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Livingston CPA Steven Shaiman offers timely advice for coping with recent Federal tax ‘cut’

Expert on taxation for individuals and small-businesses reveals possible techniques to lessen ‘big nightmare for New Jerseyans’ who could actually be obligated for higher taxes under new law

According to Livingston-based CPA Steven B. Shaiman, the just-enacted Tax Cuts and Jobs Act called by President Trump a “Christmas gift for Americans” is anything but that for New Jerseyans, especially for residents of the highest-taxed county in the US, the county of Essex.

In response to the new law which will result in *higher* taxes for many Garden Staters, Shaiman has listed five steps that can be taken NOW during 2017, and five ideas to be employed during 2018. He cautions that many actions are irrevocable once taken, and that in order to avoid making an innocent misstep which could result in losing out on higher deductions, taxpayers should consult a tax consultant.

According to Shaiman, “The new rules were sprung on us with little time to react to them, but that doesn’t mean we should throw our hands up when there could be many thousands of dollars at stake for New Jersey citizens. This is nothing less than a big nightmare for many New Jerseyans, but significant partial remedies for the unexpected confiscation are available. Bear in mind that you have to move very fast with mere days remaining in this year for helping yourself.”

Actions to take PRIOR TO January 1, 2018 to minimize tax impact

1. Pay the last two property tax vouchers (2/1/18 and 5/1/18) in advance, only if you are not subject to the AMT (Alternative Minimum Tax). If your taxes are paid through your mortgage bank, you would make a preemptive premature payment on your own. An accountant’s advice could be helpful to determine your AMT status.
2. This one applies mostly to the self-employed with no withholding and to certain investors who are retired: Pay NOW your last-quarter voucher for state income tax for 2017 which is due in January, or if you haven’t paid them yet, pay all unpaid quarters

3. If you're in business for yourself and file on a cash basis, pay all bills you have now prior to the end of 2017, since deductions will be greater due to this year's higher tax rates. There are some cases where this would not be advantageous, so it's important to check with your accountant.
4. Pay year-end bonuses to employees during 2017.
5. If you have children who are subject to the "kiddie tax provisions," and they were considering selling appreciated property, you may want to sell it in 2017. Again check with your accountant.

Actions to take AFTER January 1, 2018 to minimize tax impact

1. Max out your IRA contributions by April 17, 2018 and also increase your owned-business pension contributions by the extended due date of your business tax return.
2. Because interest paid on home equity loans will no longer be deductible, it's possible that replacing a home equity loan with a traditional mortgage will result in a significant tax saving. There are, however, some technicalities regarding usage of loan proceeds which could invalidate this tip, so it's a must to check with an accountant to see whether this remedy applies to you.
3. If you are planning to sell a commercial or investment property, including a second home that is rented out, consider doing a tax-free 1031 exchange/DST. This technique has now become even more tax-favored than in prior years. Note: As an acknowledged expert and speaker on 1031 exchanges, Shaiman can explain the complexities. He invites calls to his office at 973-818-2941 for complimentary consultations.
4. If you're operating as a Subchapter S corporation, consider reducing salaries paid to officers, including your own salary. This is another situation that requires an accountant's advice.
5. Make a gift of part of your business (only if it's a service business and generates high income) to your children who work in your business. There are two exclusions: engineering and architect firms. Under certain applicable circumstances, a 20 percent deduction against business income is possible.

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NOTE TO MEDIA: Tax accountant Steven B. Shaiman, CPA is available for interviews with all print and electronic media during extended business hours and holidays.

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