

INCOME TAX NEWS

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NEW TAX LAWS FOR 2018

Wow! The tax laws for 2018 are drastically different from 2017! For some the changes will be helpful, for others they are harmful.

We are prepared to re-view with each client how the changes will impact them during their appointment this year. Please be advised we are changing our process this year so we will be able to focus on having a 2018 conversation with you. See inside for more details on how we will do things differently.

For individuals, the 2018 changes include the following:

- An increased "standard deduction" that is not quite double what it used to be. This means many who now itemize will not do so in the future.
- The elimination of "personal exemptions" - this was the \$4,050 per person on the return.
- The elimination of the daycare credit.
- The increase of the Child Tax Credit (for children UNDER 17) from \$1,000 to \$2,000.
- A new credit for all other names on the return of \$500.
- The elimination of the ability to deduct miscellaneous itemized deductions. This means no more deductions for employee expenses such as mileage and union dues, investment expenses, legal fees related to the collection of income, and hobby losses ; any other deductions in this category are gone as well.
- Casualty and Theft losses are no longer a deduction unless they are from a Presidentially Declared Disaster area.
- The ability to deduct taxes is being reduced. The cap for property taxes, state and local income taxes and/or sales tax is \$10,000.
- Mortgage interest is only deductible for PURCHASE money—home equity debt will no longer generate deductible interest. Also, the cap on the mortgage for deducting interest is being reduced to \$750,000 from \$1M.
- The tax brackets have been reduced by 2-4



percentage points per bracket.

- The AMT threshold was increased.
- It is now possible to donate up to 60% of your income to charity, up from 50%.
- Beginning with new divorces in 2019, alimony will no longer be deductible nor will it be income to the recipient. THIS WILL NOT change existing alimony agreements.

For businesses, there are so many changes with various requirements, it makes the most sense for each of our business clients to schedule a one-on-one consultation with us on how to maximize the benefits of the new tax laws for you. We will also be looking at doing a seminar or two on this topic over the summer. Most of the business changes are positive, though not all.

We look forward to reviewing how the new tax laws will impact you in the near future!

SPECIAL POINTS OF INTEREST:

- *New workflow process*
- *Should you claim your child? NOT SURE? Bring in their "stuff" with yours!*
- *How to use our Portal*
- *Your Identity is Secure here!*

Highlights of Tax Law Changes

- Major Tax Overhaul
- Penalties continue for failing to ask lots of questions!
- Important to re-view 2018 anticipated taxes!



DUE DILIGENCE REQUIREMENTS

Just like last year, we have more questions to complete this year. The IRS is continuing to crack down on fraudulently filed returns with regard to refundable credits. These credits include the Child Tax Credit, Earned Income Credit and the American Opportunity Credit. Each of these credits has a \$510 penalty associated with it. It is possible to be fined for all three. \$1,530 is not a small number! We can be charged

this fee anytime we cannot prove we had a detailed conversation with each client who claims these credits, regardless of whether or not the client legitimately qualified for the credits.

Often we know you well and know your returns are accurate. However, our knowledge is not evidence the IRS can tangibly see.

From now on, we will need significantly more questions

answered in writing AND we will need documentation to show the validity of the information we claimed. Please read and review the DEPENDENT WORKSHEET as we will need this information to claim any dependent children on your tax return.

We know this is a pain—we do not like this either! Regardless, we MUST have this information to claim these credits!



HELP MAKE A POSITIVE DIFFERENCE IN STOCKTON!

In 2016 we started a program to support our community. We selected 4 groups we know well—we either do their books or Laura sits on their board.

We are doing this again this year, and hope to beat last year's numbers. Our groups are:

1. **Haven of Peace**, a shelter for women and children.
2. **YFC Point Break**, an intervention and prevention resource for teens and parents in areas of gangs, drugs, bullying and more.
3. **Stockton Impact Corps**, an organization supporting very small businesses through education, lending and support.
4. **Puentes**, a program involving community gardens in impoverished areas to bridge neighbors and provide nutrition.

We will match up to \$2,000 in funds raised. You will receive a separate receipt for your tax deductible contribution to any or all of these organizations.

COMMUNITY

IMPORTANT INFO ABOUT EXTENSIONS

Extensions are often misunderstood. Here are some key points to understand:

1. There is only ONE extension available. It extends the time to FILE a return.
2. Extensions require an estimate of tax liability to be valid.
3. An extension does not extend the time to pay the IRS.
4. If an extension is filed, but not needed, it does not hurt the taxpayer.
5. We will automatically file extensions for all returns in process 15 days before any deadlines.
6. One week before the deadline, we will file extensions for all clients from whom we have not heard. Though we will not be able to estimate the tax liability, we will be able to file an extension which will still cover the taxpayer if they have a refund or owe a small amount.
7. Please let us know if you are not going to be filing with us as soon as you know, so we can take you off our list.



Reminder: Tax Day is April 17 this year! Taxes not paid will be subject to penalty!

Extensions only extend TIME to file!



WE ARE WORKING TO PROTECT YOUR IDENTITY!

Identity theft is a big issue across our globe. Bad actors have found tax firms are gold mines of information for identity theft.

We take security very seriously. We have multiple layers of physical security in our office and electronic security in our system. We are in the process of moving to a Private Cloud for enhanced security. This is not to be confused with the Shared Clouds which are frequently hacked.

Emails are being used by bad actors to trick tax pro-

professionals into downloading malware. Until just this last month, the IRS made all preparer's emails available on its website. Even though they are not able to get the information now, the bad actors already have databases of preparer's emails. The best way to protect YOU is for us to NOT download any email attachments. Please fax, mail, upload to **our** portal or physically bring us information. We cannot use third party portals, such as Drop Box, as the bad guys lure with these programs as well.

We know this is inconvenient to many of you. We do not like it either. We are doing this to protect all of us.

We will be masking all ID numbers and birthdays on client copies of returns and organizers. If you require a copy without masking, please let us know so we can change YOURS.

As bad actors change their methods to create crime, we have to change our methods to protect us all. The bad guys really are ruining it for all of us!



PORTAL—SECURE INFORMATION TRANSFER

Bad guys are changing our world. We can no longer safely trust information exchanged through email. Criminals are spoofing legitimate clients, making it unsafe for us to open any links in any emails.

The good news is we have a portal we can use to safely exchange all manner of documents with our clients.

How it works:

1. We will email you a link to the portal and a temporary password. It is case sensitive.
2. If you do not log into the portal within 5 days, the password will become deactivated, and we will need to reset it for you. (Call us—it is easy!)
3. You click the link, and change to a new password you want to use.
4. Upload attached documents (scan, take pictures, saved .pdf files, etc.)
5. We will get a notification of your upload.
6. You only need to be invited to the portal once. Your password stays the same until you change it.
7. You can access the portal year—round from our Website.

WEBSITE RESOURCES

When was the last time you visited our website? Did you know there are many resources available through our site?

In addition to blogs and articles on tax topics, we also have downloadable forms related to many tax topics, checklists for deductions, copies of various forms we

need to assist you, such as a form allowing us to disclose information to a third party at your request, and all the disclosure forms we need for preparing your return.

To find these resources, select "Resources" on the upper right of the site. You'll find "Downloadable Re-

sources," which are all documents we created internally, and there are "Tax Resources," which are documents prepared by a third party and available to use through subscription.

Browse these areas—you might learn about a new tax deduction or strategy!

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WE ARE CHANGING OUR PROCESS—WHY?



Over this last year, we identified several areas in our process that needed improvement. Therefore, we are making some substantial changes (see next page) to better serve our clients.

The problems we are addressing:

1. We need **more quality time with our clients**, especially with regard to the substantial changes coming up in 2018.
2. It seems a **waste of client time** to watch us do data entry for the return.
3. Although we can multi-task, it is **easy to make a keying error** while talking to a client.
4. Our current system involves completion of the return in one sitting with the client present. This does not allow time for a **quality control** review.
5. We need to **keep appointments to the allotted time**, which is difficult when a client has something unexpected in the appointment.
6. We need to be able to **calculate a tax liability** on extensions.
7. **Handling Missing Information**—when a client has homework in an appointment, we struggle finding time to address it when it is returned. We allocate time for the client

in their appointment, and additional time in our tight calendars to address the client's return a second time is a challenge in our current process.

8. We need to **improve our administrative** post return process to **better serve our clients**.
9. We need more time for preparers to **consult with each other on difficult situations**.

To this end, we have developed a new process. We know change is tough. Please understand we are doing this to **BETTER serve you where it matters most!**



CAN YOU CLAIM YOUR CHILD? YOU MIGHT BE SURPRISED AT THE ANSWER!

We often see misunderstandings about kids and taxes. Parents think a child is a dependent as long as the kid lives in the parent's house or requires support from the parents. This may be a technical dependent, but it is not the criteria for a TAX dependent.

A tax dependent is either a qualified child or a qualified relative.

To be a qualified child, the person must be:

1. Under 19 **or** under 24 and a full time student.
2. Related by blood, marriage or adoption more

closely than a cousin.

3. Younger than the taxpayer or the taxpayer's spouse (**THIS IS NEW!**)
4. Live in the United States, Canada or Mexico
5. DOES NOT PROVIDE MORE THAN HALF of his/her own support. Support includes the necessities of life, but it also includes the cost of education, entertainment, recreation, and other things kids spend money on that is not a need.
6. The child does not file a joint return.

A qualified relative is:

1. Related as above or a member of the household for the entire year from before Jan 1 until after Dec 31.
2. Someone NOT a qualifying child of someone else.
3. Has gross income of less than \$4,050 for the entire year.
4. YOU provide more than half the support for the person.

So, if your 19-year-old does not go to school and makes \$4,200, they are not your dependent! Surprised?

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THE NEW PROCESS

After much careful consideration and discussions with some clients, we have developed the following changes:

1. We will send out a customized checklist organizer to each client either by the portal if we have your email address, or “snail mail” if we do not.
2. We are suggesting you put the checklist in an area where you can keep it with “important tax documents” that come in the mail, as well as gathering other documents from the year to place with it as well.
3. Once you have received all the items needed to prepare your return, we ask that you get them with the checklist back to us via the portal, mail, fax or dropping off. Email is not secure, so we do not recommend that route.
4. We will send you our normal appointment postcard, but it will have two dates on it—one as a deadline to turn in your documents and one as a date for your appointment.
5. We will prepare your return in advance of the appointment. We will contact you about missing information or to discuss changes for this current year. We may find we need to schedule you a longer appointment or a second appointment.
6. Your return will be reviewed by a second person prior to your appointment for accuracy.
7. In your appointment, we will enter any “homework” and discuss your return with you. We will then print your return for our front desk to collate.
8. While your return is being collated, your preparer will review with you how the new tax law will impact you and discuss any questions you have.
9. You will then leave with a completed return.
10. For most clients, the appointment will be 30 minutes instead of an hour, though the whole time we will be focused on YOU instead of your documents.
11. If you were unable to send your information in advance, you can bring your documents to your in-person appointment and then schedule a follow-up appointment. All returns will be reviewed by a second person, so we will not be able to complete your return in your appointment if we do not get your information in advance.



DO I HAVE TO FILL THESE PAPERS OUT AGAIN!?

Our due diligence paperwork is annual. Each year is different from all other years, even if only slightly. Otherwise, we could just use the same information all the time for your return.

Just as we have to use this year’s W2 and other documents, we need to have you answer our questions each year. We will move to an electronic interactive set of questions in the future. For now we have the papers. They are being sent with your organizers this year instead of the newsletter. If you do not bring the completed docu-

ments with you, we will have to have you prepare them when you arrive.

Our blue **engagement letter** outlines what is and is not covered as related to preparing your taxes to create an understanding of what we are doing for you. Both the IRS and our insurance carrier require we have you sign this every year.

Our green **due diligence questions** are to make sure we ask all questions for which we will potentially be held accountable at a later date, to remind you of things to discuss with us, includ-

ing possible credits and deductions, and to capture your certification as to the accuracy of the information provided.

The lavender **Dependency Disclosure Worksheet** is related to our new due diligence for refundable credits .

The tan **Mileage and 1099 Disclosures** are to make sure we have made you aware of those related laws—\$10,000 is a big penalty! The grey **Filing Status** sheet is to make sure we are using the right status for you.

We need each applicable sheet completed for each return. By completing them in advance, you can save time in our office.

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ADDING SENSE TO YOUR DOLLARS,
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**COME VISIT US AT
WWW.ALLABOUTNUMBERS.COM**

Since 1995, All About Numbers has been adding sense to your dollars. We do this by offering bookkeeping, tax preparation and planning, accounting, Quickbooks consulting, solving tax problems, and a myriad of other related services.

VERY IMPORTANT TAX INFORMATION INSIDE!

\$25 REFERRAL PROGRAM— HOW MUCH CAN WE PAY YOU?

Each year we pay out over \$2000 in referral fees! You, are clients, are our best advertising, THANK YOU.

We are continuing the referral program this year.

Eligibility is as follows:

- The client is new to All About Numbers
- The new client pays for

their return in full before any referrals are generated

- The new client service fee must be \$150 or more
- The recipient does not have a current balance due to All About Numbers (if they do, we will apply the referral fee

to that balance.)

- The new client has to tell us who referred them (we are not mind readers!)
- There is NO LIMIT to the amount of referrals paid out!

That's It! Checks are sent out the end of each month, so watch the mail!



Did you have a good experience with us? This year, after your appointment, you may receive an email asking you about us. If you liked us, please consider posting about us on Yelp, Google + or our website. If you were not satisfied with your visit, please speak to a member of management so we can address the matter to your satisfaction. Our goal: to make you happy!



**Find us on Facebook at www.facebook.com/addingsensetoyourdollars!
Like the All About Numbers page for updates on tax information all year long!**

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