We wish you a wonderful Christmas season.

We want to connect with our amazing clients in regards to the Tax Cuts and Jobs Act. As you all know, this sweeping tax legislation was signed into law in December of 2017. The TCJA impacts individuals and businesses on a level not seen in decades. While the tax bill was advertised as a simplification, many sources agree that it means greater complexity for many clients, especially business clients. The business clients are not limited to LLC and corporations, but also the single member LLC and rental clients.

This year our newsletter is designed to give you the guidance needed for understanding how the big new tax law changes will personally affect you; to dispel some myths that are floating around; and to provide some basic ideas.

Everyone seems to think that the new "postcard" return will make income tax preparation easier! Not true. The recurring theme in all of our continuing education classes this year has been the 20% increase in time we can expect to properly complete your return. Here are some of the major changes that have occurred.

The new Federal withholding tables were designed to lower your total tax bill for the year by giving you a bigger paycheck throughout the year. Unfortunately, they were not designed to give you a refund at year end.

The ability to itemize deductions has been dramatically decreased because the new law provides a much, much larger standard deduction. (You are allowed to deduct the greater of the two). However, we still need to accumulate the information on your medical, tax, mortgage interest, charity and other deductions in order to apply the new rules, and to complete your state tax returns.

A major change has occurred on home equity lines and 2ndmortgages, most of which are now not deductible. In order to get your largest deduction, we will need to know much more information on these amounts than in the past such as amounts borrowed and use.

Employee work related business expenses are no longer deductible on the Federal return, and if you incur a lot of these types of expenses, you need to discuss the use of an accountable plan with your employer.

Most home-related energy efficiency credits are now expired, but an incredible 30% Federal credit still exists for solar, wind and geothermal costs; and a $7,500 Federal credit for buying a fully electric car still applies through the end of 2018.

If you are retired, over age 70 ½, and have an IRA you <u>may</u> utilize the direct IRA to charity transfer tool to make charitable contributions. This simple trick can save you hundreds of dollars in income tax. If this item pertains to you, please speak with your financial advisor before making year end charitable contributions.

With over 50% of working Americans now covered by health savings insurance policies, it is of absolute importance that you start a health savings account, even with $50, and discuss some excellent tax-savings ideas with us for these tax-beneficial plans. And yes, you were still required to maintain health insurance for every member of your family for 2018 or face a potential penalty.

As usual, in order to prepare your return this year we are required to obtain all of your W-2's, 1099's from retirement, interest, dividends and brokers, Forms 1095 for health insurance, bank Forms 1098 and any other official IRS documents.

2018 and Future Tax Planning Ideas

Check into your employer's handbook to see what employer provided fringe benefits are available. Taxpayer's are often surprised at the available benefits, or at our explanation of what some benefits really mean.

- Does your company match your retirement account contribution?
- Are you eligible for Health Savings Account?
- Are you eligible for Flex spending, daycare benefits, etc

In the current tax era of greatly increased requirements to itemize deductions, a tax "bunching" strategy is absolutely mandatory. The "bunching strategy" recognizes that the best tax deductions are obtained by putting deductions in one year rather than spreading them amongst several years. For example, in years where your charitable contributions are very low, hold off until the next year to catch up, then also pay the full amount of the next year's contributions in the "catch up" year in order to double your chances of itemizing. Similarly, few Americans receive medical deductions anymore, but if you incur a large expense for say, the deductible on surgery, then try to do all of your other medical items in the same year, such as dental and vision exams, check-ups, etc.

Have you discussed the benefits of a Roth account, 529 educational account, budgeting, retirement planning, etc with your financial planner. Deborah and Kristi work closely with the clients financial advisors, to help "tax proof" your specific needs.

Last of all, due to the complex tax law change, your tax preparation invoice maybe subject to change. We are forecasting between 5%-20% fee increase depending on each person's tax return. This rate increase is due to the hours of study due to the involved tax law change, higher accounting/tax software cost, increased tax preparation time, and necessary new tax forms.

As we with many of our clients already, we are happy to meet with you throughout the year for tax planning, retirement and similar income tax related issues, and sincerely appreciate your continued business each year.

It is almost *that* time - tax time. See you soon!

Respectfully,

Kristi L. Hattig, CPA
Manager