

- **REDESIGNING AND REBUILDING THE HOUSE OF TAXES**
- **IDENTITY THEFT**

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The GOP has revealed a plan to make fundamental changes in our tax laws. However, taxpayer reactions to enactment of the proposed changes are difficult to measure, especially when many details are unclear

It may help us to visualize these changes as tax architects' proposals to redesign a very complex building, with many rooms, byways, trap doors and mazes full of tunnels, both light and dark.

These 2017 proposed changes are incompletely described, and detailed working drawings have not yet been provided.

Here are some of the details:

NEW TAX RATE: At present there are 7 tax brackets from 10% to 39.6%. The

proposed tax rate scheme will have 3 tax brackets, from 12% to 35%. The lowest tax bracket is 12% compared to the existing 10%.

STANDARD DEDUCTION: The current standard deduction treated as a subtraction from taxable income ranges from \$6,350 to \$12,700 depending on one's filing class, from Single to Married Filing Joint. The new standard deduction will be \$12,000 for Single Filers, and \$24,000 for Married Filing Joint taxpayers.

REDUCTION OF ITEMIZED DEDUCTIONS: Currently individual taxpayers may subtract Medical Expenses, Real Estate Taxes, Charitable Donations, Interest Expense on home mortgages, Casualty Losses, various Job Related Expenses, and State and Local Income Taxes. Excluding mortgage interest and charitable deductions, the other categories of itemized expenses would be eliminated.

ALTERNATE MINIMUM TAX: Under current tax law, a minimum tax is computed by adding back to taxable income many tax categories, and most itemized deductions. The taxpayer pays the higher tax amount, regular or minimum. The proposals eliminate the Alternate Minimum Tax.

(continued from page 1)

CHILD TAX CREDIT: The current tax credit for a child under 17 years old is \$1,000. The new tax credit would be “substantially higher”.

PERSONAL EXEMPTIONS: The current personal exemption, subject to reduction depending on taxable income is \$4,050. These would be eliminated under the 2017 tax proposal.

ESTATE TAX: Also known as a death tax, taxpayers who have property greater than \$5.5 million may pay this tax from their estate. This tax is eliminated under the 2017 tax proposal.

REDUCE CORPORATE TAX RATES: The current corporate tax is assessed at rates of 15% to 35%. This would be reduced to a single rate of 20%. For certain “pass through” entities such as S Corporations, Limited Liability Companies, and Partnerships the tax rate would be 25%.

CHANGE TAX RULES FOR MULTINATIONAL BUSINESSES: Under current tax law multinationals pay US taxes when they take foreign profits into the US. The proposed rules would exclude from U.S. taxes for foreign earnings taxed by non U.S. locations.

Are these tax proposals fully explained or clear? No, but they involve the most significant changes to US tax law since 1986. The goals include making the tax compliance process easier for both taxpayers and the government.



IDENTITY THEFT

Tax payers are faced with an increasing amount of scams which are financially dangerous. One of the more common scams tax payers encounter is identity theft. An identity thief is someone who uses your personal information such as your name, social security number, or other identifying information without permission. An identity thief will fight to file a fraudulent tax return to claim a refund. The IRS is very concerned about various types of identity theft.

The IRS has drastically improved their identity theft fraud prevention systems. This IRS system is based on a three pronged effort that includes fraud prevention, early detection, and victim assistance. The IRS has over 3,000 employees working on identity theft cases.

If you think that you are being subject to identity theft, you should contact the IRS immediately. This will help the IRS to take action to secure the tax account.

The IRS will have you fill out IRS Form 14039, which is an identity theft affidavit and submit it with a paper copy of your return. Your case may be moved to the Identity Theft Victim Assistance Organization (IDTVA). After the IRS investigation they will process your accurate return and refund after a 120 day period. You will receive an IRS identity protection personal identification number to guard against a repeat attempt by an identity thief to steal your next tax return.

IF YOU WOULD LIKE MORE INFORMATION ON THESE TOPICS OR IF YOU WOULD LIKE TO READ OTHER RELEVANT TOPICS, PLEASE REFER TO OUR WEBSITE AT

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