THE SMALLBIZ BUILDER

Planning For Your Dreams

PADGETT BUSINESS SERVICES

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This Month:

- Relief for Hurricane Victims
- Tax Considerations for a 2017 Roth Conversion
- Partnership Late Filing Relief for 2016 Returns
- Partnership Audit Rules

Relief for Hurricane Victims

On September 29th, the President signed into law a disaster tax relief bill that granted a variety of tax relief measures for victims of Hurricane Harvey, Irma, and Maria. If you were impacted by one of these storms, you may be eligible for an extension of time to make tax payments and file your income tax returns. You may also be eligible to receive a loan or hardship distribution from your retirement plan to assist you or a family member who lived or worked in a disaster area. A number of states are also providing special tax relief as a result of these storms. Contact us for more information.

Tips for Reconstructing Records after a Disaster

In the aftermath of a disaster like a hurricane, you may need to reconstruct certain records which were destroyed. This may be essential in order to file your tax return, get federal assistance, or receive an insurance reimbursement. Below are some tips to help you with this process:

- Use the "Get Transcript" tool on IRS.gov or call (800) 908-9946 for a free transcript of your tax return.
- Take pictures or video to establish the extent of the damage as soon after the disaster as possible.
- Review your insurance policy to try to obtain a value of your home for replacement purposes.
- Check the county assessor's office when no other records are available to establish your property's value.
- If you recently made home improvements, contact the contractors to see if records are available.
- To determine the FMV of your vehicle, check Kelley's Blue Book, National Automobile Dealers Association, or Edmunds.
- Check your phone for pictures of your home before the disaster.
- If pictures and videos are unavailable, sketch pictures of each room of your home that was impacted.
- Contact your credit card company or bank for past statements.

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Tax Considerations for a 2017 Roth Conversion

With the possibility of tax reform on the horizon, 2017 may be an excellent year to convert your traditional IRA into a Roth IRA, if you're already considering making a Roth conversion. A conversion from a traditional IRA to a Roth IRA is a taxable event. If tax reform occurs this year, becomes effective in 2018 and offers a more favorable tax rate for you, then you'll be able to move the tax consequence of your 2017 Roth conversion to the 2018 tax year with only a couple of steps:

1. **The first step is a recharacterization of the original Roth conversion.** A recharacterization is done through a trustee-to-trustee transfer between financial institutions, or even the same financial institution. The recharacterization reverses your 2017 Roth conversion.
2. **The second step is to make a reconversion in 2018.** There's some timing involved, as a reconversion must take place after the beginning of the tax year in which the reconversion is to become a taxable event. Additionally, a reconversion can only occur at least 30 days after a recharacterization.

Timing is critical, since both the recharacterization and the reconversion must occur before the filing due date of the tax return, including extensions, for the year in which the first Roth conversion took place. However, using this technique in 2017 can allow you flexibility in the timing of the tax consequence for the Roth conversion, as well as the benefit of choosing the tax year which provides the most favorable tax rates for your conversion. To discuss the tax aspects of a Roth conversion, contact us today.

Partnership Late Filing Relief for 2016 Returns

Many partnership businesses were surprised this year to discover that their 2016 income tax return was filed late, even though they had done nothing differently from prior years. A change in the due date for partnership tax returns was the culprit. To lessen this burden, the IRS has provided penalty relief measures for partnerships that failed to file their required income tax returns by the new due date. This relief is available for partnerships which filed their returns by the due date under the old rules. For calendar-year filers, this date was April 17, 2017, or September 15, 2017 if an extension was filed. The new due date is the fifteenth day of the third month following the end of the partnership's tax year, and for calendar-year filers, March 15.

Partnership Audit Rules

Partnership audit rules are changing for tax years beginning after 2017! The Bipartisan Budget Act of 2015 repeals the current partnership audit and adjustment rules, replacing it with a more streamlined single set of rules for auditing a partnership at the partnership level rather than a partner-by-partner approach. This streamlined approach makes it easier for the IRS to assess and collect taxes. The new law applies to all partnerships, except those eligible partnerships that file a valid election out. Give us a call to determine if electing out of these new rules makes sense for your business structure.