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# TAX MASTERY©

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*(amounts may change after printing)*

**Dear Chris:** *To better understand my comments see your Two Year Comparison.*

- My initial calculations show that you are getting a \$7,145 refund.
- Your regular income is taxed at 32.5%, so lowering income by \$1,000 saves you \$325.
- You might want to adjust withholding or estimated tax payments.
- \$ I identified \$2,565 or more in possible tax savings, below, marked "\$".
- With electronic filing, your refund will hit your bank account in approximately 2 weeks.
- Your Adjusted Gross Income is \$180,129. It affects numbers throughout the return.
- Your Total Taxes are \$19,988 (11.1% of Total Income).
- **You have an alternative minimum tax of: \$3,411, which I will discuss later.**
- Have a look at my 2018 TAX SUMMARY to see your 2018 tax bracket and figures.

## ALTERNATIVE MINIMUM TAX

- You have an alternative minimum tax of: \$3,411.
- Your state and local taxes are not deductible for AMT purposes.
- Because of the AMT, @ \$10,000 of your state tax, employee and investment deductions are not usable.
- Your high income is a factor causing the AMT because your exemption phases out.
- To fight the AMT:
  - I advise you to meet me for a forecast after October 15.
  - Defer state taxes to next year. Don't prepay them.
  - Spend on charitable contributions or prepay mortgage interest.

## SCHEDULE A – ITEMIZED DEDUCTIONS

### ◆ Itemized Deductions in General

- Your actual itemized deductions: taxes, interest, charities and work were \$63,532.
- With the AMT, additional state and local taxes and miscellaneous expenses don't help you.

### ◆ Miscellaneous Deductions

- To help, "miscellaneous" (employee & investment expenses), must exceed a \$3,603 (2% of AGI). threshold
- **In 2018, after Tax Reform, Miscellaneous deductions are not deductible.**
- Miscellaneous deductions are cancelled out by the AMT.

## SCHEDULE E – PASSIVE INVESTMENTS AND RENTAL PROPERTIES

\$ In 2018 after tax reform, you may be eligible for a deduction equal to 20% of your rental income.

- Carpeting, appliances & similar items qualify for separate depreciation as much as 32%.
- **New rules let you deduct lesser of 2% or \$10,000 per year for improvements to a \$1 million or less build**
- **Safe harbor: elect \$2,500 per year of low cost items**
- How about other rental expenses you can use to save taxes.

\$ By deducting \$1,000 of these, you save roughly \$325 in taxes.

- marketing expenses such as business gifts, photos, supplies & tools, seminars.
- maintenance paid to your children, mortgage insurance, trash removal
- a home office or rented office used to manage the rental, internet service, cell phone.
- a equipment or furniture used to manage the rental.