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Dear Client:

Happy New Year!! The Tax laws for the 2017 Tax season will not differ very much from 2016's tax season. But, as you all know, the new tax legislation was signed December 22, 2017; with all the **BIG CHANGES EFFECTIVE FOR YOUR 2018 TAXES**. There are many changes for both individual as well as business returns. I have **brief highlights and details** in the "What's Important for 2017 & 2018" section which follows on the next page. But I have **posted a longer and more detailed discussion on my website under the Client's Corner**, because there are just too many details to fit in this letter.

Every year my tax filing season becomes more compressed because the tax forms needed to prepare your returns arrive later and later. The brokerage 1099 statements and K-1s from partnerships are the most problematic forms. **I would ask that if you are not being held up waiting to receive these forms, please provide your tax information as soon as possible so that my tax season isn't so burdensome at the end.** The late timing requires filing many more extensions than I like because I do not have adequate time to properly prepare your returns. Your cooperation will be appreciated and will help decrease the number of extensions.

My **OFFICE ADDRESS** for tax meetings is at **22 Main Street, Newtown**. It is conveniently located near Newtown's flagpole (off Exit 9 or 10 of Interstate 84). Also for 24/7 convenience, I have a library-style dropbox in the back of the building. I also have a website [www.bernsteincpa.net](http://www.bernsteincpa.net) with office directions. Also on my website, under the **Client's Corner**, I post **additional important tax forms, tax code updates, tax strategies, and pertinent regulatory information**. **This resource will be helpful for more details of the Tax Legislation finally passed in 2017.**

Below, are some of the **important tax strategies and compliance issues** that should be of concern to you. Please take a few minutes to read this information. It will help expedite the preparation of your 2017 income tax return.

I have enclosed your **personalized organizer/questionnaire** for your use as a guide in gathering information for preparation of your income tax return. Many **questionnaires** are not being returned or returned unanswered. I need these questions answered to accurately prepare and file your returns. If your questionnaire is not completed, I will need to return it to you prior to my starting work on your return(s). This organizer is used to provide detailed information of your income and expenses/deductions for the year as well as other pertinent data as it relates to your individual situation. **I have found the organizer to be a valuable tool for focusing attention on your unique needs.**

.....  
**Please provide me with copies of the following information** (When possible, I have included the 2016 information for your reference):

- ✓ Form(s) W-2
- ✓ Schedule(s) K-1 showing income or loss from partnerships, S corporations, estates, or trusts
- ✓ Copies of compensation or pension documentation (Form 1099-MISC or 1099-R for example)
- ✓ Form(s) 1099 or statements reporting dividends and interest income
- ✓ Brokerage statements showing transactions for stocks, bonds, etc.
- ✓ Form(s) 1098 reporting interest paid
- ✓ Copies of closing statements regarding the sale, refinancing, or purchase of real property

## **What's Important for 2017 and 2018:**

- **NEW TAX LAW: HIGHLIGHTS OF CHANGES STARTING IN 2018 FOR INDIVIDUAL TAX RETURNS:**
  - A top individual tax rate of 37 percent (lowered from 39.5%);
  - A provision allowing taxpayers to aggregate (1) local property and vehicle taxes, and (2) state and local income taxes (or sales taxes in lieu of income taxes) toward a **maximum of ONLY \$10,000 itemized deduction for state and local taxes;**
  - Three changes to the child tax credit: (1) increased to a \$2,000 credit, but also an increase in the refundable portion to \$1,400; (2) retaining the current maximum age of 16 for eligibility; and (3) an increase in the phaseout threshold amounts to \$400,000 for joint filers and \$200,000 for all others
  - a repeal of the personal exemption deductions and an increase in the standard deduction amounts to \$24,000 for joint filers and surviving spouses, \$18,000 for heads of household, and \$12,000 for unmarried taxpayers and married filing separately (additional amounts for the elderly and blind are retained);
  - a repeal of miscellaneous itemized deductions subject to the 2 percent of adjusted gross income floor
  - an increase in the alternative minimum tax (AMT) exemption amounts and the adjusted gross income thresholds at which the exemption amount begins to phase out;
  - A lowered \$750,000 limit on the loan amount for which a mortgage interest deduction can be claimed by individuals, with existing loans grandfathered
  - Repeal of the deduction for alimony paid and corresponding inclusion in income by the recipient, effective for tax years beginning in 2019. Alimony paid under separation agreement entered into prior to the effective date is generally grandfathered.
- **INDIVIDUAL MANDATE: The individual mandate REPEAL is not in effect until January 1, 2019.** So, tax preparers must still verify that an individual maintains **minimum essential health care coverage** for themselves and their dependents for 2017 & 2018. Most taxpayers will receive Form 1095-B from their insurance company and/or Form 1095-C from their employer. Those covered by the health exchange will receive Form 1095-A. **Provide one of these forms 1095-A, 1095-B, or 1095-C as my confirmation.** The Affordable Care Act (ACA) implemented the **individual mandate** which imposes a requirement that an individual maintains minimum essential health care coverage for themselves and their dependents or pays a penalty. The penalty for non-compliance is \$695 per uninsured or 2.5% of household income), whichever is higher.
- **NO CHANGE TO PREMIUM ASSISTANCE CREDIT:** This credit is only available to those individuals who purchased their health insurance from the **Exchange**. The credit can be used to subsidize monthly premiums or be received as a tax credit when filing tax return. Credit is based on a sliding scale of taxpayer's household income. Exchanges will issue **Form 1095-A** to report taxpayer coverage and advance credit payments used to pay health insurance premiums.
- **FILING DATES CHANGE FOR BUSINESS RETURNS:** For tax years 2017 and beyond, calendar-year **Partnerships (LLC)** are now required to file their federal income tax returns by the **due date of March 15th** rather than April 15th as in previous years. Calendar-year **C corporations** now have an extra month to file their federal income tax returns. The returns are **due by April 15th** rather than March 15th as in previous years.
- **EDUCATION CREDITS OR TUITION DEDUCTION REQUIREMENT:** Taxpayers will need **Form 1098-T** from their student's educational institution before claiming the education credit or tuition deduction on their return. This is a new documentation requirement (for tax years 2017 and beyond) to claim either the American Opportunity Tax credit, Lifetime Learning Credit or the Tuition and Fees Deduction.
- **NEW FILING DATE FOR FBAR (FinCEN Form 114):** If you own (or have signatory authority) foreign financial accounts exceeding an aggregate value of \$10,000 at any time

during the year, you are required to file FinCen Form 114 (FBAR/Report of Foreign Bank and Financial Accounts). The **filing date is now April 15<sup>th</sup>** (prior due date was June 30<sup>th</sup>).

- **NO CHANGES FOR CAPITAL GAIN RATES for 2017 or 2018:** For taxpayers that are taxed in the 39.6% bracket, the long-term capital gains or qualified dividends tax rate is 20%. The maximum long-term capital gain and qualified dividend rate is 15% for those below this 39.6% bracket. Also, there is a zero percent tax rate for long-term capital gains and qualified dividends for individuals in the 10% or 15% tax brackets.
- **"MEDICARE" SURTAX:** A 3.8% **surtax is imposed on investment income** (interest, dividends, capital gains, rental property profits, and other passive income) for high-income individuals. There will also be **0.9% surtax on earned income (W-2 or self-employment income)** for high-income individuals. The definition of **high-income individuals** is excess income over **\$250,000 for married filing jointly and \$200,000 for single individuals**. These thresholds are not adjusted for inflation.
- **CHANGE FOR 2018 PENSION CONTRIBUTIONS:** The **employee elective deferral for 401(K) plans** will be **\$18,500** / (\$18,000 for 2017) (employees age 50/older an additional \$6,000 deferral/total of \$24,500). Regardless, taxpayers should make sure that they contribute at least up to the employer match. The ceiling on **SIMPLE PLANS** remains \$12,500 (employees age 50/older can put in an additional \$3,000/total of \$15,500).
- **UPDATED BUSINESS MILEAGE RATES for 2017/2018:** The standard mileage rate for business driving is 54.5¢ (2018) which increases from 53.5¢ (2017). The medical mileage rate also increases to 18¢ for 2018 from 17¢ a mile (2017). The rate for charitable driving will stay at 14¢ because the amount is determined by Congress, not by the IRS.
- **BUSINESS OWNERS:** Important to **file Form 1099-MISC** for all your independent contractors so that you will not be fined. The IRS is trying to eliminate non-reporting of income. All business returns now ask if your business made any payments that required them to file Form 1099 (Yes or No?). If "Yes", did or will the business file all required Form 1099s (Yes or No?). For 2017, filing Form 1099 is due January 31, 2018.
- **ESTATE and GIFT TAX CHANGES:** The current **2017 Federal estate and gift tax exemption is now \$5.6 million dollars; LARGE INCREASE to \$11.2M** for 2018. Watch out: The law's sunset means that, absent further Congressional action, the exemption amount would revert back to \$5.6M in 2025. Also, the **"portability"** of exemptions between spouses has also been retained. However, in order to use the portability of the estate tax exemption, the IRS requires the executor of the deceased spouse to file a Federal Estate Tax Return (FORM 706). The **annual gift tax exclusion increases to \$15,000** per donee for 2018 (\$14,000 for 2017).
- **CHANGE TO "KIDDIE TAX":** For 2018, net unearned taxable income for children will be taxed according to the brackets applicable to trusts rather than parent's rate. These trust brackets reach higher rates very quickly. For 2017, the **"Kiddie tax"** is where the children's income is taxed at the parents' tax rate above \$2,100 of investment income. So, parents should consider **Section 529 plans for college savings**. Taxpayers may deduct up to \$10,000 annually on their Connecticut personal returns for contributions to the **Connecticut Section 529 Plan (CHET)**. This deduction is only available for investments in CHET 529 Plans. Any excess contribution can be carried over to the next year. Earnings from all Section 529 plans are not subject to Federal or State income tax when withdrawals are used for college tuition.
- **IDENTITY VERIFICATION:** Tax-related identity theft has been a difficult problem for the IRS as well as state taxing authorities. The new identity verification steps to combat the filing of fraudulent returns worked very well last year. I will require you to **update the identity verification worksheet** or your **drivers' licenses** prior to filing your individual returns. **No returns will be accepted without this updated verification step.**

Jeffrey A. Bernstein CPA/PFS



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2017

**QUESTIONNAIRE:** The following questions help identify items of tax consequence that should be accounted for in your return.

| <u>YES</u> | <u>NO</u> | Client: _____.   |
|------------|-----------|--|
| 1. _____   | _____     | Did your <b>marital status change</b> during 2017? If yes, what was your marital status as of December 31, 2017? _____.  |
| 2. _____   | _____     | Will the <b>address</b> on your 2017 Federal return be different from the one shown on your 2016 return? New Address: _____.   |
| 3. _____   | _____     | Did your <b>occupation(s) change</b> from the prior tax year?  |
| 4. _____   | _____     | Were you notified by the IRS or a state taxing authority of <b>changes to a prior year's return?</b> (If yes, enclose the related correspondence)  |
| 5. _____   | _____     | Did you provide financial support to a person other than your spouse and dependent children during the year?   |
| 6. _____   | _____     | Were there any <b>changes in number of dependents</b> from the prior year? Any child born in 2017 will require SS# _____. DOB _____.   |
| 7. _____   | _____     | Did any of your <b>dependent children under age 18 (age 24 if student)</b> have total gross income over \$1,100 including unearned investment income? <b>KIDDIE TAX RULES</b>  |
| 8. _____   | _____     | Did you pay for <b>CHILD OR DEPENDENT CARE EXPENSE</b> to allow you to work? Daycare Name/address _____.<br>Amount Paid \$ _____. Daycare SS/Tax ID# _____.  |
| 9. _____   | _____     | <b>****</b> Do you and/or your family have <b>HEALTH INSURANCE COVERAGE?</b> Is your coverage from? <u>EMPLOYER</u> , <u>EXCHANGE</u> , <u>Individual policy</u> . If from exchange, provide <b>Form 1095-A</b> . from employer, <b>Form 1095-B</b> or <b>1095-C</b> |
| 10. _____  | _____     | Did you have <b>college educational expenses?</b> If yes, <b>MUST provide FORM 1098-T</b> from college. Form always addressed and mailed to <b>student</b> .   |
| 11. _____  | _____     | Did you have any <b>distributions from 529 plans?</b> Yes No. If yes, provide <b>Form 1099-Q</b> .   |
| 12. _____  | _____     | Did you make any <b>Connecticut (CHET) Section 529 contributions</b> in 2017? Provide year-end CHET account statement.   |
| 13. _____  | _____     | Did you pay any loan interest in 2017 on <b>qualified student loans?</b>   |
| 14. _____  | _____     | Did you become <b>divorced</b> or legally separated in 2017? If yes, provide written decree.   |
| 15. _____  | _____     | Did you <b>pay/receive ALIMONY?</b> If yes, paid to: SS# _____. Amount Paid \$ _____. Amount Received \$ _____.  |
| 16. _____  | _____     | Did you receive any type of <b>prize, award or gambling winnings</b> during the year? If yes, provide Form W-2G or Form 1099-MISC.   |
| 17. _____  | _____     | Did you receive any state or local income tax refunds during the year?   |
| 18. _____  | _____     | Did you receive any <b>unemployment compensation</b> this year? Provide <b>FORM UC 1099-G</b> .  |
| 19. _____  | _____     | Did you have any indebtedness discharged /forgiven ( <b>Form 1099-C</b> ) such as a <b>home foreclosure?</b> Did you have any <b>bankruptcy filing?</b>  |
| 20. _____  | _____     | Did you receive any <b>disability payments</b> this year?  |
| 21. _____  | _____     | Did you move in 2017 because of job change? If yes, you may qualify to deduct <b>direct</b> moving expenses.   |
| 22. _____  | _____     | Did you receive grants of <b>stock options</b> from your respective employers or dispose of any stock acquired under a qualified employee stock purchase plan?   |
| 23. _____  | _____     | Did you receive any <b>tax-exempt interest income?</b>   |

**YES**   **NO**

**Client:** \_\_\_\_\_ .

24.    \_\_\_\_\_    \_\_\_\_\_    Did you surrender (redeem) any **U.S. savings bonds** during 2017?
25.    \_\_\_\_\_    \_\_\_\_\_    Did you **sell stock or other investment securities**? Provide brokerage statement.
26.    \_\_\_\_\_    \_\_\_\_\_    Are you a **teacher** working in the classroom? If yes, there is a \$250 deduction for school supplies and/or professional development courses.
27.    \_\_\_\_\_    \_\_\_\_\_    Did you or your employer contribute to an **HSA (Health Savings Account)**? Did you take any distributions from your HSA account?    \_\_\_\_\_ Yes    \_\_\_\_\_ No  
If yes, **MUST provide Form 5482-SA and Form 1099-SA** documentation.
28.    \_\_\_\_\_    \_\_\_\_\_    Did you make any **IRA withdrawals in 2017**? If yes, provide Form 1099-R. Do you have any prior **nondeductible** IRA contributions?    \_\_\_\_\_ Yes    \_\_\_\_\_ No
29.    \_\_\_\_\_    \_\_\_\_\_    Are you the **beneficiary of an IRA** whose owner is deceased?
30.    \_\_\_\_\_    \_\_\_\_\_    If over age 70 1/2, have you started **required minimum IRA (RMD)** withdrawals?
31.    \_\_\_\_\_    \_\_\_\_\_    Did you make any **ROTH IRA CONVERSIONS in 2017**?
32.    \_\_\_\_\_    \_\_\_\_\_    Did you make any **Roth IRA CONTRIBUTIONS in 2017**? If yes or have made any in prior years, provide schedule of amounts and dates.
33.    \_\_\_\_\_    \_\_\_\_\_    Did you receive any lump-sum payments from a pension or profit-sharing plan? If yes, did you roll-over part or all of the payment into an IRA or other qualified plan within 60 days?    \_\_\_\_\_ Yes    \_\_\_\_\_ No
34.    \_\_\_\_\_    \_\_\_\_\_    Are you or your spouse an active participant in an employer provided retirement plan such as a pension, profit sharing, 401K or 403(b)TSA? Taxpayer \_\_\_\_\_ Spouse \_\_\_\_\_.
35.    \_\_\_\_\_    \_\_\_\_\_    Did you make a **conversion from your 401(K) plan into a ROTH 401(K) plan**?
36.    \_\_\_\_\_    \_\_\_\_\_    Did you **buy or sell a home or other real estate**? If yes, provide: (1)description of property, (2)date of purchase, (3) date of sale, (4)purchase price, (5)selling price, (6)selling expenses, (7)improvements and (8)**closing statements** for sale and re-purchase if any.
37.    \_\_\_\_\_    \_\_\_\_\_    Do you own a 2nd or vacation home?
38.    \_\_\_\_\_    \_\_\_\_\_    Did you **refinance your mortgage** in 2017? If yes, provide closing statement.
39.    \_\_\_\_\_    \_\_\_\_\_    Did you have any casualty loss during 2017? Uninsured property loss may be deductible. Requires loss greater than 10% of adjusted gross income.
40.    \_\_\_\_\_    \_\_\_\_\_    Did you start a new business in 2017? If yes, what is the name of the entity \_\_\_\_\_ type of business entity \_\_\_\_\_.
41.    \_\_\_\_\_    \_\_\_\_\_    Tax law and IRS regulations allow for expenditures for **travel and entertainment expenses** if adequate records can be presented. Information must include: (1) Amount; (2) Time and Place; (3) Date; (4) Business Purpose; and (5) Business relationship of recipient.  
**Do you have records, as described, for expenses?**
42.    \_\_\_\_\_    \_\_\_\_\_    Did you have exclusive business use of a portion of your home?
43.    \_\_\_\_\_    \_\_\_\_\_    Did you buy or lease a vehicle for business purposes?
44.    \_\_\_\_\_    \_\_\_\_\_    Did you make **charitable contributions**? Do you have **adequate documentation** or receipts? More complex rules in new IRS regulations.
45.    \_\_\_\_\_    \_\_\_\_\_    Did you make property contributions over \$500 or individual check/cash contributions of \$250 or more to a charitable organization? **Need receipt/acknowledgement from charitable organization.**
46.    \_\_\_\_\_    \_\_\_\_\_    Did you make any **gifts over \$14,000**(singly) or \$28,000(jointly) during the year (**annual exclusion amounts**)? If so, provide details.
47.    \_\_\_\_\_    \_\_\_\_\_    \*\*\*\* At any time during the tax year, did you have an interest in or signature rights (or other authority) over a bank account, or other **FINANCIAL ACCOUNT(S) IN A FOREIGN COUNTRY**? Approximate value in accounts: \_\_\_\_\_. **If yes, FORM FINCEN 114 Report of Foreign Bank and Financial Accounts must be filed.**
48.    \_\_\_\_\_    \_\_\_\_\_    Did you receive any income during the year that has not been addressed in this Organizer?

**Electronic Filing and Direct Deposit of Refund(s)**

49.    \_\_\_\_\_    \_\_\_\_\_    The IRS is able to deposit refunds directly into taxpayer's accounts. If you receive a **REFUND**, would you like **DIRECT DEPOSIT**? If yes, **provide voided check** (not deposit slip).
50.    \_\_\_\_\_    \_\_\_\_\_    For **payment of tax due**, would you like to make **DIRECT DEBIT**?

PERSONAL INFORMATION

TAXPAYER

SPOUSE

Last name .....  
 First name .....  
 Middle initial and suffix ..... MI ..... Suffix .....  
 Social security number .....  
 Occupation.....  
 Work phone/extension .....  
 Cell phone .....  
 E-mail address.....  
 Driver's License/Id issuing state .....  
 License /Id number .....  
 License/Id issue date .....  
 License/Id expiration date .....  
 Birthdate ..... MM/DD/YYYY .....  
 Blind ..... Yes  No   
 Contribute to Presidential Election Campaign Fund ..... Yes  No   
 Eligible to be claimed as a dependent on another return ..... Yes  No   
 Street address..... Apartment number .....  
 City..... State..... ZIP code.....  
 Home phone..... Foreign country.....  
 Fax..... Foreign phone .....

FILING STATUS

1 Single  
 2 Married filing jointly  
 3 Married filing separately  
 Check this box if you **did not** live with spouse at any time during the year .....   
 Check this box if you are eligible to claim spouse's exemption .....   
 Check this box if your spouse itemizes deductions.....   
 4 Head of household  
 If the qualifying person is a child but not your dependent, enter  
 Child's name..... Child's social security number.....  
 5 Qualifying widow(er)  
 Check the box for the year the spouse died ..... 2014  2015

DEPENDENT INFORMATION

| Full Name<br>(first name, middle initial, last name, suffix) | Social Security Number | **Code<br>+Months<br>in U.S. | Date of Birth<br>*Not Citizen | 2016 Child Care Expense |
|--|------------------------|------------------------------|-------------------------------|-------------------------|
|  |                        |                              |                               | 2015 Child Care Expense |
|  |                        |                              | <input type="checkbox"/>      |                         |

\*\* For the Dependent Code, enter the following:  
 L = dependent child who lived with you  
 N = dependent child who didn't live with you due to divorce or separation  
 O = other dependent  
 Q = not a dependent (but is a person who qualifies your client for the earned income credit and/or the credit for child and dependent care expenses)  
 + Enter the number of months dependent lived with you, and/or your spouse if married filing jointly, in the U.S.  
 \* Check this box if dependent child is not a U.S. citizen or resident alien

| <b>Medical and Dental Expenses</b>  | <b>2017 Amount</b> | <b>2016 Amount</b> |
|---|--------------------|--------------------|
| Prescription medications.....   | _____              | _____              |
| Health insurance premiums .....   | _____              | _____              |
| Doctors, dentists, etc .....  | _____              | _____              |
| Hospitals, clinics, etc .....   | _____              | _____              |
| Eyeglasses and contact lenses .....   | _____              | _____              |
| Miles driven for medical purposes.....  | _____              | _____              |
| Other medical and dental expenses:<br>_____   | _____              | _____              |
| <b>Taxes</b>  | <b>2017 Amount</b> | <b>2016 Amount</b> |
| Real estate taxes paid on principal residence .....   | _____              | _____              |
| Real estate taxes paid on additional homes or land .....  | _____              | _____              |
| Auto license registration fees based on the value of the vehicle .....  | _____              | _____              |
| Other personal property taxes .....   | _____              | _____              |
| <b>Interest Expenses</b>  |                    |                    |
| Home mortgage interest paid – Attach Form(s) 1098.  |                    |                    |
| <b>Lender's Name</b>  | <b>2017 Amount</b> | <b>2016 Amount</b> |
| _____   | _____              | _____              |
| Points paid on loan to buy, build or improve main home  |                    |                    |
| <b>Lender's Name</b>  | <b>2017 Amount</b> |                    |
| _____   | _____              |                    |
| <b>Cash/Check/Credit Contributions</b>  | <b>2017 Amount</b> | <b>2016 Amount</b> |
| _____   | _____              | _____              |
| _____   | _____              | _____              |
| _____   | _____              | _____              |
| <b>Noncash Charitable Contributions</b>   |                    |                    |
| Attach all receipts with details listing the following information: Donee, donee address, description of donation, date acquired and date contributed, your cost, value at time of donation, and how you acquired the property. |                    |                    |
| <b>Miscellaneous Deductions</b>   | <b>2017 Amount</b> | <b>2016 Amount</b> |
| Union and professional dues .....   | _____              | _____              |
| Professional subscriptions, books, supplies .....   | _____              | _____              |
| Uniforms and protective clothing (including cleaning) .....   | _____              | _____              |
| Job search costs .....  | _____              | _____              |
| Taxpayer educator expenses.....   | _____              | _____              |
| Spouse educator expenses.....   | _____              | _____              |
| Tax return preparation fees .....   | _____              | _____              |
| Safe deposit box rental .....   | _____              | _____              |
| Gambling losses (to the extent of gambling income) .....  | _____              | _____              |
| Other expenses (list):<br>_____   | _____              | _____              |