
This month:

July 4: Independence Day

It's the height of summer, and hopefully you've had a chance to enjoy some pleasant weather and Fourth of July fireworks. This issue contains tips on tax breaks for new parents, deciding whether to amend a tax return, and also an article about creating a strong business partnership.

Should you wish to review your situation please feel free to call. Also feel free to forward this newsletter to someone who may benefit.

Five Tax Breaks for New Parents

New parents have their work cut out for them. Not only are they dealing with lost sleep, they also face the extra cost of raising a child. At least there are a lot of potential tax breaks available to them. Check out this list and share it with any new parents you know.

1. Child Tax Credit

Tax law changes this year not only double the size of the Child Tax Credit, they make it available to more parents than ever before. The credit increases to \$2,000 from \$1,000 (with \$1,400 of it being refundable even if no tax is owed). Meanwhile, the eligibility phaseout threshold increases sharply to \$400,000 from \$110,000 for married joint filers (and to \$200,000 for single taxpayers).

2. Child and Dependent Care Credit

If you pay a nanny, babysitter, daycare or a relative to take care of your child while you and your spouse are at work, you can claim the Child and Dependent Care Credit. It's up to \$1,050 on \$3,000 in expenses for one child and twice that for two or more children. The key is that you and your spouse (if you are married) must both be working, and you can't claim expenses for overnight care.

3. Below the kiddie tax threshold

If you have property that produces income, such as bonds, stocks, mutual funds, interest or realized capital gains, you can lower your tax by transferring a certain amount of that income to your children. Why? Your child has a lower tax rate than you do on unearned income. This works up to a certain dollar limit before "kiddie tax" rules come into play.

4. Adoption Credit

About 135,000 children are adopted in the U.S. each year. If you are welcoming an adopted child into your family, the Adoption Credit can be claimed on up to \$13,840 in expenses, such as fees, legal counsel and court costs.

5. Educational benefits of a 529 plan

There are many provisions in the tax code to help cover the high cost of education. Consider establishing 529 college savings programs for your new addition. While contributions are made with after-tax dollars, any investment gains are tax-free as long as they're used to pay qualified education expenses. The tax reform passed last year now also allows you to use these funds to pay private elementary and secondary school tuition as well as college.

Is It Worth It to Amend Your Return?

Whether it makes sense to amend your return depends on which of these situations you're in:

If you owe the IRS

If you discover an omission on your tax return that results in you owing additional tax, you need to correct it with an amendment and provide the tax due.

Don't delay if this is your situation. If the IRS discovers the omission before you do, they may add interest and penalties to your bill.

If you are due a refund

If you find a change that should result in getting a larger refund check, you can claim it by filing an amended return. But there are several things to know first.

- **Additional attention.** While your original return may have passed through the IRS's automated system without a hitch, now that it's amended you can virtually guarantee it will get a closer look. If you have anything else in your return that can trigger an audit, like business deductions, charitable donations, or other credits, they should be considered.
- **It may take a long time to get a refund.** The IRS tries to process your original return within three weeks. No such luck for an amended return. It can take several months to get an amended return processed and see that extra refund, even as long as 1½ years in rare cases.
- **It stretches out the audit window.** The IRS generally has a three-year window to audit returns and request changes. When you file an amendment, you extend the audit time frame.
- **It may be too late.** Depending on when you notice a change and how far it goes back, it may be too late. The deadline to file an amendment is generally the later of three years after the original return was filed, or two years after the tax for that year was paid.

Ultimately you have to weigh the extra money you could get from amending against the potential issues it could cause. If it's worth it, get an amendment filed.

Call if you would like to discuss whether it makes sense or if you have other tax questions.

Elements of a Good Business Partnership

Like a bundle of sticks, good business partners support each other and are less likely to crack under strain together than on their own. In fact, companies with multiple owners have a stronger chance of surviving their first five years than sole proprietorships, according to U.S. Small Business Administration data.

Yet sole proprietorships are more common than partnerships, making up more than 70 percent of all businesses. That's because while good partnerships are strong, they can be hard to make. Here are some elements that good business partnerships require:

1. A shared vision

Business partnerships need a shared vision. If there are differences in vision, make an honest effort to find compromise. If you want to start a restaurant and your partner envisions a fine dining experience with French cuisine, while you want an American bistro, you are going to be disagreeing over everything from pricing and marketing to hiring and décor.

2. Compatible strengths

Different people bring different skills and personalities to a business. There is no stronger glue to hold a business partnership together than when partners need and rely on each other's abilities. Suppose one person is great at accounting and inventory management, and another is a natural at sales and marketing. Each is free to focus on what they are good at and can appreciate that their partner will pick up the slack in the areas where they are weak.

3. Defined roles and limitations

Before going into business, outline who will have what responsibilities. Agree which things need consensus and which do not. Having this understanding upfront will help resolve future disagreements. Outlining the limits of each person's role not only avoids conflict, it also identifies where you need to hire outside expertise to fulfill a skill gap in your partnership.

4. A conflict resolution strategy

Conflict is bound to arise even if the fundamentals of your partnership are strong. Set up a routine for resolving conflicts. Start with a schedule for frequent communication between partners. Allow each person to discuss issues without judgment. If compromise is still difficult after discussion, it helps to have someone who can be a neutral arbiter, such as a trusted employee or consultant.

5. A goal-setting system

Create a system to set individual goals as well as business goals. Regularly meet together and set your goals, the steps needed to achieve them, who needs to take the next action, and the expected date of completion.

6. An exit strategy

It's often easier to get into business with a partner than to exit when it isn't working out. Create a buy-sell agreement at the start of your business relationship. This should outline how you exit the business and create a fair valuation system to pay the exiting owner. Neither the selling partner nor the buying partner want to feel taken advantage of during an ownership transition.

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