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Dear Client:

Happy New Year!! The new tax legislation was signed December 22, 2017 with all of its many changes for both individual as well as business returns. This is bringing **BIG CHANGES EFFECTIVE FOR YOUR 2018 TAXES**. I have **brief highlights and details** in the "What's Important for 2018 & 2019" 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 in this letter, I note that 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 again 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 remains 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 have a website 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 passed for 2018.**

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 2018 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 2017 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 2018 and 2019:

- **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) the credit begins to phaseout at the AGI (adjusted gross income) threshold amount of \$400,000 for joint filers and \$240,000 for all others;
 - a **repeal of the personal exemption deduction** 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 (65 and older) 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 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 to receive as a tax credit when filing your 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: 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 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 15th** (prior due date was June 30th).
- **NO CHANGES FOR CAPITAL GAIN RATES:** For taxpayers that are taxed in the 37% 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 37% 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.
- **IRA CHANGES for 2019:** The maximum allowable IRA contribution will increase to **\$6,000 (\$7,000 for taxpayers 50 or older)** for 2019 (\$5,500 for 2018). This IRA contribution is applicable for Roth IRAs, traditional IRAs, and nondeductible IRAs. Those wishing to contribute to a ROTH IRA are subject to income limitations.
- **CHANGE FOR 2019 PENSION CONTRIBUTIONS:** The **employee elective deferral for 401(K) plans** will be **\$19,000** (\$18,500 for 2018; employees age 50/older an additional \$6,000 deferral/total of \$25,000). Regardless, taxpayers should make sure that they contribute at least up to the employer match. The ceiling on **SIMPLE PLANS** increased to \$13,000 (employees age 50/older can put in an additional \$3,000/total of \$16,000).
- **UPDATED BUSINESS MILEAGE RATES for 2018/2019:** The standard mileage rate for business driving is 58¢ (2019) which increases from 54.5¢ (2018). The medical mileage rate also increases to 20¢ for 2019 from 18¢ a mile (2018). 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 penalized. 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 2018, filing Form 1099 is due January 31, 2019.
- **ESTATE and GIFT TAX CHANGES: LARGE INCREASE for 2018 Federal estate and gift tax exemption to \$11.2 million dollars(\$11.4M for 2019).** 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 for 2018 increased to \$15,000 per donee; the same for 2019.**
- **CHANGE TO "KIDDIE TAX":** For 2018, net unearned taxable income for children (above \$2,100) will be taxed according to the brackets applicable to trusts rather than parent's rate. These trust brackets reach higher tax rates very quickly. 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 have worked very well. I will require you to **update your drivers' licenses information on the taxpayer information worksheet** prior to filing your individual returns. **No returns will be accepted without this updated verification step.**

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2018

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 marital status change during 2018? If yes, what was your marital status as of December 31, 2018? _____.
2. _____	_____	Will the address on your 2018 Federal return be different from the one shown on your 2017 return? New Address: _____.
3. _____	_____	Did your occupation(s) change from the prior tax year?
4. _____	_____	Were you notified by the IRS or a state taxing authority of changes to a prior year's return? (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 changes in number of dependents from the prior year? Any child born in 2018 will require SS# _____. DOB _____.
7. _____	_____	Did any of your dependent children under age 18 (age 24 if student) have total gross income over \$1,050 including unearned investment income? NEW KIDDIE TAX RULES
8. _____	_____	Did you pay for CHILD OR DEPENDENT CARE EXPENSE to allow you to work? Daycare Name/address _____. Amount Paid \$ _____. Daycare SS/Tax ID# _____.
9. _____	_____	**** Do you and/or your family have HEALTH INSURANCE COVERAGE? Is your coverage from? <u>EMPLOYER</u> , <u>MEDICARE</u> , <u>EXCHANGE</u> , <u>Individual policy</u> . If from exchange, provide Form 1095-A . from employer, Form 1095-B or 1095-C
10. _____	_____	Did you have college educational expenses? If yes, MUST provide FORM 1098-T from college. Form always addressed and mailed to student.
11. _____	_____	Did you have any distributions from 529 plans? Yes ___ No ___. If yes, provide Form 1099-Q .
12. _____	_____	Did you make any Connecticut (CHET) Section 529 contributions in 2018? Provide year-end CHET account statement.
13. _____	_____	Did you pay any loan interest in 2018 on qualified student loans?
14. _____	_____	Did you become divorced or legally separated in 2018? If yes, provide written decree.
15. _____	_____	Did you pay/receive ALIMONY? If yes, paid to: SS# _____. Amount Paid \$ _____. Amount Received \$ _____.
16. _____	_____	Did you receive any type of prize, award or gambling winnings 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 unemployment compensation this year? Provide FORM UC 1099-G .
19. _____	_____	Did you have any indebtedness discharged /forgiven (Form 1099-C) such as a home foreclosure? Did you have any bankruptcy filing?
20. _____	_____	Did you receive any disability payments this year?
21. _____	_____	Did you receive grants of stock options from your respective employers or dispose of any stock acquired under a qualified employee stock purchase plan?
22. _____	_____	Did you receive any tax-exempt interest income? Provide statement.
23. _____	_____	Did you surrender (redeem) any U.S. savings bonds during 2018?

YES NO

Client: _____ .

24. _____ Did you **sell stock or other investment securities**? Provide brokerage statement.
25. _____ Are you a **teacher** working in the classroom? If yes, there is a \$250 deduction for school supplies and/or professional development courses.
26. _____ 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.
27. _____ Did you make any **IRA withdrawals in 2018**? If yes, provide Form 1099-R. Do you have any prior **nondeductible** IRA contributions? _____ Yes _____ No
28. _____ Are you the **beneficiary of an IRA** whose owner is deceased?
29. _____ If over age 70 1/2, have you started **required minimum IRA (RMD)** withdrawals?
30. _____ Did you make any **ROTH IRA CONVERSIONS in 2018**?
31. _____ Did you make any **Roth IRA CONTRIBUTIONS in 2018**? If yes or have made any in prior years, provide schedule of amounts and dates.
32. _____ 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
33. _____ 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 _____
34. _____ Did you make a **conversion from your 401(K) plan into a ROTH 401(K) plan**?
35. _____ 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.
36. _____ Do you own a 2nd or vacation home?
37. _____ Did you **refinance your mortgage** in 2018? If yes, provide closing statement.
38. _____ Did you have any casualty loss during 2018? Uninsured property loss may be deductible. Requires loss greater than 10% of adjusted gross income.
39. _____ Did you start a new business in 2018? If yes, what is the name of the entity _____ type of business entity _____.
40. _____ Tax law and IRS regulations allow for expenditures for **travel and meal 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?
41. _____ Did you have exclusive business use of a portion of your home?
42. _____ Did you buy or lease a vehicle for business purposes?
43. _____ Did you make **charitable contributions**? Do you have **adequate documentation** or receipts? More complex rules in new IRS regulations.
44. _____ 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.**
45. _____ Did you make any **gifts over \$15,000**(singly) or \$30,000(jointly) during the year (**annual exclusion amounts**)? If so, provide details.
46. _____ ******** 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.**
47. _____ Did you receive any income during the year that has not been addressed in this Organizer?

Electronic Filing and Direct Deposit of Refund(s)

48. _____ 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).
49. _____ 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 _____	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	MM/DD/YYYY
Blind	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Contribute to Presidential Election Campaign Fund.....	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Eligible to be claimed as a dependent on another return	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
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 (first name, middle initial, last name, suffix)	Social Security Number	**Code	Date of Birth	2016 Child Care Expense
	Relationship	+Months in U.S.	*Not Citizen	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

2018 Deductions

Medical and Dental Expenses	2018 Amount	2017 Amount
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: _____	_____	_____
Taxes	2018 Amount	2017 Amount
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	_____	_____
Interest Expenses		
Home mortgage interest paid – Attach Form(s) 1098.		
Lender's Name	2018 Amount	2017 Amount
_____	_____	_____
Points paid on loan to buy, build or improve main home		
Lender's Name	2018 Amount	
_____	_____	
Cash/Check/Credit Contributions	2018 Amount	2017 Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
Noncash Charitable Contributions		
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.		
Miscellaneous Deductions	2018 Amount	2017 Amount
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): _____	_____	_____