

## RECORD RETENTION FOR INDIVIDUALS

Good recordkeeping can cut your taxes and make your financial life easier.

How long to keep records is a combination of judgment and state and federal statutes of limitations. Since federal tax returns can generally be audited for up to three years after filing and up to six years if the IRS suspects underreported income, it's wise to keep tax records at least seven years after a return is filed. Requirements for records kept electronically are the same as for paper records. Generally, follow these recommended retention periods for various documents:

| RECORD   | RETENTION PERIOD           |
|--|----------------------------|
| Tax returns ( <i>uncomplicated</i> )                     | 7 years                    |
| Tax returns ( <i>all others</i> )                        | Permanent                  |
| W-2s   | 7 years                    |
| 1099s  | 7 years                    |
| Bank deposit slips                                       | 7 years                    |
| Bank statements  | 7 years                    |
| Cancelled or substitute checks supporting tax deductions | 7 years                    |
| Charitable contribution records                          | 7 years                    |
| Credit card statements                                   | 7 years                    |
| Dividend reinvestment records                            | Ownership period + 7 years |
| Divorce documents  | Permanent                  |
| Estate planning documents                                | Permanent                  |
| Home purchase and improvement documents                  | Ownership period + 7 years |
| Home repair receipts                                     | Warranty period for item   |
| Insurance policies                                       | Life of policy + 3 years*  |
| Investment purchase and sales documents                  | Ownership period + 7 years |
| IRA annual reports                                       | Permanent                  |
| IRA nondeductible contributions Form 8606                | Permanent                  |
| Loans  | Term of loan + 7 years     |
| Mutual fund annual statements                            | Ownership period + 7 years |
| Receipts, diaries, logs pertaining to tax return         | 7 years                    |
| Retirement plan annual reports                           | Permanent                  |
| Year-end brokerage statements                            | Ownership period + 7 years |

\*Check with your agent. Liability for prior years can vary.

## RECORD RETENTION FOR BUSINESSES

In business, good recordkeeping is essential not only for tax reporting purposes but also for the success of the company. The guidelines below give general retention periods for the most common business records. Call us if you'd like more information or assistance with your record retention program.

| ACCOUNTING RECORDS                     | RETENTION PERIOD            |
|--|-----------------------------|
| Accounts payable                       | 7 years                     |
| Accounts receivable                    | 7 years                     |
| Audit reports                          | Permanent                   |
| Chart of accounts                      | Permanent                   |
| Depreciation schedules                 | Permanent                   |
| Expense records                        | 7 years                     |
| Financial statements ( <i>annual</i> ) | Permanent                   |
| Fixed asset purchases                  | Permanent                   |
| General ledger                         | Permanent                   |
| Inventory records                      | 7 years <sup>1</sup>        |
| Loan payment schedules                 | 7 years                     |
| Purchase orders ( <i>1 copy</i> )      | 7 years                     |
| Sales records                          | 7 years                     |
| Tax returns                            | Permanent                   |
| <b>BANK RECORDS</b>                    |                             |
| Bank reconciliations                   | 2 years                     |
| Bank statements                        | 7 years                     |
| Cancelled or substitute checks         | 7 years <sup>2</sup>        |
| Electronic payment records             | 7 years                     |
| <b>CORPORATE RECORDS</b>               |                             |
| Board minutes                          | Permanent                   |
| Business licenses                      | Permanent                   |
| Bylaws                                 | Permanent                   |
| Contracts – major                      | Permanent                   |
| Contracts – minor                      | Life + 4 years              |
| Insurance policies                     | Life + 3 years <sup>3</sup> |
| Leases/mortgages                       | Permanent                   |
| Patents/trademarks                     | Permanent                   |
| Shareholder records                    | Permanent                   |
| Stock registers                        | Permanent                   |
| Stock transactions                     | Permanent                   |
| <b>EMPLOYEE RECORDS</b>                |                             |
| Benefit plans                          | Permanent                   |
| Employee files ( <i>ex-employees</i> ) | 7 years <sup>4</sup>        |
| Employment applications                | 3 years                     |
| Employment taxes                       | 7 years                     |
| Payroll records                        | 7 years                     |
| Pension/profit-sharing plans           | Permanent                   |
| <b>REAL PROPERTY RECORDS</b>           |                             |
| Construction records                   | Permanent                   |
| Leasehold improvements                 | Permanent                   |
| Lease payment records                  | Life + 4 years              |
| Real estate purchases                  | Permanent                   |

<sup>1</sup> Permanent for LIFO system

<sup>2</sup> Permanent for real estate purchases

<sup>3</sup> Check with your agent. Liability for prior years can vary

<sup>4</sup> Or statute of limitations for employee lawsuits

# 2018 Tax POCKET GUIDE

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## 2018 TAX FILING DEADLINES

- ☐ **January 16** – Due date for the fourth installment of 2017 individual estimated tax.
- ☐ **January 31** – Due date for employers to furnish W-2 statements to employees, and to file Forms W-2 with the Social Security Administration (both paper and electronic forms).
- ☐ **January 31** – Due date for payers to provide most Forms 1099-MISC with non-employee compensation in box 7 to recipients and to the IRS.
- ☐ **January 31** – Employers must file 2017 federal unemployment tax returns and pay any tax due.
- ☐ **January 31** – Due date for providers to send Forms 1095 to recipients and the IRS.
- ☐ **February 28** – Payers must file most other Forms 1099 (except certain Forms 1099-MISC due Jan. 31) with the IRS.\*
- ☐ **March 1** – Farmers and fishermen who did not make 2017 estimated tax payments must file 2017 tax returns and pay taxes in full.
- ☐ **March 15** – 2017 calendar-year S corporation income tax returns are due.
- ☐ **March 15** – 2017 partnership returns are due.
- ☐ **March 15** – Deadline for calendar-year corporations to elect S corporation status for 2018.
- ☐ **April 17** – Individual income tax returns for 2017 are due.
- ☐ **April 17** – 2017 annual gift tax returns are due.
- ☐ **April 17** – 2017 calendar-year C corporation income tax returns are due.
- ☐ **April 17** – Deadline for making 2017 IRA contributions.
- ☐ **April 17** – First installment of 2018 individual estimated tax is due.
- ☐ **June 15** – Second installment of 2018 individual estimated tax is due.
- ☐ **September 17** – Third installment of 2018 individual estimated tax is due.
- ☐ **October 15** – Deadline for filing 2017 individual tax returns on extension from the April deadline.
- ☐ **January 15, 2019** – Fourth installment of 2018 individual estimated tax is due.

\*April 2 if filing electronically

Call our office for details or for assistance with any tax filing. Also be aware that tax change can occur at any time. As needed, contact us for current rates and rules.

## 2018 INDIVIDUAL TAX RATES – Taxable Income

| TAX RATE | SINGLE            | JOINT*            | HEAD OF HOUSEHOLD |
|----------|-------------------|-------------------|-------------------|
| 10%      | \$1 - 9,525       | \$1 - 19,050      | \$1 - 13,600      |
| 12%      | 9,526 - 38,700    | 19,051 - 77,400   | 13,601 - 51,800   |
| 22%      | 38,701 - 82,500   | 77,401 - 165,000  | 51,801 - 82,500   |
| 24%      | 82,501 - 157,500  | 165,001 - 315,000 | 82,501 - 157,500  |
| 32%      | 157,501 - 200,000 | 315,001 - 400,000 | 157,501 - 200,000 |
| 35%      | 200,001 - 500,000 | 400,001 - 600,000 | 200,001 - 500,000 |
| 37%      | Over 500,000      | Over 600,000      | Over 500,000      |

\*Amounts for married separate are one-half joint amounts.

## 2018 DEDUCTIONS AND EXEMPTIONS

### Standard Deduction

|                                   |          |
|-----------------------------------|----------|
| Single                            | \$12,000 |
| Joint returns & surviving spouses | \$24,000 |
| Married filing separately         | \$12,000 |
| Head of household                 | \$18,000 |

The standard deduction is increased by \$1,300 for a married taxpayer aged 65 or older or blind (\$2,600 if both 65 and blind); by \$1,600 for a single taxpayer aged 65 or older or blind (\$3,200 if both 65 and blind).

**Personal Exemption** ..... Suspended through 2025

No personal exemption is allowed to an individual who is eligible to be claimed as a dependent on another taxpayer's return.

## 2018 FICA TAX RATES

| TAX             | MAXIMUM TAX RATE | MAXIMUM WAGE BASE | MAXIMUM TAX |
|-----------------|------------------|-------------------|-------------|
| Social Security | 6.20%            | \$128,400         | \$7,960.80  |
| Medicare        | 1.45%*           | No limit          | No ceiling  |

FICA tax is a combination of a Social Security tax and a Medicare tax. The Social Security tax is assessed on wages up to \$128,400; the Medicare tax is assessed on all wages.

Self-employed individuals pay a self-employment tax which is the equivalent of FICA tax. For 2018, they will pay a 12.4% OASDI tax (the old age, survivors, and disability insurance tax) on the first \$128,400 of self-employment income. A 2.9%\* Medicare tax is imposed on all net self-employment income.

\*A 0.9% Medicare surtax is assessed on all wages or self-employment income in excess of \$200,000 for singles, \$250,000 for joint returns, and \$125,000 for married couples filing separately.

## 2018 CORPORATE TAX RATES\*

### C Corporations

- Flat 21% corporate tax rate. Now includes personal service corporations.
- No alternative minimum tax (AMT).

### Pass-through entities

- (S corps, partnerships and sole proprietors)
- Taxed as ordinary income.
- New 20% income deduction calculation now available.
- Qualified service trade business threshold: \$157,500 (\$315,000 joint)
- Select service companies above these limits have the income deduction reduced.

## 2018 TAX BENEFIT INCOME\* – Phaseout level

### ITEMIZED DEDUCTIONS

- No Pease limitation.
- No home equity interest.
- \$750M new acquisition indebtedness interest limit after 12/14/17.
- \$10M property/state income & sales tax limit.
- Personal and casualty losses limited to presidentially declared disaster.
- Wager loss limitation applies to gambling and related expenses.
- No miscellaneous itemized deductions over 2%.
- Medical expense threshold 7.5% for everyone in 2018 only.

### PERSONAL EXEMPTION

|                                   |                |
|-----------------------------------|----------------|
| Single                            | Not applicable |
| Joint returns & surviving spouses | Not applicable |
| Married filing separately         | Not applicable |
| Head of household                 | Not applicable |

### CHILD TAX CREDIT

|                              |   |
|------------------------------|---|
|                              | (\$2,000 per child)                             |
| Single and head of household | Starts at \$200,000                             |
| Joint                        | Starts at \$400,000                             |
| Married filing separately    | Starts at \$200,000                             |
| <b>Family tax credit</b>     | \$500/dependent for those not qualified for CTC |

### IRA DEDUCTIBILITY (with company pension)

|                                 |                     |
|---------------------------------|---------------------|
| Single and head of household    | \$63,000 – 73,000   |
| Joint                           | \$101,000 – 121,000 |
| When spouse has company pension | \$189,000 – 199,000 |
| Married filing separately       | \$0 – 10,000        |

### ROTH IRA ELIGIBILITY

|   |                     |
|---|---------------------|
| Single and head of household                | \$120,000 – 135,000 |
| Joint                                       | \$189,000 – 199,000 |
| Married filing separately                   | \$0 – 10,000        |
| Conversion of traditional IRA to a Roth IRA | No income limit     |

### EDUCATION SAVINGS ACCOUNT (Ed. IRA)

|   |                     |
|---|---------------------|
| Single, head of household and married filing separately | \$95,000 – 110,000  |
| Joint   | \$190,000 – 220,000 |

### AMERICAN OPPORTUNITY (HOPE) CREDIT

|                              |                     |
|------------------------------|---------------------|
| Single and head of household | \$80,000 – 90,000   |
| Joint                        | \$160,000 – 180,000 |
| Married filing separately    | \$0                 |

### LIFETIME LEARNING CREDIT

|                              |                     |
|------------------------------|---------------------|
| Single and head of household | \$57,000 – 67,000   |
| Joint                        | \$114,000 – 134,000 |
| Married filing separately    | \$0                 |

### COLLEGE BOND INTEREST EXCLUSION

|                              |                     |
|------------------------------|---------------------|
| Single and head of household | \$79,700 – 94,700   |
| Joint                        | \$119,550 – 149,550 |
| Married filing separately    | \$0                 |

### INTEREST ON EDUCATION LOANS

|                              |                     |
|------------------------------|---------------------|
| Single and head of household | \$65,000 – 80,000   |
| Joint                        | \$135,000 – 165,000 |
| Married filing separately    | \$0                 |

\*Adjusted or modified adjusted gross income