UPDATE

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Summer Issue 2017

Dwight Darby & Company
Certified Public Accountants

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HAPPY 50TH ANNIVERSARY WAYNE BOND!!!

Wayne Bond has been and continues to be a part of Dwight Darby & Company (DDCO) for over 50 years. He began his career at DDCO in May 1967 and served as its managing partner from 1986 – 2000.

Wayne spent two years studying at Florida State University before he served in active duty as a Marine Corp reservist. Afterwards he returned to resume his degree at the University of South Florida aided by a scholarship awarded by Dwight Darby & Company.

Although Wayne provides a wide range of services, his expertise is within the automobile and steel fabrication industries. His dedication, expertise and friendship to his clients, partners and co-workers are what make a successful career exceptional.

Wayne isn't your typical looking CPA either. He loves jumping on his Harley and riding all across the country. He has also been seen riding on his Harley with a calculator strapped on the back. Over the years he has volunteered in various positions. He was a director for the Tampa Area Safety Council, served as an officer in the formation of a youth soccer club in Central Pasco, as well as coaching and refereeing; all positions held for many years.

Wayne is as dedicated to his family as he is the firm. As busy as tax season can be, Wayne found the time to coach his son's soccer team. He has been married for over 48 years and has three children and eight grandchildren.

Continued on page two

Notables

FCIS Business Officers' Conference

In May 2017, Pam Mattox and Margaret McDeed were guest speakers at the Florida Council of Independent Schools (FCIS) Business Officers' Conference in Orlando, FL.

Pam and Margaret's presentation addressed Not-for-Profit (NFP) Accounting and Auditing Standards. Topics covered were future changes effecting revenue recognition, leases, going concern, financial statement presentation and audit risks for NFPs.

FCIS establishes standards of excellence for Florida independent schools and serves over 73,000 students in 158 member schools. The FCIS accreditation process not only promotes standards of excellence but also strives for school improvement by offering a number of various professional development programs through workshops, webinars, as well as an annual convention.

The annual convention for 2017 will be held on November 2-3 2017 at the Omni Orlando Resort at ChampionsGate called Forward Fast. Look for Pam and Margaret at the convention. Dwight Darby & Company (DD&Co) appreciates FCIS allowing us to present at the Business Officers' Conference! DD&Co offers audit and tax services to Florida's private schools.

Continued from cover

We at DDCO would like to say congratulations for a long and successful career and for your service to the firm and our clients. You are greatly appreciated! DDCO would like to share some testimonials from some of our clients:

Wayne has meant so much to our family both personally and professionally. Always a trusted friend to rely on. Dad spent much of his professional life finding comfort with Wayne and the Dwight Darby family. As in most relationships the phrase "a trusted source and friend" will always help a partnership last over the decades. This is what our family has found in Wayne.

All the best to him and congratulations!

Bill Jarrett

50 years at one company. Kudos! You kept it going for the next generation which is an accomplishment in itself. Lots to be proud of in a profession with its challenges, stresses and overall "why am I doing this?" It's for the clients which you already know. Help them, protect them, be a voice they can trust. You accomplished that your whole career, all at one store, Dwight Darby. Good wishes "Senior Member"and thanks for being part of the AutoCPA Group.

Richard Heider

Congratulations to Wayne Bond for 50 years of service to Dwight Darby & Co. My husband, Dan and I first met Wayne in 1988 while opening a new dealership in Brandon. He not only did our audited financial statements and tax returns but provided advice and friendship along the way. After my husband passed away in 1996, Wayne guided me with advice and counseling in the management and during the sale in 2001, and later opening a new business. I know I am not the only client of Wayne's he has helped with advice, support and friendship. Wayne is a true and valued friend.

Pat McKinney

We have worked with Wayne for over 10 years and through those years Wayne has always been there for us. We leave a message and he calls right back. He has shared his wisdom and given advice for both our business and personal taxes. We not only think of Wayne has a business colleague but also as a friend. He is a man with integrity, wisdom and just a down right good guy. Congratulations Wayne on 50 years!!

Bill and Renee Barry

Tax Issues Concerning Sale of Residence

Dave Bove

Sale of residence by joint owners

The Sec. 121 exclusion of gain on the sale of a residence is available to unmarried joint owners. In order to exclude gain, a taxpayer must both own and use the home as a principal residence for two out of the five years before the sale. The ownership and use tests need not be concurrent. If taxpayers jointly own a principal residence but file separate returns, each owner may exclude up to $250,000 of gain attributable to their respective interest in the property if they otherwise meet the ownership and use tests.

- Example: Unmarried taxpayers *X* and *Y* are joint owners of a house, each owning a 50% interest in the house. They sell the house and have met the ownership and use requirements. The gain from the sale is $276,000. *X* and *Y* are each eligible to exclude $138,000 of gain because the amount of gain allocable to each of them from the sale does not exceed each taxpayer's $250,000 limit.

Also, in order to be eligible for the exclusion, a taxpayer must not have sold property for which he or she excluded gain during the two-year period ending on the date of sale. An interesting note – co-owners are able to take advantage of a larger total exclusion than married individuals, who are limited to $500,000 (or $250,000 filing separately). As long as each unmarried co-owner meets the ownership and use tests, each may exclude up to $250,000 of his or her share of the gain from the sale. Thus, four co-owners could exclude up to one million of the gain from the sale of a single residence.

Sale of partial interests

Unmarried homeowners are more likely to relocate separately and as a result have to sell his or her share of the home. Sales of property between unmarried individuals, including sales of partial interests, are taxable events. Fortunately, a taxpayer does not need to sell his or her entire interest in the residence to receive the gain exclusion. The sale may be to an existing owner or another party. For purposes of the maximum exclusion limitation, sales of partial interests in the same residence are treated as one sale.

Example: In 2013, *X* buys a house that is used as his principal residence. In 2015, *X*'s friend, *Y*, moves into *X*'s house. In 2016, *X* sells *Y* a 50% interest in the house, realizing a gain of $126,000. *X* may exclude this gain upon meeting the ownership and use tests. In 2017, *X* sells his remaining 50% interest to *Y*, realizing a gain of $140,000. *X* may exclude $124,000 ($250,000 - $126,000 gain excluded previously) of the $140,000 gain from the sale of his remaining interest.

Note that for purposes of the rule allowing only one sale in a two-year period, each sale of a partial interest is disregarded with respect to the other sales of partial interests in the same residence. To be eligible for the exclusion, the property must be the taxpayer's principal residence. The property may be the principal residence of one but not all in the case of unmarried co-owners. The partial interest rules provide flexibility for the owner of the principal residence interest to exclude his or her share of the gain even though the home does not qualify as the principal residence of the other joint owners.

Reduced exclusion

There is also a provision for a reduced exclusion of gain if a taxpayer does not meet the two-year use and ownership requirements due to a change in employment or health, or other unforeseen circumstances. The sale must be due to a change in employment or health, or other unforeseen circumstances of a *qualified* individual. A qualified individual includes the taxpayer and his or her spouse, a co-owner of the residence, as well as any person whose principal place of abode is in the same household as the taxpayer. Thus, sales resulting from health, employment, or circumstance changes for any co-owner or resident of the home may qualify for a reduced exclusion. Because a qualified individual is defined so broadly, sales by nontraditional co-owner households have many opportunities to take advantage of the reduced exclusion.

- Example 1: Unmarried individuals *X* and *Y* purchase a residence in 2015. *Y*'s grandchild *Z* also lives in the home. *Z*'s newly diagnosed health problem results in *X* and *Y* selling the home in 2016 in order to relocate for *Z*'s medical treatment. Any gain on this sale would qualify for the reduced exclusion.

- Example 2: *X* and *Y* jointly purchased a residence in Florida on May 1, 2016 and have lived in the home since that date. *Y*'s employer transfers her to a new job in New York. *X* and *Y* sell the home for a gain of $130,000 on February 1, 2017, and move to New York. Assuming they lived in the home through the date of sale, they each can exclude $93,750 ($250,000 x 9/24) of their $65,000 share of the gain; thus they would recognize no gain.

SUMMER TAX TIPS

Rick Vernal

Before you start a summer job, take a vacation, or send the kids off to camp, consider that certain summertime activities may qualify you for tax breaks, and there are also some tax issues that must be handled correctly now to avoid problems later.

Here are some tips that may help you lower your taxes and avoid tax problems:

1. **Make sure summer employer classifies you correctly.** Summer workers sometimes are misclassified as independent contractors (self-employed) rather than as employees. Employers who do this usually fail to withhold taxes from the worker's wages, often leaving the worker responsible at tax time for paying income taxes plus Social Security and Medicare taxes.
2. **Getting married?** Newlyweds can do a few things now to avoid problems at tax time. First, report any name change to the Social Security Administration before you file your next tax return. Next, report any address change to the Postal Service, your employer, and the IRS to make sure you get tax-related items. Finally, update tax withholding with employers now that there are two of you to consider.
3. **Clean out, donate, and deduct**. Unused items you find during summer or summer cleaning can be donated to a qualified charity for a tax deduction as long as the items are in good condition. Taxpayers must itemize deductions to take the deduction, and should retain proof of all donations.
4. **If you help with a service project, you can deduct mileage**. While there is no tax deduction for time donated toward a charitable cause, driving your personal vehicle while donating your services to a qualified charity can get you a tax break. Taxpayers who itemize can deduct 14 cents per mile for charitable mileage driven. Keep adequate records of mileage.
5. **Get a tax credit for summer day camp expenses**. Many working parents need day care for younger children under 13 years old during the school vacation period. A popular solution, with possible tax benefits, is a day camp program. Unlike overnight camps, the cost of a day camp may count as an expense towards the Child and Dependent Care Credit.
6. **Owners of vacation homes may get two tax breaks.** First, mortgage interest and real estate taxes paid on the second home are usually deductible if you itemize. Second, if you rent your vacation home out fewer than 15 days per year, that rental income is usually not taxable.
7. **Deduct job-related moving expenses.** Taxpayers relocating due to a job may get a tax break, and they don't have to itemize deductions to get it. If taxpayers can satisfy a distance and time test, job-related moving expenses are deductible. Other requirements apply if you are self-employed. Members of the armed forces do not have to meet these tests if the move was due to a permanent change of station.
8. **Deduct storm damage losses.** Taxpayers that experience a reduction in value of property damaged by floods, storms, fire or other disasters, may be able to claim a casualty loss. Additionally, while repairing storm damage, an energy tax credit is available for purchases of qualified items such as insulation, certain heating and cooling systems, water heaters, windows and doors.

How Financial Statement Audits Deliver Key Business Insights

Sharon Sibilia

Financial statement audits are not just a compliance exercise, but also an opportunity to gain knowledge that can generate positive business results, according to a survey of 300 executives and 100 audit committee members by Deloitte's US audit practice. In many cases, though, companies are not taking full advantage of the insights that audits provide.

The *Journal of Accountancy* has shared some observations on how a company can take advantage of a financial statement audit in order to improve business performance. Through audits, companies may learn new information about their industry and market, discover shortcomings in processes and policies, and identify inefficiencies and risks.

Whether it's journal entry testing, analyzing contents of many leases across a company, or gleaning information from multiple contracts, data analytics is giving auditors the ability to find anomalies and discover inefficiencies that might have remained hidden in the past. These insights can provide important information for audit clients to act on.

In order to make the most out of your financial statement audit, make sure to address any operational or fiscal concerns you may have had throughout the year with your auditor at the onset of the audit. DD&Co would be happy to help you realize the many benefits of a financial statement audit.

The Handwritten "Thank You"

Pam Mattox

Don't underestimate the power of a handwritten thank you note. Our ability to email is so convenient today that we tend to use email for every situation. And, most of the time, this is probably appropriate and adequate. And, you accomplish the most important thing, you have communicated.

But, when a handwritten thank you is received, it could create an impression that stays with the individual for days, weeks, months or maybe even years. The thank you is something tangible the individual is able to hold on to. The note will be seen again and again. The thank you note does not get deleted. The individual is left with a message of I am special and thinks of how you took the time to write thank you.

So, next time you want to thank a client for that great opportunity or an employee for a job well done, consider the handwritten "Thank You". Keep a supply of thank you notes on hand, write a personal note and mail it the individual. Make someone's day!

Hire Your Kids – Save Taxes

Kathy Tushaus

Do you own your own business? Do you have children who you could put to work in that business? You could save tax dollars by hiring your kids!

First of all, wages paid to your children are a deductible expense to your company. Second, depending on your business structure and your child's age, your company may not owe Social Security, Medicare and unemployment taxes on those wages. And third, this scenario transfer's money out of the higher paying tax bracket of the parents and into the child's lower tax bracket. Finally, the child's earned income could be contributed to an IRA on his/her behalf. But, best of all, your child will gain work experience

Keeping proper records is key and includes documentation of the type of work being performed along with the number of hours and payments the company makes to the child. The type of work must comply with federal and state child labor laws. The pay rate must be reasonable for the type of work being done and has to be real wages, not perks, such as food, car use, car insurance, etc. Also, it would be best if you separate your roles as parent and employer.

Be sure to file a Form W-2 for the child and also prepare a tax return. You can still claim him/her as a dependent on your tax return.

Contact us for further assistance with the records required when having your child on your company's payroll.

Closing Entries

ANNIVERSARIES

The following Dwight Darby & Company employment anniversaries will be occurring this summer:

John Brannan – 38 years in August

Dawn Lopez – 24 years in August

Susan Ghaly – 13 years in August

Tara Nichols – 5 years in August

Just for fun....

Strawberry Basil Lemonade Cocktail, serves one. (Adult beverage)
fresh strawberries
basil
vodka (or gin—your choice!)
lemon
lemonade

In a tall glass, mix 1.5 ounces vodka, ice, lemonade, chopped basil leaves, and chopped strawberries. Stir and enjoy!

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