

TAX PREP FINANCIAL SERVICES

(Rev. 12/31/18)

"Pay **YOURSELF**, not the IRS"

www.JeffTheTaxMan.com

Personal Income Tax Preparation
Personal Tax Estimating
Personal Tax Planning

December 31, 2018

Dear Clients,

Once again, this off-season (November – January) has been busy. I use this time of year to conduct M-K cosmetics business tax education via either live, in-person or conference call workshops. Additionally, I use this time to estimate clients' 2018 tax liability and amend their past 3 year tax returns to procure refunds for them. Take note of our most significant resources:

- **Our most significant resource to date – a re-usable Cosmetics Business Spreadsheet in Excel™ – has been improved and updated. A contemporaneous book-keeping system, similar in purpose to Boulevard™ or Quicken™, it is customized to your M-K cosmetics business. Moreover, it's in a software program that you already know – Excel™; you don't have to learn a new program. This unique spreadsheet flows directly into our Cosmetics Business worksheet where you enter the tax data we use to prepare the M-K portion of your individual income tax return. No more adding up everything at the end of the year; instead, you can enter your activity as you incur it and have the computer total it for you on the spot. Think of all the time that will save you. Moreover, you will have a summary of the entire year at a glance on one page (front and back) so that you can see where your income and expenses stand at any given time. Buy it at our website for only \$25.**
- **Get our professionally produced M-K tax workshop education video for only \$10 through our website so that you can watch and learn from it, or show it to your Unit(s)/Area as often as you like.**
- Use the Secure Client Portal at that page, or in the green section of any page, of our website to send to, and receive from, us sensitive tax information. New users **MUST FIRST** request that we set up a folder in your name and tell us which email address you prefer to use. You will be notified at that email address that this has been done, at which point you can access the portal through our website. Simply create a username and password and start uploading to the ShareFile folder. Please set up a separate subfolder, with the tax year as the title, for each tax year's documents.
- Remember you can purchase audit protection for only \$55 on a tax return we prepare that is good for 3 years and comes with one year's worth of identity theft protection. If that tax return were to be audited during that 3 year period, audit specialists would assist you with it at no charge. This compares to our current audit engagement arrangement whereby I provide free audit assistance on just the first 4 hours of an audit within the Dallas/Ft. Worth metroplex only (\$85 per hour for time exceeding 4 hours). *It would benefit out of state clients or those with complex returns, but it must be purchased at the time the return is prepared. Yet it is cheaper than most ID protection plans.*
- **You can now easily email our fee to us via the Zelle app in your bank's online bill payment function.**

Unfortunately, because the Affordable Care Act (ACA) - commonly known as Obamacare - was not repealed, we still have to deal with its disastrous effects. **Consequently, you must still complete the Healthcare Coverage Questionnaire and submit it with your other tax data.** We added a link on our website to a resource that can help you with health insurance questions/selections. Although the penalty for not having health insurance coverage remains the same for 2018 as it was for 2017, thankfully the Tax Cuts and Jobs Act (TCJA) of 2017 eliminated the penalty after 2018.

The TCJA was the most sweeping tax legislation since 1986. So much so **I had to create separate PRE-2018 and POST-2017 INCOME TAX DATA-ITEMIZERS you must use for the correct tax year being prepared.** Because of all its changes to the tax code, we may have to ask follow-up questions that could add time to your return or cause it to be placed on "Hold" pending receipt of your answers. Read the attached **Tax Notice** to find out in what areas Congress has changed your taxes. And throughout the year check our website and facebook page for announcements and explanations of other tax law changes.

We still charge \$15 for each extra paper copy of your tax return and \$30 for overnight delivery, since FedEx routinely charges us over \$25-\$30. **Be sure to answer our survey on the INCOME TAX DATA-ITEMIZER requesting in what form – digital or paper - you wish to receive a copy of your return.** Be aware we bill for questions and consultations exceeding 15 minutes - whether conducted in person, by mail, email, or telephone – since other paying clients are demanding my same time.

All our submission documents are .pdf fillable forms. HOWEVER, PLEASE NOTE THAT IN ORDER FOR THE DATA YOU TYPE TO BE RETAINED ONTO THESE DOCUMENTS, YOU MUST FIRST NAME THE FORM

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AND SAVE IT TO YOUR COMPUTER. THEN ONCE SAVED, YOU MUST OPEN IT IN YOUR .pdf READABLE SOFTWARE. If you don't have any .pdf readable software, you can obtain Adobe Acrobat Reader™ by simply clicking the link to their website at the bottom of the "Tax Worksheets" and "For Directors" pages of our website. Because this is the most our worksheets have ever changed, read them carefully and use any of the notes we wrote on last year's worksheets as a guide to fill out this year's worksheets. **INCOMPLETE WORKSHEETS CAUSE DELAYS AND RAISE YOUR BILL (possibly hundreds of dollars).** **YOU MUST FILL OUT THE *POST-2017 INCOME TAX DATA-ITEMIZER*, READ AND SIGN A TAX RETURN ENGAGEMENT LETTER, AND COMPLETE A HEALTHCARE COVERAGE QUESTIONNAIRE. IN ADDITION, YOU MUST REMIT ALL FORMS 1095-A (from the exchange), 1095-B (from insurance companies), OR 1095-C (from employers) THAT YOU RECEIVE, PLUS A COPY OF ALL YOUR MEDICAL INSURANCE CARDS. ALSO, IF YOU RECEIVED AN EXEMPTION CERTIFICATE FROM ONE OF THE OBAMACARE EXCHANGES, EXEMPTING YOU FROM THE MANDATE TO BUY HEALTH INSURANCE, PLEASE PROVIDE US THAT EXEMPTION CERTIFICATE.** If you operated a Mary Kay Cosmetics business in 2018, you must complete a *Cosmetics Business* worksheet. If you performed contract work for compensation or operated any other type of business in 2018, you must complete a *Sole Proprietorship* worksheet. **Additionally, be sure to report on it any income from the sharing economy (Uber, Airbnb, etc.).** If you were a practicing ordained minister, then complete a *Minister* worksheet to claim any compensation and expenses from that activity in 2018. For depreciable assets, report only the changes from 2017, such as new or retired assets, or changes in business use percentage. Submit **ALL ORIGINALS** of your Forms W-2, **1095**, 1098, 1099, and Schedules K-1, along with all relevant **COMPLETED** worksheets. **Make copies of what you send us** so that you can refer to them if we have a question about anything. We will return all unused originals and copies of our worksheets, including our notes, along with your copy of the tax return – in either paper or digital form, as you prefer and select on our *INCOME TAX DATA-ITEMIZER*. The **ONLY** receipts we need from you are from **NON-CASH** (clothes, etc.) charitable contributions when the **TOTAL FOR THE YEAR** exceeds \$500.

Upon completion of the worksheets, Tax Return Engagement Letter, and Healthcare Coverage Questionnaire, submit your data via the Secure Client Portal (at our website), email, mail, or drop-off this data to us in our lockable mailbox at the back of our driveway on the side of our house, and we will put you in line. **As long as we don't have to mail in your tax returns, which require us to attach originals of your Forms W-2 and 1099, then we will accept scans or faxes of your documents.** You may email us a few days later to find out what number you are in line. When my assistant, Joyce, works on your return, she will email you if she has any questions. Then I will call or email you if I have any additional questions. When I am finished, I will call you with the results and for payment for our services. Then I will email you a form(s) to sign and remit before we file the return(s) electronically. **Be sure we have your email address, and visit our website throughout the year, to stay apprised of any tax, business, or company developments.** **Finally, make sure we have the latest copies of your IDs.**

Be aware, we prepare returns on a first-come, first-served basis. Yet returns without a business will be expedited. SUBMITTING COMPLETED WORKSHEETS, NOT JUST W-2 FORMS, RESERVES YOUR PLACE IN LINE. WE MUST HAVE YOUR DATA SIX WEEKS BEFORE ANY TAX FILING DEADLINE. However, this DOES NOT guarantee completion by that deadline. Due to the vast differences in complexity of various client returns, we cannot predict completion dates. We recommend you follow our progress toward your number in line on our website. Out-of-state clients must allow extra time for mail delivery or pay extra to have us overnight returns to them.

We look forward to preparing your 2018 tax return. Remember November - January is the best time for us to prepare or amend your prior year tax returns, estimate your tax liability, and/or help you incorporate your business. Please continue to demand and vote for smaller government (such as the repeal of Obamacare) and lower taxes. It's better for the country, and it's more popular and starting to take hold. Thank you for your repeat tax business! God bless you and God bless America!

Sincerely,

Jeffrey C. Peterson, President
TAX PREP FINANCIAL SERVICES

TAX NOTICE!!

Although the Tax Cuts and Jobs Act (TCJA) of 2017 lowered taxes for approximately 85% of our clients, because the IRS adjusted tax withholding tables for the lower rates, there is concern in the tax preparer community that many taxpayers will not have had sufficient taxes withheld from their wages to cover their 2018 tax liability. Please read this notice thoroughly, because it concerns your taxes. Note the following tax law and procedural changes that may affect you:

1. Hopefully, the Affordable Care Act of 2010 (Obamacare) will be repealed this year, but sadly, it is still law. As a consequence of this law every client **MUST** complete and submit to us a Healthcare Coverage Questionnaire.
2. Because Obamacare was not repealed, taxpayers without qualifying health insurance coverage all 12 months of 2018 will pay a penalty again. Although the penalty for 2018 is the same as in 2017, it **SHOULD** go to \$0 in 2019.
3. The TCJA lowered the tax brackets and broadened their ranges. The brackets changed from 10%, 15%, 25%, 28%, 33%, 35%, and 39.6% to 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Also, the thresholds at which point the Alternative Minimum Tax is triggered were raised. Yet that may cause prior year AMT credits to be forfeited.
4. The next biggest change that affects all taxpayers is a near doubling of the standard deduction and the elimination of personal and dependent exemptions. However, a doubling of the child tax credit from \$1,000 to \$2,000 per child under age 17, plus the addition of a \$500 other dependent credit, could more than offset the loss of these exemptions.
5. One of the biggest changes that will affect a lot of our clients is a new deduction of 20% of Qualified Business Income (QBI) (net profit) for pass-through entities, such as sole proprietorships, partnerships, and S corporations.
6. For one more year taxpayers can deduct medical expenses that exceed 7.5% of their Adjusted Gross Income (AGI), before increasing to a 10% threshold in 2019.
7. Other notable changes to itemized deductions from the TCJA include: a) a deduction for all taxes on Schedule A, which include state and local income, property, and sales taxes, is capped at \$10,000; b) home equity interest is no longer deductible unless used for a business/investment purpose; c) the mortgage interest on up to only \$750,000 of new qualified residence loans obtained in 2018-2025 is deductible; d) the limit on charitable cash contributions is increased from 50% to 60% of taxpayers AGI; e) personal casualty and theft losses are no longer deductible, unless occurring in a federally declared disaster area (business casualty and theft losses are still deductible); and f) miscellaneous itemized deductions that exceed 2% of taxpayer AGI, such as job-related expenses, truck driver per diem, union dues, and tax preparation fees, are no longer deductible. Moreover, although job-related entertainment is now non-deductible, job-related business meals of a non-entertainment nature still are deductible at 50% of cost.
8. IRA contribution limits remain at \$5,500 for taxpayers under age 50; and \$6,500 for those 50 and older, increasing to \$6,000 and \$7,000, respectively, in 2019.
9. Distributions from state-sponsored tuition (Section 529) programs are expanded to where up to \$10,000 per year per beneficiary can be used for tuition expenses for public, private, or religious elementary or secondary schools.
10. The gift tax exclusion (the maximum amount you may give to any one individual in a year without having to file a gift tax return) is raised to \$15,000. (A husband and wife can give \$15,000 each, \$30,000 total, to the same child.)
11. If you were a 2008 first-time homebuyer who received the first-time homebuyer's credit, you must notify us of that fact so that we can compute the amount of the credit you must repay (in the form of additional tax) each year.
12. For 2018 there still are the following energy credits: a) the residential energy-efficient property credit for renewable source energy installations to your home; b) alternative motor (fuel cell) vehicle credit; and c) plug-in (electric) vehicle credit. **The energy efficient appliance credit is gone.** Your vendor will tell you if their product qualifies.
13. Victims of hurricanes Harvey, Irma, and Maria, as well as the California wildfires, who took distributions from their IRAs of up to \$100,000 are exempt from the 10% early withdrawal penalty.
14. S corporation shareholders who report net losses, receive distributions, or loan repayments from their investment in the S corporation are now required to report their shareholder basis on their individual income tax returns.
15. Note that you must provide us a Form 1098-T from the educational institution in order to claim the American Opportunity tuition tax credit. If there is an amount in Box 2, compare it against what you **ACTUALLY PAID**.
16. For clients who are eligible for the Earned Income Tax Credit, you are required to sign an eligibility checklist, which we will email you with Form 8879 at the time of electronically filing your return. Review IRS Form 886-H-EIC, which you can download from the "Tax Worksheets" page of our website, to see if you qualify to claim this credit.