

October 2018

Key Compliance Dates

Wednesday, Oct. 3

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 26-28.

Friday, Oct. 5

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Sept. 29-Oct. 2.

Wednesday, Oct. 10

Tipped employees who received \$20 or more in tips during September report them to the employer on Form 4070.

Thursday, Oct. 11

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 3-5.

Friday, Oct. 12

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 6-9.

Monday, Oct. 15

Monthly depositors deposit FICA and withheld income tax for September.

Individuals file 2017 income tax return if automatic six-month extension was obtained.

Wednesday, Oct. 17

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 10-12.

Friday, Oct. 19

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 13-16.

Wednesday, Oct. 24

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 17-19.

Friday, Oct. 26

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 20-23.

Wednesday, Oct. 31

Employers file Form 941 for the third quarter of 2018 (if tax was deposited in full and on time, file by Nov. 13).

	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Wednesday, Oct. 31, continued

Deposit FUTA tax owed through September if more than \$500.

Semiweekly depositors deposit FICA and withheld income tax on wages paid on Oct. 24-26.

To-Do List

- Conduct year-end tax planning sessions with individual clients.
- Remind individual clients to use flexible spending account funds before year end unless plan provides post-year-end grace period or carryover.
- File returns for individual clients who obtained automatic six-month extensions.
- Renew Preparer Tax Identification Number (PTIN) for 2019.

Last Crack at Lower Medical Expense Deduction Floor

Medical expense deductions have been an up and down proposition in recent years. Under longstanding tax law rules, out-of-pocket medical expenses were deductible to the extent that they exceeded 7.5% of a taxpayer's adjusted gross income (AGI). Starting in 2012, a tax law change raised the deduction floor to 10% of AGI for most taxpayers, although the 7.5% floor continued to apply through 2016 if either the taxpayer or the taxpayer's spouse had reached age 65 before the end of the tax year. The deduction floor was scheduled to be 10% of AGI for all taxpayers for 2017 and later years.



Tax Law Reform

The Tax Cuts and Jobs Act of 2017 reduces the deduction floor to 7.5% of AGI for 2017 and 2018 only. After 2018, the deduction floor will reset to 10% for all taxpayers. Consequently, 2018 is the last year that your clients can take advantage of the lower deduction floor.

Year-End Strategy

Clients whose medical expenses for 2018 are at or near the 7.5%-of-AGI mark may be able to nail down a deduction by accelerating planned medical procedures or purchases into 2018. What's more, clients whose expenses to date already exceed the 7.5% deduction floor may want to shift medical expenses into 2018, especially if it's unclear whether expenses for 2019 will exceed the 10%-of-AGI floor.

Shifting strategies may include scheduling upcoming medical or dental checkups, buying new eyeglasses or stocking up on contact lenses, and paying off unpaid medical bills before year end. Even if cash is tight, an expense paid by check or credit card this year counts toward the 2018 deduction, even if the check is not cashed or the credit card bill does not arrive until 2019.

CAUTION: Accelerating medical expenses or payments only makes sense if a client will itemize deductions for 2018—and that may not be the case, even for clients who have routinely itemized in the past. The increased standard deduction amounts, coupled with new limitations on deductions for state and local taxes and mortgage interest, may cause allowable itemized deductions to drop below the standard deduction for some clients.

Overlooked Medical Expenses

Clients who would benefit from a medical expense deduction for 2018 should also be sure they claim all of the deductible expenses they are entitled to for the year. Here's a checklist of some commonly overlooked medical expense deductions:

- **Premiums** for dental coverage, contact lens insurance, prescription drug coverage, Medicare, and long-term care insurance (subject to dollar limits).
- **Transportation** to and from essential medical care, including transportation of a parent who accompanies a child or person who accompanies a patient who is unable to travel alone. For 2018, taxpayers can deduct 18 cents per mile for travel by car in lieu of actual expenses.
- **Lodging** away from home that is primarily for and essential to medical care, including lodging for a parent or other person traveling with the patient. The deductible amount is limited to \$50 per night per person, and meals are not deductible.
- **Medical supplies**, including a wide variety of items such as band aids, contact lens solution, hearing aid batteries, breast pumps and supplies, and pregnancy test kits.

- **Weight-loss programs** to treat a condition (obesity, hypertension or heart disease, for example) diagnosed by a physician, including membership fees for a weight loss group and fees for attendance at meetings. Fees for gym, health club or spa memberships are not deductible unless there is a separate fee for weight-loss activities.
- **Smoking cessation programs** and prescription drugs, but not over-the-counter drugs such as nicotine gum or patches.
- **Special equipment** for disabled individuals such as the extra cost of braille books and magazines for a visually impaired individual; the cost of special hand controls for a car; the costs of buying, training and maintaining a guide dog or service animal; the cost of a special telephone for a hearing-impaired individual or a telecommunications device for the deaf (TDD); and the extra cost of a specially equipped television to display captioning for persons with hearing disabilities.
- **Organ donation** expenses, including transportation.
- **Home improvements** or special equipment installed in a home if the main purpose is medical care. These expenses are generally deductible only to the extent that the cost exceeds the increase in value of the property. However, some expenses such as constructing entrance ramps, widening doorways, installing lifts, modifying kitchen cabinets and equipment, adding handrails, or installing stair lifts are generally fully deductible because they do not add value to a home.