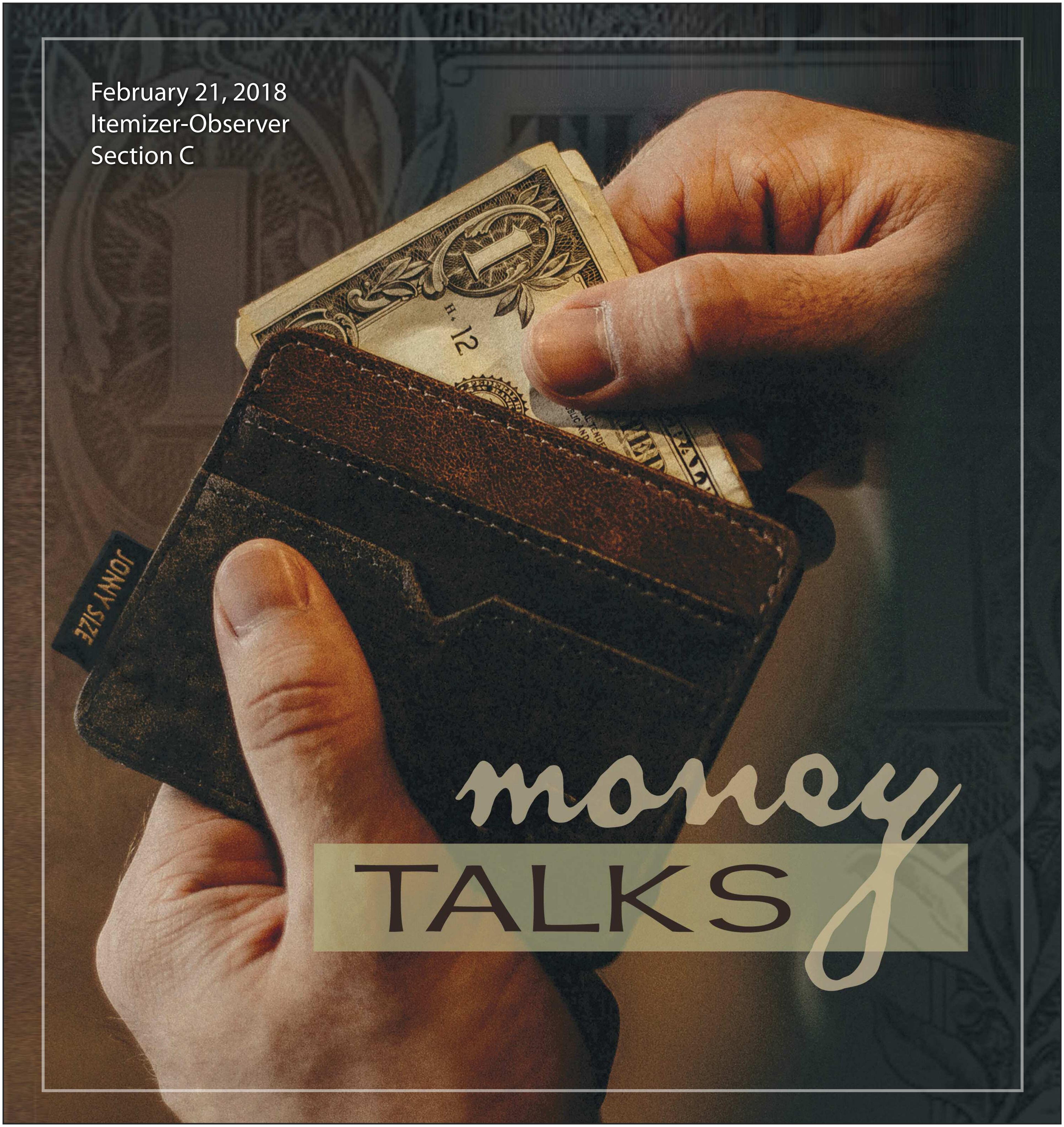
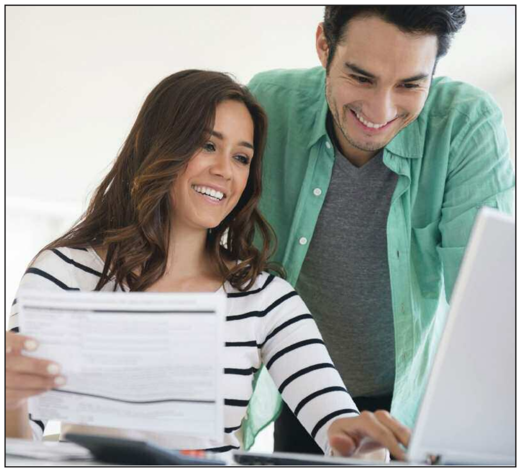
February 21, 2018
Itemizer-Observer
Section C



money TALKS

How you can improve your FICO Score

(BPT) - Anyone who has tried to borrow money to purchase a car, buy a home or open a revolving line of credit may be familiar with the term FICO Score. Most lenders use this scoring model, which essentially determines a person's creditworthiness.



"The FICO Score may seem like a big, daunting mystery, especially since your score can have a huge impact on your ability to borrow money at a competitive rate," said Jim Johnston, of Colorado-based Bellco Credit Union. "The truth is, however, you do have power over your credit score, and there are things you can do to improve it over time."

How FICO Score is calculated

FICO was named for the data analytics company Fair Isaac Co., which created the first credit-scoring system. In general, a credit score breaks down as follows:

• 35 percent is your payment history - Do you pay bills on time?

• 30 percent is the amounts you owe (on loans, credit cards, etc.) - Owing money on different credit accounts is not necessarily bad, especially if you're paying your bills on time every month. FICO considers how many of your accounts have balances, if you're using your entire credit line, and how much of any installment loan you still owe.

• 15 percent is the length of your credit history - Having a long credit history is good, but even if you're young and barely have any credit history (such as credit cards and a car loan), you can still have a high FICO score.

• 10 percent is your credit mix - What is your mix of credit, meaning credit cards, retail accounts, installment loans, mortgage loans, etc.? A good mix of credit, especially with a history of on-time payments, is helpful to your score.

• 10 percent is any new credit - If you've opened numerous credit accounts in a short period, this can have a negative impact. Although closing a credit account still shows up on your credit history, it has no impact on your score.

Tips to improve your score

Repairing your credit takes time, so it's important to be patient. Below are three things you can do.

1. Check your credit report - The first thing you should do is get a free copy of your credit report and make sure there are no errors. If you find an error, you have the right to dispute it with the credit bureau.

2. Get organized - Don't make any more late payments on your credit cards. The best way to do this is to get organized. Set up auto payments through your bank or credit union, or set reminders to make payments before they are due.

3. Pay down your debt - While this is no easy task, it will make a difference. Use your credit report to make a list of all your credit cards and the balances you owe. Pick the credit cards with the highest interest rates, and tackle those balances first. Most importantly, don't add to your debt by continuing to use your credit cards.

Your FICO Score does not take into account annual income, length of employment, or other sources of financial support such as alimony or child support. However, these are things that your bank or credit union can consider when you're borrowing money, so it's not all about the FICO Score.

Knowledge is power. Understand what your FICO Score is, how a good or bad score can impact your life, and if a low FICO Score is holding you back. There's no better time than now to begin to make positive changes to improve your score.

Are You Carrying the Right Credit Card for Your Financial Goals

(StatePoint) If you've ever been confused by how to find the right credit card, you're not alone. A recent national survey found that consumers are overwhelmed by the many credit card offers they receive, and find the process of selecting the right card difficult to navigate.

"Consumers surveyed hold an average of three credit cards, which shows it's been challenging to find a card that meets their needs," says Ian Cohen, general manager at Experian Consumer Services.

Unfortunately, there can be a bit of anxiety around getting a new card. With 40 percent of respondents admitting they've been denied a credit card in the past, many consumers surveyed say they wish they would receive only solicitations with pre-qualified offers. There is also optimism. Sixty-four percent of consumers agree that there is a perfect credit card out there for them.

If you are in the market for a new credit card, identify what card feature is most important to you, such as a low annual percentage rate (APR) or no annual fee. Also, check your credit score because that can help you understand what cards you may qualify for, since a credit score could be one of the factors lenders use to extend lines of credit.

Luckily, free resources exist which can aid your search. For example, Experian offers an online tool that uses consumers' own credit and financial data to match them with tailored credit card options. To see a selection of credit cards based on your preferences and credit data, visit experian.com.

You should be careful when applying for new credit cards – opening up several new cards in a short timespan may lower your credit score, hurting your chances for additional credit in the future when you may really need it for a big expense such as a car loan.

If you have credit card debt and are struggling to pay it off, don't despair. You can start tackling it today with a few steps:

• **Figure out how much you owe** by making a list of all of your credit card balances and loans, along with minimum monthly payments and APR for each.

• **Assess the best approach,** whether it is paying off the card with the highest APR first or making payments on all cards with the goal of applying any extra money available to pay the lowest balance first.

• **Consider applying for a balance transfer card** with no or low APR for a set period of time to transfer the debt.

Whether your goals for having a credit card are building creditworthiness or having a cushion for emergencies, there is likely a card out there that's right for you. Consider using new tools to help you find it.

The Brand New Section 199A – 20% Deduction for Qualified Business Income

Submitted by Ash Creek Tax & Legal Services

A lot of businesses in Polk County are organized as sole proprietorships, partnerships, limited liability companies, or S Corporations. These are all "pass-through" entities — individuals report the income on their personal income tax returns. Great news! Under the new Tax Cuts and Jobs Act, there is a new deduction for pass-through entities. The new deduction will be equal to 20% of "qualified business income."

More or less. Don't get too excited just yet; there are some wrinkles. If the owner's taxable income is more than 157,500 for an unmarried person or 315,000 on a joint return, some important limitations come into play.

For one, if you are a "service professional" — a lawyer, doctor, financial planner, and certain others, the deduction phases out. The test for "service profession" is that the business depends mostly on the skill or reputation of an owner or key employee.

In addition, the amount of the deduction also depends on the amount of wages the business pays. This provision is complicated, and tax experts are still sorting out the details.

Neither of these two limitations applies to taxpayers whose income is below the thresholds, but the calculation of the income subject to the deduction is tricky.

Finally, if your business is an S Corporation or a partnership, and you pay yourself "reasonable compensation" or a "guaranteed payment," those amounts don't figure into the deduction.

Recent Tax News – Submitted by Ash Creek Tax & Legal Services

1. The IRS has issued new withholding tables so you may see an increase in your paycheck. The new rates are lower for everyone.

2. If you itemized deductions last year, **you may not need to itemize deductions on your 2018 return,** but you should still keep records of charitable contributions, medical expenses, and other deductible items. The Oregon threshold for itemizing is much lower than the new federal threshold, so it's still worth the effort.

3. The alimony deduction is being eliminated, but it will still be available to people who are already paying alimony. The new rule applies to alimony agreements entered into or modified in 2019 or later.

4. The penalty for not having health insurance is still in place for 2018. Keep your insurance for all members of your household. Call me if you think it is too expensive – the advance premium tax credit can help you pay for it.

5. A few points for businesses. None of this changes the way you should do things:

a. Please continue to keep good records.

b. Use a mileage log and get your oil changed from time to time so that you have third-party confirmation of your odometer reading. January is a great time to do this, but whenever you do, keep the records.

c. Pay estimated taxes quarterly.

d. There is a new deduction for pass-through entities. This includes sole proprietorships, partnerships, LLC's, and S Corporations.

e. There are changes to depreciation and net operating loss rules. The Tax Cuts and Jobs Act does make a lot of changes to the Internal Revenue Code, and you will probably pay somewhat less tax on your 2018 income than on your 2017 income.

(Most people get some benefit, but not everyone.) But all of the same records are still needed.

The Tax Act and Jobs Act – Individual Tax Changes

Submitted by Ash Creek Tax & Legal Services

The tax act made several changes that affect Polk County residents. You may have heard of some of these. There will be no more personal exemptions, but there will be a credit of $500 for each taxpayer and dependent. That's a better tax savings for some people, and not quite as much for others.

The standard deduction is bigger than it used to be. Keep your receipts, though! The Oregon standard deduction has not changed, and it is lower than the federal standard deduction. This means you should still keep track of charitable donations and medical expenses so you can provide them to your tax preparer next year.

The Act created one new deduction but it eliminated several others. There are no more deductions for investment expenses such as brokerage fees and safe deposit boxes. There are no more deductions for business expenses of an employee, such as union dues and uniforms. And there is no more casualty loss deduction unless you live in a federally declared disaster area.

But there is good news to balance this out for most people — all of the rates went down. If you are an employee you probably already noticed that your paycheck has changed. For the self-employed, it means your estimated payments will be a little less.

Finally, remember that you have until April 15 to contribute to an IRA and claim a deduction for 2017.

Here's how the tax reform plan could affect you

(BPT) - With the newly passed tax reform bill, the Tax Cuts and Jobs Act (TCJA), now is the time to start thinking about how this will affect you so that you can plan ahead for the outcomes you will start to feel in your paycheck as early as February 2018.

This tax reform affects virtually everyone; however, families, homeowners, residents of high-tax states, the medically uninsured and small businesses will be especially affected. Most taxpayers will experience changes that could reduce or increase their taxes owed. If you're not sure how this may affect you, here is a summary of possibilities.

Families

Like most taxpayers, many families will be affected by the loss of personal and dependent exemptions of $4,050 per person. However, families with income under $200,000 ($400,000 for joint filers) will be eligible for an increased child tax credit of $2,000. Those with income over that amount may be eligible for a smaller credit. This, along with larger standard deductions, may or may not make up for the loss of the personal exemption. Families with dependents over the age of 16 may also qualify for a new family tax credit of $500 for each dependent who does not qualify for the child tax credit.

Homeowners and residents of high-tax states

Homeowners and residents of high-tax states like California, New York and New Jersey, who typically itemize because they have large expenses like real estate taxes and state and local income taxes, may not be able to get the full tax benefit for these expenses, which are capped at $10,000. Some may not find it worthwhile to itemize going forward. Itemizing deductions is only worthwhile if all expenses exceed the standard deduction.

Medically uninsured

Starting in 2019, there will no longer be a penalty for those without health insurance. The penalty, which had become more and more expensive since first implemented in 2014, will not apply to taxpayers without insurance in 2019. Taxpayers who did not have insurance for all of 2017 and do not expect to be insured in 2018 need to make sure to talk to a tax professional, who can help you identify if you qualify for a penalty exemption.

Small-business owners

Some of the largest changes in the tax reform legislation apply to businesses, both large and small. These changes may also affect some rental activities. Corporations will see their top tax rate reduced to 21 percent from the current top rate of 35 percent, starting in 2018. Pass-through entities (LLCs, partnerships and S corporations) and self-employed individuals will be able to deduct 20 percent of their business income, subject to some limits (based on the type of business and income) and phase-outs (based on the partner's/shareholder's total income).

Retirement

Under the current law, taxpayers can reconvert a Roth IRA into a traditional IRA. This allows taxpayers to avoid paying high tax bills on an amount of money that had fallen in value after the conversion. Now, taxpayers will no longer be able to reconvert a Roth IRA to a traditional IRA.

The bottom line is that with this new tax legislation, you're still going to need to get your documents in order and file your taxes, as well as decide if you're going to itemize and what deductions work for your personal situation. This year, it's more important than ever to talk to a tax professional about how this affects you to ensure that your taxes are done right and that you have a clear understanding of how changes that take effect in 2018 will impact how you file in 2019.

To learn more about the tax reform, how it may affect you and what steps you can begin taking to reduce what you owe in 2018, visit www.hrblock.com or make an appointment with a tax professional.

Low Inventories Continue to Fuel Higher Home Prices

Submitted by: Jeff Laeng, Avenue Mortgage

The S&P Case-Shiller 20-City Home Price Index rose 6.4 percent year over year, which was in line with estimates. National home prices were up 6.2 percent in November year over year and are 6 percent higher than their 2006 peak. Those in the top 20 cities are still 1.1 percent lower, however. "Home prices continue to rise three times faster than the rate of inflation," said David M. Blitzer, managing director and chairman of the Index Committee at S&P Dow Jones Indices. "Without more supply, home prices may continue to substantially outpace inflation."