In This Issue...
- 2018 Tax Highlights & Changes
- Tax Compliance for Foreign Students
- Meal & Entertainment Expense Policy – 2018
- 5 Things to do Before Breakfast
- 2018 Tax Brackets

KUTCHINS, ROBBINS & DIAMOND, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
Serving Clients for Over 30 Years
1101 Perimeter Drive, Suite 760
Schaumburg, IL 60173
35 East Wacker Drive, Suite 606
Chicago, IL 60601

5 Things the Most Successful Entrepreneurs do Before Breakfast
Most working professionals start their day by getting dressed, reading the paper, maybe glance at their email and grab coffee and breakfast. But entrepreneurs are different. Laura Vanderkam, author of What the Most Successful People Do Before Breakfast, lists five activities entrepreneurs do before heading out the door each morning.

1. They Exercise
   Vanderkam says, "It's so important for people who have busy lives to take care of themselves...people who exercise in the morning are more consistent." Physical activity is a widely known energy booster. The more energy you have, the more you'll be able to focus on tough business issues.

2. They Spend Time with Family
   It's important to stay connected to spouses and/or children since being an entrepreneur can be stressful on a relationship. Whether it's enjoying breakfast or coffee together, setting aside a few minutes with loved ones can maximize happiness and productivity.

3. They Spend Time on Creative Work
   Creativity isn't a trait, but rather a skill. If you can exercise this skill each morning, you may find yourself having better and more original business ideas. Take on creative exercises like painting, playing an instrument, journaling or working on a side project.

4. They Ponder the Big Picture
   The quiet of the morning can be a great time to engage in big picture thinking. Ask yourself, "Where do you want to be and how will you get there?"

5. They Invest Time Networking
   No matter how busy you are, set aside time to connect with employees, clients and mentors. Vanderkam suggests scheduling breakfast meetings, since few people are booked for breakfast meetings.

Plan the Work and Work the Plan
Many entrepreneurs and business leaders face similar challenges and challenges and Tom quickly discovered Ergoseal was no different. In order to realize continued growth Tom knew he had to come up with a plan. A big believer in constantly learning and adapting, he looked to a published expert for help. In his book Traction: Get a Grip on Your Business, author and fellow entrepreneur Gino Wickman shared practical advice and a process for success called the Entrepreneurial Operating System (EOS).

"Traction, and its core principle EOS helped us get on track for continued growth and success," noted Mr. Hilaris. "From establishing long, mid and short range goals to focusing on several key components that need to be organized to ensure everything is running smoothly and performing well. A must read for any business owner and their management team."

EOS has helped Tom and the Ergoseal management team put in place a plan for the future, a future that includes KRD as a valued partner, helping every step of the way.

"KRD came on-board initially to help with our employee healthcare strategy," commented Mr. Hilaris. "Their guidance and expertise, led by Gene Barinholtz, allowed us to rein in costs and continue to provide our employees with quality coverage. We continue to work with KRD on long term financial goals including labor burden cost and management, day-to-day operations, department budget development and more. They are an integral part of our team and key to our financial success."

We Can Help
We welcome the opportunity to discuss how KRD can help with your tax and financial planning, please call us at 847.240.1040

One of Ergoseal’s core values is the pursuit of continuous improvement. Management and employees collaborate in creating individual professional development plans, which can include continuing education, cross training and mentorships, all with a goal of supporting continuous improvement and career development.

In more basic terms, according to Tom Hilaris, Ergoseal President and CEO, "We keep your basements dry and airplanes in the sky!"

Signed, Sealed and Delivered
From an early age, Tom’s father, John, the company’s founder, would talk to him and his two brothers about the importance of hard work and a solid work ethic. After graduating from college he toyed with the idea of medical school but continued on to medical school. After learning the business from the ground up. After gaining his degree in mechanical engineering he covered the idea of mechanical school and the business prevailed. It was in his blood. "I weighed the positives and negatives, and the family business won out," Tom said. "It’s been an exciting ride ever since."

Sealing the Deal
Under Tom’s leadership, the company went into expansion mode and recently acquired two additional companies. These acquisitions increased revenue, expanded product offerings, and opened global markets. Ergoseal has also won numerous accolades and awards for quality and excellence. Tom, as a forward-thinking leader, is always on the look out for new growth opportunities.

Ergoseal designs and manufactures custom and off-the-shelf seals with an unyielding dedication to world-class engineering and cost conscious solutions. Founded 29 years ago, the family-owned company provides seals for OEMs in the industrial, aerospace, and sanitary industries. A “seal” is the hardware fitting connecting two machine components to ensure there is no fluid or gas leakage at their juncture. In more basic terms, according to Tom Hilaris, Ergoseal President and CEO, “We keep your basements dry and airplanes in the sky!”
The Tax Cuts and Jobs Act (TCJA) has significant changes for the 2018 tax year. How will this new law affect your financial planning?

Here are some of the top highlights of the Act that will be in effect for 2018:

- Personal exemptions have been eliminated for all tax filing status groups, leading to an increase in standard deductions. For example, the previous standard deduction for a single filer was $6,500 and the personal exemption was $4,150. In 2018, a single filer may receive a $12,000 standard deduction but no personal exemptions are allowed. Standard deductions for married filing joint (MFJ) taxpayers increased to $24,000 from $12,600.
- For taxpayers who itemize deductions, home mortgage interest from home equity loans will no longer be deductible, unless the loan was used strictly for home improvements. Home mortgage interest on new mortgages is only deductible for a loan amount up to $750,000, down from $1 million.
- Charitable contributions of cash can be deducted up to 60% of adjusted gross income (up from 50%).
- State, local and real estate taxes are capped at $10,000 per year for both single and married filers.
- Miscellaneous itemized deductions such as unreimbursed employee business expenses (including the cost of home offices), tax return preparation, and investment management employee business expenses (including the cost of home offices), tax return preparation, and investment management fees are no longer deductible.
- The Child Tax Credit increased to $2,000 per qualifying child or become a U.S. citizen; however, within the United States tax consequences. Many individuals are aware of, or have heard amongst others.

For many years, people from around the world dreamed of coming to the United States and starting anew. With the progress of technology, and transportation costs drastically decreasing over the past decades, the doors have opened to those who wish to pursue the benefits of our diversified education system. Unfortunately, our domestic laws are very complex and quite often foreigners aren’t aware of their reporting and disclosure obligations within the U.S.

Many individuals are surprised that they can be subject to a foreign tax system while temporarily residing in the U.S. Many students don’t have a desire to stay in the U.S. once their education journey comes to an end and they simply want to return to their homeland or relocate. Yet others find opportunity in what the United States has to offer and they decide to stay upon completion of their degree.

Whether an individual decides to stay or go elsewhere, they need to be aware of the rules one must abide by, and the associated tax consequences. Many individuals are aware of, or have heard of, the phrase “worldwide taxation” and know that it is connected to U.S. taxation. However, it takes some digging into the Internal Revenue Code to figure out what it really means. The irony of being present in the U.S. is that it can be difficult to obtain a green card or become a U.S. citizen, however, within the United States tax system one does not have to have a green card or be a U.S. citizen to be subject to the same tax law as other American citizens.

If you’re concerned with how the new Act will affect your business, please contact us.

KRD strongly believes in the power of giving back. For over 10 years, we’ve sponsored the La Rabida Children’s Hospital toy drive and have successfully delivered thousands of toys and generous donations. We are incredibly grateful for the participation we get from our friends and colleagues each year. The children, siblings and families couldn’t be more appreciative.

ATTENTION TAXPAYERS: Revisit Internal Policies Related to Meal and Entertainment Expenses

The previous law allowed taxpayers to deduct 50% of business meals and entertainment expenses. Under the 2017 Tax Cuts and Jobs Act, many expenses paid or incurred after December 31, 2017, are not deductible unless they fall under specific exceptions. Below are a few examples of expenses that are affected by the new Act:

**Entertainment Expenses**
Under the new Act, no deductions are allowed in regards to expenses for entertaining clients, customers, or prospects at sporting events, concerts, the theater, etc.; this includes the meals associated with the events.

In contrast, employee expenses for “recreational, social or similar activities primarily for the benefit of the taxpayer’s employees, other than highly compensated employees” are 100% deductible. This includes holiday parties, company picnics or meals provided at the place of business to more than half of employees as an enticement for working after hours.

**Meals**
Meals with clients, customers or prospects that involve substantial business discussions are still 50% deductible. Additionally, meals for internal employees, including meals eaten while traveling and working, are still 50% deductible.

**Employer-owned Cafeterias**
Previously, employers used to deduct 100% of meals served at employer-operated cafeterias and meals given to employees on business property. The new Act only allows a 50% deduction for these expenses and such expenses will not be deductible after December 31, 2025.

**On-Site Athletic Facility**
The cost of on-site gyms and athletic facilities can still be deducted by the employer.

**KRD Accounting Tip**
Save time on tax preparation by setting up separate general ledger accounts for business meals, entertainment and recreational/social employee expenses.

If you’re concerned with how the new Act will affect your business, please contact us.
U.S. Tax Compliance for Foreign Students
– By Greg Reedman

For many years, people from around the world dreamed of coming to the United States and starting anew. With the progress of technology, and transportation costs drastically decreasing over the past decades, the doors have opened to those who wish to pursue the benefits of our diversified education system. Unfortunately, our domestic laws are very complex and quite often foreigners aren’t aware of their reporting and disclosure obligations within the U.S.

Many individuals are surprised that they can be subject to a foreign tax system while temporarily residing in the U.S. Many students don’t have a desire to stay in the U.S. once their education journey comes to an end and they simply want to return to their homeland or relocate. Yet others find opportunity in what the United States has to offer and they decide to stay upon completion of their degree.

Whether an individual decides to stay or go elsewhere, they need to be aware of the rules one must abide by, and the associated tax consequences. Many individuals are aware of, or have heard of, the phrase “worldwide taxation” and know that it is connected to U.S. taxation. However, it takes some digging into the Internal Revenue Code to figure out what it really means. The irony of being present in the U.S. is that it can be difficult to obtain a green card or become a U.S. citizen; however, within the United States tax system one does not have to have a green card or be a U.S. citizen to be subject to the same tax laws as other American citizens.

ATTENTION TAXPAYERS: Revisit Internal Policies Related to Meal and Entertainment Expenses

The previous law allowed taxpayers to deduct 50% of business meals and entertainment expenses. Under the 2017 Tax Cuts and Jobs Act, many expenses paid or incurred after December 31, 2017, are not deductible unless they fall under specific exceptions. Below are a few examples of expenses that are affected by the new Act:

- **Entertainment Expenses**
  - Under the new Act, no deductions are allowed in regards to expenses for entertaining clients, customers, or prospects at sporting events, concerts, the theater, etc.; this includes the meals associated with the events.
  - In contrast, employee expenses for “recreational, social or similar activities primarily for the benefit of the taxpayer’s employees, other than highly compensated employees” are 100% deductible. This includes holiday parties, company picnics or meals provided at the place of business to more than half of employees as an inducement for working after hours.

- **Meals**
  - Meals with clients, customers or prospects that involve substantial business discussions are still 50% deductible. Additionally, meals for internal employees, including meals eaten while traveling and working, are still 50% deductible

- **Employer-owned Cafeterias**
  - Previously, employers used to deduct 100% of meals served at employer-operated cafeterias and meals given to employees on business property. The new Act only allows a 50% deduction for these expenses and such expenses will not be deductible after December 31, 2025.

- **On-Site Athletic Facility**
  - The cost of on-site gyms and athletic facilities can still be deducted by the employer.

KRD Accounting Tip: Save time on tax preparation by setting up separate general ledger accounts for business meals, entertainment and recreational/social employee expenses

If you’re concerned with how the new Act will affect your business, please contact us.
5 Things the Most Successful Entrepreneurs do Before Breakfast

Most working professionals start their day by getting dressed, reading the paper, maybe glance at their email and grab coffee and breakfast. But entrepreneurs are different. Laura Vanderkam, author of *What the Most Successful People Do Before Breakfast*, lists five activities entrepreneurs do before heading out the door each morning.

**THEY EXERCISE**

Vanderkam says, “It’s so important for people who have busy lives to take care of themselves... people who exercise in the morning are more consistent.” Physical activity is a widely known energy booster. The more energy you have, the more you’ll be able to focus on tough business issues.

**THEY SPEND TIME WITH FAMILY**

It’s important to stay connected to spouses and/or children since being an entrepreneur can be stressful on a relationship. Whether it’s enjoying breakfast or coffee together, setting aside a few minutes with loved ones can maximize happiness and productivity.

**THEY INVEST TIME NETWORKING**

No matter how busy you are, set aside time to connect with employees, clients and mentors. Vanderkam suggests scheduling breakfast meetings, since few people are booked with employees, clients and mentors. Vanderkam suggests THE THEY INVEST TIME NETWORKING

However, it should be noted that the tax brackets for 2018 have changed from previous years. Here are the updated brackets for individuals married filing jointly:

<table>
<thead>
<tr>
<th>Rate</th>
<th>Individuals</th>
<th>Married Filing Jointly</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Up to $8,526</td>
<td>Up to $16,650</td>
</tr>
<tr>
<td>12%</td>
<td>$8,526 to $38,700</td>
<td>$16,651 to $77,400</td>
</tr>
<tr>
<td>22%</td>
<td>$38,701 to $82,500</td>
<td>$77,401 to $165,000</td>
</tr>
<tr>
<td>24%</td>
<td>$82,501 to $157,500</td>
<td>$165,001 to $315,000</td>
</tr>
<tr>
<td>32%</td>
<td>$157,501 to $200,000</td>
<td>$315,001 to $400,000</td>
</tr>
<tr>
<td>35%</td>
<td>$200,001 to $500,000</td>
<td>$400,001 to $600,000</td>
</tr>
<tr>
<td>37%</td>
<td>Over $500,000</td>
<td>Over $600,000</td>
</tr>
</tbody>
</table>

If you’re thinking about reworking your morning routine, try these healthy and productive tips and see how they impact your day.

> “The Hartford Small Biz Ahead, March 2018”

**THEY SPEND TIME ON CREATIVE WORK**

Creativity isn’t a trait, but rather a skill. If you can exercise this skill each morning, you may find yourself having better and more original business ideas. Take on creative exercises like painting, playing an instrument, journaling or working on a side project.

**THEY PONDER THE BIG PICTURE**

The quiet of the morning can be a great time to engage in big picture thinking. Ask yourself, “Where do you want to be and how will you get there?”

We Can Help

We welcome the opportunity to discuss how KRD can help with your tax and financial planning. Please call us at 847.240.1040.