



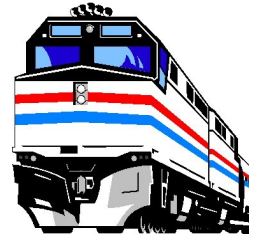
# TAX FREE INCOME

SALE OF YOUR HOME—PROFITS ARE TAX FREE IF THEY ARE LESS THAN \$250K FOR SINGLES, \$500K FOR MARRIEDS. THIS MUST BE YOUR PRINCIPLE RESIDENCE FOR 3 OUT OF THE LAST 5 YEARS. TIP: not living there for 3 out of 5 years does not necessarily eliminate the exclusion of the capital gain income.



EDUCATION ASSISTANCE PROGRAM THROUGH YOUR BUSINESS - TIP: An employer can reimburse an employee up to \$5,250 that is tax deductible by the employer AND tax free to the employee.

ANOTHER TAX FREE EMPLOYEE BENEFITS - Reimbursed public transportation .



CAPITAL GAINS - Can be tax free (aka - 0% rate) if you are single and your income is under \$35,500, or for married couples if their income is under \$70,700. STRATEGY: Gifting to low income seniors or to children and have them sell stock to get the 0% rate.

RENT OUT YOUR VACATION HOME -  
If rented for less than 15 days the income received for that rental is totally TAX FREE.



## IRA'S

ROTH IRA's -Any income earned within a ROTH IRA is tax-free as long as it stays in the ROTH at least five years. And there are no required minimum distributions.

ROTH CONVERSIONS TIP: Say you convert your IRA to a ROTH only to find out it has dropped in value. . You can re-characterize it back to the IRA and re-convert it back to the ROTH at the lower market value.

FILING THE GAP—ROTH CONVERSIONS: Consider taking a Roth conversion in an amount that would bring you up to but not crossing over into your next tax bracket. Caution: this does require planning as this cannot be "unconverted" (recharacterized) after December 31st.

**NOTE THIS IS A MAJOR LAW CHANGE FOR 2018 FORWARD!**

IRA - LOAN CAPABILITY - If you ever need a loan you can borrow from your IRA and repay it in 60 days. Can only be done once per year per taxpayer no matter how many accounts you maintain .

Also along those lines, early distributions from an IRA may not always be subject to penalties. First home purchase, medical expenses, medical insurance premiums while unemployed are some of the exceptions that may apply.



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# MORE TAX TIPS AND STRATEGIES



**MILEAGE TIPS:** Don't forget to claim your mileage for Charitable miles or Medical miles. Another tip: Use a smart phone friendly app to track - MileIQ, Mile Bug are two I know of but there is also a google app and many others. Most people tend to underestimate their actual miles.



**POTENTIAL LOSS ON HOME SALE?** Generally, losses on the sale of your personal residence are not deductible. However, if you rent it out for a year or two you now have an investment loss.



**"SECOND HOME" MORTGAGE?** This can be a boat, motor home or camper (note: sleeping quarters are required).

**POWER FUNDING - A POWERFUL TOOL:** Parents and grandparents can fund up to \$10,000 per year in a 529 Educational Savings Plan per year. But did you know you have the option of pre-funding 5 additional years all at once? That's \$60k per beneficiary. **BENEFIT:** Money paid into a 529 is not subject to a look-back period for Medicaid or for estate returns. It's a quick way to off load a lot of assets from your estate.



**ESTATE TAX RETURN -** For the first spouse's death, and even if you do not anticipate your estate will exceed the estate filing requirements, you should consider filing an estate return to ascertain your spouse unused estate tax exemption, thus maximizing your non-taxable estate deduction.



**RMD's from your IRA can be made directly to a charity and become non-taxable to you -** It's like taking a charitable deduction without itemizing.

**VICTIMS OF PONZI SCHEMES -** Unlike a regular loss on stocks, limited to \$3,000 per year, They can be written entirely off in one year and unused losses can be carried over or back to other tax years.

**WASH SALES - WASH OUT:** Losses on asset sales cannot be taken if you re-purchase the same asset within 30 days.

**CHARITIES MAGIC WORDS:** Be sure all your charitable receipts have the golden words "NO GOODS OR SERVICES WERE RECEIVED IN EXCHANGE FOR THIS DONATION"

**PITFALLS**  
to watch out for

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