "Your last year of working, try to contribute as much as you can to your retirement plan," says Marguerita Cheng, chief executive of Blue Ocean Global Wealth in Rockville, Md.

YOU MAY END UP IN A HIGHER TAX BRACKET
Many retirees drop into a lower tax bracket when they stop working. But after age 701/2, they must start taking minimum distributions annually from tax-deferred accounts such as a 401(k) or traditional IRA.

These distributions — on top of other income — can push retirees into a higher bracket. For example, singles with taxable income of up to $37,950 — or couples filing jointly with $75,900 — are in the 15 percent tax bracket this year. Throw in several thousand dollars from a required distribution, and that extra income will be taxed at 25 percent.

Solution: Consider taking distributions from tax-deferred accounts while still in your 60s and in a lower tax bracket, experts say. With care, you can steadily withdraw money and stay within your current tax bracket. Or convert some tax-deferred dollars into a Roth IRA. You'll owe income taxes on the amount converted, but thereafter Roth withdrawals are tax-free. And Roths don't have required distributions.

YOUR SOCIAL SECURITY MAY BE TAXED
Many retirees are surprised to find that their Social Security benefits are taxable if their income is above a certain level. And it doesn't take much income to trigger the tax.

Under the IRS formula, half of Social Security benefits are added to other income retirees receive. If the amount exceeds $25,000 for singles or $32,000 for married couples filing jointly, a portion of the benefits will be taxed.

Solution: Tapping tax-deferred accounts earlier in retirement will reduce future required distributions, and may provide the money to live on so you can postpone taking Social Security benefits. For every year up to age 70 that you postpone benefits beyond your normal retirement age (66 to 67 for most people), your benefits will increase 8 percent.

YOU MAY PAY TAXES QUARTERLY
Your employer withholds taxes from your paycheck and forwards the money to Uncle Sam. That's not the case in retirement, so you may have to pay estimated taxes quarterly or face a penalty, says Dana Anspach, founder of Sensible Money in Scottsdale, Ariz.

Solution: You may be able to avoid quarterly payments by asking your brokerage or former employer to deduct taxes for you from your IRA withdrawals or pension check, she says. Make sure the withholding is enough to cover your tax liability.

YOUR FINANCES MAY GET MORE COMPLICATED
If you've been a good saver, you likely accumulated multiple accounts and need to withdraw that money in the most tax-efficient way.

Solution: Make this job easier for yourself by consolidating accounts. And just before retirement or during the first year, see a tax professional for advice.
http://www.aarp.org/money/taxes/info-2017/pay-less-taxes-in-retirement.html?intcmp=AE-MON-TAXS-EOA2

RECENT TAX POLICY LETTER RULINGS & DECISIONS

> "If you think it's expensive to hire a professional to do the job, wait until you hire an amateur. "
> ~ Red Adair

Missouri ~ Personal Income Tax: Tax Rates to Go Down in 2018

A majority of Missouri residents and small business owners will see their personal income tax bills go down in 2018, according to Missouri Sen. Will Kraus. Pursuant to S.B. 509, Laws 2014, beginning in 2017, if net general revenue collected in the previous fiscal year exceeds the amount collected in any one of the three previous years by at least $150 million, the top Missouri personal income tax rate will go down by 0.1%, and a personal income tax deduction will be allowed equal to 5% of business income. The trigger point for these tax cuts was recently met.

The legislation provides for increasing tax cuts over a five-year period, provided the revenue target continues to be met each year. In the event of another economic downturn, the tax cuts will stop until revenue increases again.
http://news.cchgroup.com/2017/07/12/missouri-personal-income-tax-tax-rates-go-2018/

Tennessee ~ *Sales and Use Tax: Construction of Fiber-to-the-Home Network Infrastructure Is Taxable*

The lump-sum price that a taxpayer charges for the engineering, procurement, and construction of a fiber-to-the-home network is subject to Tennessee sales and use tax. The issue of whether an item of tangible personal property becomes part of realty depends upon the application of the law of fixtures to the particular factual circumstances. Whether an item is considered a fixture is determined by the intent of the parties.

Fixtures are so attached to the freehold that, from the intention of the parties and the uses to which they are put, they are presumed to be permanently annexed, or a removal of the fixtures would cause serious injury to the freehold. If the property is intended to be removable at the pleasure of the owner, it is not a fixture. However, when property is installed upon real property pursuant to a non-ownership interest in the real property, such as a lease or easement, the key question is whether the parties intend that the owner of the property being installed has the ability to remove the property from the land, so that the installed property remains separate and apart from the freehold. In the instant case, the taxpayer sells and installs tangible personal property that remains tangible personal property after installation. The taxpayer installs conduit, fiber, and other necessary appurtenances, on real property under lease agreements and easements in which the taxpayer's client has an interest.

The client's legal right to remove the materials from the aerial poles and the ground at any time shows, according to the Tennessee Department of Revenue, a clear intention that the client retain ownership of the materials so that the materials remain personally after installation. Consequently, the materials do not become affixed to the real property upon installation and remain tangible personal property owned by the client.
http://news.cchgroup.com/2017/07/17/tennessee-sales-use-tax-construction-fiber-home-network-infrastructure-taxable/

Bedtime Stories When Dad's A Tax Preparer

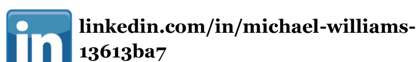
Texas ~ Franchise Tax: Policy Revised for Treatment of Net Losses From Sale of Investments and Capital Assets for Apportionment Purposes

The Texas Comptroller of Public Accounts has revised its policy regarding the franchise tax treatment of net losses from the sale of investments and capital assets in calculating gross receipts for apportionment purposes. The comptroller will apply the decision of the Texas Supreme Court in Hallmark Mktg. Co., v. Hegar, 2016 Tex. LEXIS 314 (Tex. 2016), to the calculation of gross receipts everywhere and Texas receipts. A net loss from the sale of all investments and capital assets should not be included in gross receipts everywhere and a net loss from the sale of all Texas investments and Texas capital assets should not be included in Texas receipts.

To calculate gross receipts everywhere, all gains and losses from all sales of investments and capital assets within the accounting period should be added together to determine the net gain or net loss. If the combination results in a net loss, the entity's gross receipts everywhere are zero. If the combination results in a net gain, the net gain is the entity's gross receipts everywhere. If the entity has Texas and out-of-state sales of investments and capital assets, a separate calculation should be made to determine Texas receipts by adding together Texas gains and losses. If the combination of Texas gains and losses results in a net loss, the entity's Texas receipts are zero. If the combination of Texas gains and losses results in a net gain, the Texas net gain is reported as Texas receipts.

In no instance, however, is an overall apportionment factor of greater than one allowed. For a combined group, all gains and losses from the sale of investments and capital assets for all members of the combined group should be added together to determine the net gain or net loss.
http://news.cchgroup.com/2017/07/28/texas-franchise-tax-policy-revised-treatment-net-losses-sale-investments-capital-assets-apportionment-purposes/

facebook.com/NationalTaxRecoveryLLC


linkedin.com/in/michael-williams-13613ba7