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Tax-free income

Yes, that's correct, there are some forms of income you receive that may be tax-free. Here is a list of eight common sources of tax-free income.

1. Gifts. Gifts you receive are not taxable income to you. In fact, they are not subject to gift tax to the person giving the gift as long as the gifts received in one year from one person do not exceed $14,000.

2. Rental income. If you rent your home or vacation cottage for up to 14 days, that rental income does not need to be reported. Homeowners often can earn some tax-free income by renting out a home while a large sporting event (Superbowl or a golf event) is in town.

3. Child's income. Up to the standard deduction amount ($6,350 in 2017) in earned income (wages) and $1,050 in unearned income (interest) for children is not taxed. Excess earnings above these amounts could be taxed and $2,100 in unearned income is taxed at the parent's higher tax rate.

4. Roth IRA earnings. As long as you meet this retirement account type's rules, earnings in a Roth IRA are not taxed.

5. Child support revenue. Income you receive as child support is not deemed to be taxable income. On the other hand alimony received is taxable income.

6. Home sales gains. Up to $250,000 ($500,000 for married filing jointly) in gains on the sale of a qualified principal residence is not taxable.

7. Scholarships/fellowships. Money received to cover tuition, fees, and books for degree candidates is generally not taxable.

8. Refunds. Federal refunds (technically you've already accounted for this income) and most state refunds for non-itemizers are also tax-free.

This is by no means a complete list of tax-free income, but it's nice to know that some areas of tax law still benefit taxpayers.

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Reap the benefits of hiring your child for the summer

Hiring your children to work in your business can be a win-win situation for everyone. Your kids will earn money, gain real-life experience in the workplace, and learn what you do every day. And you will reap a few tax benefits in the process. The following guidelines will help you determine if the arrangement will work in your situation.

• Make sure your child works a real job that he or she can reasonably handle, no matter how basic or simple. Consider tasks like office filing, packing orders, or customer service.

• Treat your child like any other employee. Expect regular hours and appropriate behavior. If you are lenient with your child, you risk upsetting other employees.

• To avoid questions from the IRS, make sure the pay is reasonable for the duties performed. It's not a bad idea to prepare a written job description for your files. Include a W-2 at year-end.

• Record hours worked just as you would for any employee. If possible, pay your child using the normal payroll system and procedures your other employees use.

• Hiring your children works best if you are a sole proprietor. It has additional tax benefits not available if your business is organized as a C corporation or an S corporation.

If you have questions, give us a call. Together we can determine if hiring your child is the right course of action for your business and your family.

Three actions to save for retirement

If you haven't started saving for retirement or you haven't saved enough, here are three actions you can take to put you in a better position during your golden years:

1. Contribute as much as possible every year to a 401(k) pretax retirement plan, up to the $18,000 maximum, or $24,000 if you are age 50 or older.

2. Contribute as much as possible to a Traditional or Roth IRA every year, up to the $5,500 maximum, or $6,500 if you are age 50 or older.

3. Contribute as much as possible to a health savings account (HSA), which can be used to offset medical expenses, up to $3,400 a year, or $4,400 if you are age 55 or older.

If you'd like to review your tax-advantaged retirement strategy, call us to schedule an appointment.

Five home office deduction mistakes

Here are five common mistakes of those who deduct home office expenses.

1. Not taking it. Some believe the home office deduction is too complicated, while others believe taking the deduction increases your chance of being audited.

2. Not exclusive or regular. The space you use must be used exclusively and regularly for your business.

• Exclusively: Your home office cannot be used for another purpose.

• Regularly: It should be the primary place for conducting regular business activities, such as record-keeping and ordering.

3. Mixing up your other work. If you are an employee for someone else in addition to running your own business, be careful in using your home office to do work for your employer. Generally, IRS rules state you can only use a home office deduction as an employee if your employer doesn't provide you with a local office.

4. The recapture problem. When selling your home you will need to account for any home office depreciation. This depreciation recapture rule creates a possible tax liability for many unsuspecting home office users.

5. Not getting help. The home office deduction can be tricky, so ask for help, especially if you fall under one of these cases.

During the holiday, the following items are exempt from sales and use tax:

- An item of clothing priced at $75 or less;
- An item of school supplies priced at $20 or less; and
- An item of school instructional material priced at $20 or less.

Items used in a trade or business are not exempt under the sales tax holiday.
For more information regarding the sales tax holiday, please refer to the Department's Sales Tax Holiday Frequently Asked Questions available on the Department's website at http://www.tax.ohio.gov/sales_and_use/salestaxholiday/holidayfaq.aspx.

Giving Back to Ohio Business-BWC Rebates

For the third time in four years, BWC will return more than $1 billion dollars to Ohio's private and public employers. Combined with nearly 30 percent in average rate cuts and $3 billion in previous rebates and credits, this rebate means BWC will have helped return more than $6 billion to Ohio's economy. What does the plan include? The one-time rebate for private employers and public-taxing districts will total approximately $1 billion. This includes an estimated $967 million to private employers and $133 million to public employer taxing districts. In total more than 200,000 employers will receive rebates.

How much will employers receive and when?

Most rebates will equal 66% of the employer's premium for the policy year ending June 30, 2016 (calendar year 2015 for public employers). BWC will begin sending checks in early July. Private employers in the group-retro program will have their rebate amount calculated and paid following the 12-month premium calculation scheduled to occur in October 2017.

Who is eligible for the rebate?

Both private employers and public employer taxing districts that pay into the State Insurance Fund are eligible for the rebate. Generally the employer must have been billed premium for the policy year ending June 30, 2016 (Dec. 31, 2015 for public employers), and be current in meeting their policy requirements. Employers with an outstanding BWC balance will have their rebate first applied to that balance. Employers that report through a Professional Employer Organization should receive their rebate from their PEO, which is required to pass a portion of the rebate on to their members. The third Ohio Workers' Comp Rebates

What to look for:

- Your check will arrive in a white envelope labeled IMPORTANT DOCUMENTS ENCLOSED.
- We must have your current mailing address and federal tax identification number on file in order to mail your rebate. You may verify this information through employer demographics.
- Most rebate recipients will receive Internal Revenue Service (IRS) 1099 tax documents. BWC will send 1099 forms no later than Jan. 31, 2018.