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ACCOUNTING | FINANCIAL SERVICES | GOVERNMENT AND NON-PROFIT CONSULTING | HUMAN RESOURCES | TAXES

What you need to know about the new tax reform

Congress recently passed the first major tax overhaul since Ronald Reagan was President. The new tax law will impact individuals and businesses, but what specifically will be impacted? This article focuses on 10 key aspects of the new tax bill.

When will it go into action?

The bill will go into effect on January 1, 2018. This means that the reform will not actually impact you until you file your 2018 taxes in 2019. Although you have a year to plan, there is still a lot you need to know right now.

How will the tax brackets work?

Americans will continue to be placed in one of seven tax brackets based on their income. However, the rates for some of these brackets have been lowered. The new rates are: 10%, 12%, 22%, 24%, 32%, 35% and 37%.

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What has happened to the standard deduction?

The new tax reform has nearly doubled the standard deduction. This will simplify things for a lot of filers that will benefit more from the new higher standard deduction and will no longer need to itemize. For single filers, the standard deduction has increased from \$6,350 to \$12,000; for married couples filing jointly, it has increased from \$12,700 to \$24,000.

Is the personal exemption still intact?

Previously, you could claim a \$4,050 personal exemption for yourself, your spouse, and each of your dependents. This was a way to lower your taxable income. However, that is no longer the case. The new tax reform has eliminated this exemption.

How has the child tax credit changed?

A major feature is that the child tax credit has been doubled to \$2,000 for children under 17. The entire credit can be

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claimed by single parents who make up to \$200,000 and married couples who make up to \$400,000. Additionally, taxpayers may now claim a \$500 temporary credit for non-child dependents. This can apply to elderly parents or adult children with a disability.

Can you still deduct student loan interest?

Many people were under the impression that student loan interest could no longer be deducted. However, the tax reform will still allow you to deduct up to \$2,500 per year.

Can teachers deduct classroom supplies?

The deduction for teachers who spend their own money on school supplies is still available. Educators can continue to deduct up to \$250 to offset what they spend on classroom materials.

What is changing with 529 Savings Accounts?

Funds invested in 529 savings accounts are not taxed and can be a great way to save for educational expenses. In the past, these funds could only be used for college expenses. Now, up to \$10,000 can

be distributed annually to cover the cost of sending a child to a "public, private or religious elementary or secondary school."

Is there still a mandate on health insurance for individuals?

In short, no. The elimination of the individual mandate goes into effect in 2019. This means that no one will be penalized for not having health insurance.

What is changing for corporate tax rates?

The corporate tax rate has been cut from 35% to 21% with the new tax bill. The intended goal of this initiative is to increase wages of workers.



These are just a few of the many changes of the new tax bill. Although the policy will not go into effect until the 2019 tax season, there are ways to plan for next year now. If you have any issues or questions about the new tax reform or your tax situation this year, feel free to reach out to me. ∞



Why choose Donnelly-Boland to prepare your taxes?



- All tax returns are reviewed by experienced and licensed CPAs or EAs
- Schedule a face-to-face appointment with the person who will handle your return
- Having the ability to plan your tax situation with year-round support
- The value of having bookkeeping support available to help forecast



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Start-Up and Organizational Costs

Starting up a business is never easy. One of the last things you want to worry about is your tax return. There are also high costs associated with starting your own business, but the good thing is that the IRS cuts many business owners a break when it comes to taxes.

One particular area is start-up costs with a business. These can be anything from market research to scouting locations for your business. Businesses can also treat advertising in anticipation of opening as a start-up cost. Start-up costs include any amounts paid or incurred in connection

with creating or purchasing a business. Organizational costs include the costs of creating a corporation or partnership. Below are the common categories that a business incurs with start-up and organizational costs.

Start-Up Costs

- Research expenses
- Insurance, licenses, and permit fees
- Equipment and supplies
- Advertising and promotion
- Borrowing costs
- Employee expenses
- Technological expenses

Organizational Costs

- The cost of temporary directors
- The cost of organizational meetings
- State incorporation fees
- The cost of legal services

For tax purposes, business start-up and organizational costs are typically considered capital expenditures, but you can elect to deduct up to \$5,000 of start-up costs and \$5,000 of organizational costs. This deduction is reduced by the amount of your total start-up or organizational costs that exceed \$50,000. The remaining costs are amortized over 15 years.

It is important to be aware of what is considered a start-up cost and organizational cost so that your financials are an accurate depiction of your company's financial health. Recording these costs incorrectly can lead to inaccurate financial reporting and can make analyzing your financials even more difficult, which can lead to incorrect decision making. ∞

SMALL BUSINESS SEMINAR SERIES | 2018

QuickBooks Basic	February 28
QuickBooks Advanced	March 21
General Business - Part I	April 24
General Business - Part II	May 22
Human Resources - Part I	September 26
Human Resources - Part II	October 24
Budgeting	November 13
Financial Analysis	December 11

Donnelly-Boland and Associates is hosting four two-part seminars in 2018 for small businesses. All eight sessions will be at our Baldwin location and there is no cost to attend.

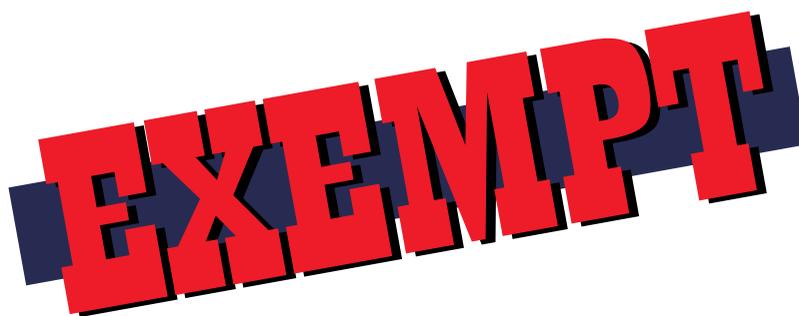


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Sales and Use Tax Exemption

When thinking of sales and use tax exemption, many people generally think of non-profit companies. However, there are a number of organizations that are exempt from sales and use tax. In the state of Pennsylvania, an organization can save anywhere from 6-8% on direct purchases. PA non-profit businesses, as well as qualifying incorporated and non-incorporated businesses, may file for a sales tax exemption.

What is Sales and Use Tax Exemption?

Sales and Use tax is imposed on the retail sale, consumption, rental, or use of tangible personal property in Pennsylvania. The tax is also imposed on certain services relating to such property and on specific business services. Major items exempt from the tax include the following:

- food (not ready-to-eat)
- candy and gum
- most clothing
- textbooks
- computer services
- pharmaceutical drugs
- sales for resale
- residential heating fuels such as oil, electricity, gas, coal and firewood

Pennsylvania law requires the payment of use tax by any person who purchases taxable goods or services delivered into

or used in Pennsylvania if sales tax is not collected by the vendor. Use tax is the counterpart of the state and local sales taxes.

Who is Eligible for It?

Many business and nonbusiness entities are eligible for exemptions:

- volunteer firefighters
- nonprofit educational institutions
- dairying operations
- manufacturing industries
- farmers
- various public utilities
- mining entities
- printers, photographers, and photofinishers
- religious organizations

What are Some Things Eligible for Exemption?

If your organization is deemed exempt from sales and use tax, there are a number of things that your exemption will cover. Exemptions from tax can be claimed because:

- the property or service will be resold or rented in the ordinary course of business.
- the property or service is being directly used in manufacturing, mining, dairying, processing, farming and/or shipbuilding;
- the property or service will be used directly and predominately by purchaser performing a public utility service;
- the purchaser is a government entity, instrumentality or

political subdivision; municipal authority; cooperative Agricultural Association; electric cooperative; credit union;

- the purchaser is located in Keystone Opportunity Zone or Expanded Zone and has been approved under the KOZ regulations.
- the purchaser is providing goods and services under a construction contract with an exempt entity: a charitable organization, government entity, or a firm in designated KOZ;
- the purchaser is a religious organization, volunteer fireman's organization, Nonprofit educational institution, charitable organization, direct pay permit holder, individual holding a diplomatic identification card, school district, or tourist promotion agency.

How Can You Apply for It?

This can be done by filing a form REV-72 AS. This application is used for new registrations as well as renewals.

We Can Help

Many companies do not understand if they are entitled to this benefit. If your organization needs help identifying if it is eligible, filing the necessary paperwork, or properly recording its expenses, give us a call! ☎

Bitcoin Mania



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Speculation about a new commodity drives prices to an all-time high. People put their homes up as collateral. Speculators take notice and get involved trying to buy and then immediately sell for a high return. However, as it turned out, the prices were actually driven by greed and a fear of missing out. Think I'm talking about bitcoin? Actually, no.

This is what happened in the early 17th century during Tulip mania. The tulip bubble occurred in the Dutch Golden Age. Contract prices for some bulbs of the recently introduced and fashionable tulip reached extraordinarily high levels and then dramatically collapsed in February 1637. More modern examples of bubble situations include the stock market in the 1920s, the dot.com boom in the 1990s, and the housing boom in the early 2000s. In each of these cases, the economic bubbles ended in a burst or a crash!

Bitcoin mania has swept the globe, with the electronic cryptocurrency approaching \$300 billion in value, after

the value just crossed the \$100 billion level in June of 2017. This mania is being fueled by spectacular gains and intense media attention. The currency has risen from just over \$1,000 a coin in January of 2017 to a high of over \$19,000 a coin.¹ The excitement has people hoping that an investment in bitcoin may have incredible returns. However, investors should proceed with caution.

What is Bitcoin?

Bitcoin is a complex idea. It is referred to as a cryptocurrency. This digital asset or virtual currency was developed to function as an alternative medium of exchange - in place of traditional currency. It is not created or controlled by governments or central banks, rather it is created, owned, and traded entirely online in anonymous and unregulated settings.² In theory, there are a limited number of these physically non-existent digital "coins," though that limit hasn't yet been reached. There is a known quantity of bitcoin, but new and competing cryptocurrencies have already been created. Wikipedia reports that as of

December 2017 there are over 1,000 cryptocurrency specifications in existence and there is nothing limiting the creation of others.

FOMO

So why are people rushing to commit money to cryptocurrencies? The reason for that is FOMO... the fear of missing out.

People are worried that they may be missing out on a major opportunity like Coca-Cola, Wal-Mart, or Microsoft. The hype - "You've got to buy it now because the price will just keep going up!" - is constant. This type of thinking creates the urgency to buy.



Parallels from History

So, if you see parallels to some of the other bubbles - does history offer any guidance? Those other bubbles all ended badly - the bubbles burst.

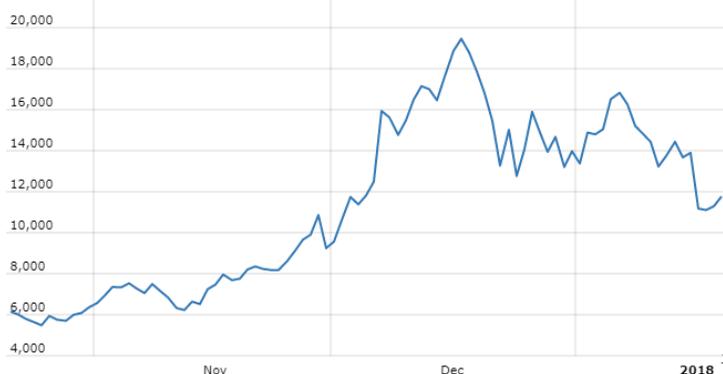
But it's different this time, right?

- It's not regulated.
- It's not controlled by governments.
- It's existence is virtual not physical.
- It has no intrinsic value.
- It is anonymous.
- It is well-suited for transactions that participants want to shield from inspection - tax evasion, money laundering, darknet transactions, etc.
- Like any other digital platform, it can be vulnerable to hackers and theft.
- The underlying issuer can go bankrupt.
- There are no built-in consumer protections.

So beyond these few minor issues, what could go wrong?! Really?!

Sticking with a diversified portfolio of sound investments is still the way to go. Call today if you'd like to talk about your financial situation. ∞

Bitcoin's Value Chart from WorldCoinIndex
November 1, 2017 - January 20, 2018



¹Chart and data from WorldCoinIndex

²"Bitcoin Futures are Coming and Regulators are Racing to Catch Up" | Bloomberg | December 5, 2017

The Truth about Human Resources



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There are generally two views of a Human Resources department. And these views are diametrically opposed to each other. The first is that HR is looked at as being the “fun folks”. They are looked at as the ones who organize things like company picnics, wedding or baby showers for employees, staff appreciation days, holiday parties, etc. The other view is when you are called to the HR department. That is analogous to being called to the principal’s office. An employee only gets called when they have done something wrong.



The truth is, a good Human Resources department should be somewhat of a mixture of those two positions. A good HR department can help boost employee morale and help the company remain compliant with the myriad of organizational and legislative rules. This means everything from ensuring employees are happy to enforcing the rules of the company to being a place for employees to go to discuss any problems in private and in confidence.

The HR professionals at Donnelly-Boland and Associates help provide support to your HR department or can act as your HR department. We are able to help assist in developing and/or implementing employee programs ranging from recruiting and on-boarding to off-boarding, and just about anything in between when it comes to employee relations.

Unfortunately, we are called upon many times to deal with issues after they have

become issues. Maybe a phone call or a get-acquainted meeting would help prevent something from becoming an issue.

As the old commercial says, “pay me now or pay me later”. If you have more than one employee, you have potential for “employee issues.”

Let us help prevent those issues from becoming problematic. We would love to have the opportunity to become familiar with your company to see if there is anything that we can do today to help prevent problems tomorrow. You have enough on your plate trying to run your company. Allow us to help provide the “back-office support” you will get around to sooner or later. Unfortunately, later may be too late. ∞



Did you know Donnelly-Boland works with a number of **CONSTRUCTION** companies?

Trust a group of professionals who know the industry and can support your accounting and business consulting needs.

plumbers | roofers | electricians | general contractors | painters | carpenters

About Us

Donnelly-Boland and Associates, a certified woman-owned business enterprise, is a CPA and management consulting firm that provides an array of professional services including accounting, financial services, government and nonprofit consulting, human resources, and taxes. We have extensive experience in providing these services to governments, nonprofits, individuals and service businesses. Donnelly-Boland and Associates was incorporated in 1992 and is headquartered locally in Baldwin, Pennsylvania with offices in Brentwood and Waynesburg. We assist a variety of organizations, large and small, on both an interim or more permanent basis.

The Value of Proven Results

We serve every client with a depth of resources and the highest level of expertise, yet offer the personal attention and accessibility that builds strength and trust. We've proven it's possible to offer comprehensive accounting, financial services, government and nonprofit consulting, human resources, and taxes by top-notch professionals without sacrificing value.

Let Donnelly-Boland and Associates be the breath of fresh air you need to find temporary or long term solutions, project assistance, or a different perspective. Our owners and many of our employees are not just accountants, they are business owners and entrepreneurs themselves and have confronted many of the same challenges you face every day. Feel assured that your financial information is accurate, precise and always available in a timely fashion. Now you'll have the time you need to focus on the growth and success of your business or organization.

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BBB Rating: A+

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