



Happy New Year!!

JANUARY 2019

We hope you enjoyed the Holidays and were able to spend quality time with family and friends. It is the case every year: as the Holidays wind down, we have to start preparing for getting taxes done!

The Tax Cuts and Jobs Act (TCJA) passed in December 2017 made numerous changes to the tax law. The changes are effective the 2018 filing season. It is the most radical overhaul of the tax code since the Tax Reform Act (TRA) of 1986. While many of you have heard “bits and pieces” of changes in the media, this year will be the first time you will see the changes reflected in your tax returns.

Below, I have listed some of the most significant changes of the new tax act:

TAX LAW CHANGES

- First, when you get the hard copy of your returns from us, you will notice that the good, old Form 1040 looks very different! The form that we are used to seeing for decades, has been dramatically altered!
- ♦ As the name implies, TCJA has cut tax rates for most taxpayers, with the largest savings tilted in favor of high income individuals.
- ♦ The standard deduction amounts have been doubled. However, exemptions have been eliminated. As a result of the new tax law, the numbers of filers using the standard deduction is expected to significantly increase.
- ♦ Child Tax Credit for children under the age 17 has been doubled: from **\$1,000** to **\$2,000**. Refundable credit amount has been increased to **\$1,400**. For dependent children over 17 and other dependents, the bill provides a non-refundable credit of **\$500**.
- ♦ Mortgage interest deduction has been capped to principal balances less than **\$750,000**. Also, new limits have been imposed on deductibility of second mortgages, popularly known as HELOCs. In the past, as long as the second mortgage balance was under **\$100K**, you were able to deduct interest paid. Now, HELOC will be deductible as long as the sum total of the mortgage loans does not exceed **\$750,000**. However, there is an additional requirement: you will need to provide us proof showing that you used the HELOC proceeds to buy, build, or substantially improve your home. If you used some proceeds to pay off credit card debts, for example, interest allocable to that payoff will NOT be deductible. This is a MAJOR CHANGE from the past. Please do bring the required proof with you when you come to our office for your tax appointment.
- ♦ Deduction for state and local taxes (SALT) is limited to **\$10,000**. This includes taxes such as state income tax, real and personal property taxes (including auto ownership tax), etc.
- ♦ Medical expenses, including medical insurance, exceeding 7.5% of your adjusted gross income (AGI) will be deductible as an itemized deduction.
- ♦ Miscellaneous itemized deductions such as employee business expenses and tax preparation fee have been eliminated (ouch!!). Also gone is the deduction for moving expenses. Gambling losses, to the extent of gambling winnings, still are deductible.
- ♦ The individual mandate imposed under ACA was still in effect for 2018. The new tax law eliminated the ACA mandate; however, the repeal does not take effect until January 1, 2019.
- ♦ For 2018, the business travel mileage rate was at **54.5¢/mile**. It has been increased to **58.0¢/mile** for 2019. Charity mileage rate remains at **14¢/mile** whereas the medical mileage rate has been raised from **18¢/mile** to **20¢/mile** in 2019.
- ♦ IRA contribution amount have been raised from **\$5,500** in 2018 to **\$6,000** in 2019. The “catch-up” provision for age **50 and older** taxpayers remains at **\$1,000**. Limit for 401K plan was likewise increased from **\$18,500** to **\$19,000**. Catch-up contribution for taxpayers over the age 50 remains at **\$6,000.00**. SIMPLE IRA plan contribution limits have been increased from **\$12,500/\$3,000** to **\$13,000/\$3,000**.
- ♦ Limit for contributing to a Flexible Spending Account (FSA) has been increased by **\$50** from **\$2,650** to **\$2,700**.
- ♦ The new tax bill slightly raises the estate tax exemption to **\$11.4M** per individual. The maximum federal estate and gift tax rates remain at **40%**.
- ♦ The annual gift exclusion remains at **\$15,000** for 2019.
- ♦ For divorce agreements executed or modified after December 31, 2018, alimony payments will not be deductible for the payer and not included in income for the recipient.
- ♦ The most significant change for business owners is the Qualified Business Income (QBI) deduction. This is the largest deduction that many of us will have received in our lifetime! Essentially, most taxpayers meeting the income thresholds will be able to deduct up to 20% of business income from their taxable income. Beneficiaries of this new deduction will include sole proprietors, members in LLCs, shareholders in S corporations, taxable estates and trusts, etc. There are limitations to claiming this deduction and calculation of QBI is quite involved.

These are a few—albeit most pertinent—changes in the new tax law. As always, you are welcome to call us with questions about these or other tax issues.

ITEMS TO BRING AT TAX TIME

- As in 2018, please bring your driver’s license as well as social security cards for new members in your family.
- Please keep in mind that, due to an IRS mandate, we have to file all individual tax returns electronically. As such, on joint returns, we will need to meet with both spouses and have each spouse give consent to e-file the return.
- Since the individual mandate under ACA still was in force in 2018, we need proof that taxpayers and family members had “**minimum essential coverage.**” Please bring such a proof (generally, Form 1095-B) with you.
- If you did have a second mortgage against your principle or second home, please bring documents showing how the loan proceeds were spent.
- Receipts for charitable contributions that you would like to deduct as an itemized deduction.
- Any and all necessary documents that will help us prepare your return in an accurate and complete manner.

SECURE EXCHANGE OF DOCUMENTS

Identity theft is increasing at an alarming rate. Some of you already have experienced this first hand. Tax information has been a favorite target of identity thieves. We, at OnTime Tax Services, have been aware of this for several years and have insisted on transmitting sensitive tax documents to clients in a secure fashion. However, this is a continuing battle as the bad guys are finding new ways to steal personal data.

For the 2018 tax year, we have signed up for a secure portal operated by our tax software vendor, Drake Software. We will be able to exchange sensitive documents using this cloud-based portal. Any requests to send clients copies of tax returns, W-2s, K-1s, etc, will be handled using this portal. Whereas we preparers need to pay a subscription fee to our vendor, it is free to our clients. We strongly encourage you send us an email requesting that we set up a free portal account for you. Once you create your own login credentials, you will be able to

upload documents for us to process as well as download files that we send you. Let us resolve that we all will use this secure method to exchange documents between us. In any case, please DO NOT send us sensitive material as an unprotected email attachment!

MAJOR ANNOUNCEMENT

We have been at our current location in Lakewood for over thirty-two years! All of our tax clients have always come to our West Jewell Ave office and have never known of any other place to visit us. That is about to change.

Effective February 1, 2019 we will be transitioning to a new location south of our current office. We hope to fully settle in the new office by February 15. Our new address is: 7550 W Yale Ave, Ste A-222 Denver CO 80227-3460. It is approximately 1.5 mi south of our current office and is located at the SE corner of S Wadsworth and W Yale. We have enclosed here a sheet announcing our move and map to our new location.

FINAL NOTES

Soon, it will be the time to set up your appointment. Please call us at **303-922-5522**. Or if you prefer, send us an e-mail to **info@eminance.com**. Either Emily or Kirit will be glad to help you reserve your favored slot on our calendar. If you prefer an appointment in early February, please confirm the location you will need to come. We look forward to seeing you soon.

Due to the numerous changes in the new tax law, especially those related to HELOC and QBI, the government has placed an extra burden on the tax preparer community to “get in done right.” It is going to take an extra effort this year on our part and this will be reflected in our preparation fee. We hope that you would understand the reason.

After a few years of extended filing deadlines, the deadline for filing your 2018 returns indeed is April 15th! Unless you file an extension, your tax returns are due this year in Monday, April 15, 2019. I don’t believe the IRS will extend this deadline due to the recent government shutdown. We hope that most of you will help us file your returns much earlier than the due date!

Thank you!!

Kirit Merchant Emily Garcia

Important Phone Numbers

OnTime Tax Services	303.922.5522
OnTime Fax Number	303.922.3062
IRS	1.800.829.1040