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Dear Client, It's Tax Preparation time again and We are ready!!!

Thank you for letting us prepare your tax return. We value your business and take pride in our reputation for accuracy, quality, and discretion. Please advise your family, friends, neighbors, and co-workers to use a reputable tax preparer and one that is open year round. **The Internal Revenue Service has filed charges against many of these disreputable tax preparers over the past couple of years but many more keep opening up.**

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 for tax planning.

2018 Tax Changes for Individuals

Everyone seems to think that the new "postcard" return will make 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. There are many additional Schedules this year as well as additional information we may need to verify filing status, dependents, credits, and interest deductions.

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, and for those of you that did not heed our warnings to change your withholding, your refund will be very small (if any) because you already received it in bits and pieces through larger paychecks throughout the year. One of our simple recommendations for 2019 is that all married individuals fill out a W-4 reflecting "single and zero" withholding.

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 for you to fill out the worksheet for your deductions on your medical, tax, mortgage interest, charity and other deductions in order to apply the new rules, and to complete your state tax returns.**

Standard Deduction has been increased:

Single - \$12,000 Head of Household - \$18,000 Married Filing Jointly - \$24,000
Married Filing Separately - \$12,000 Additional for over 65 and/or Blind - \$1300 or \$1600

Personal Exemptions: The new law repealed the deduction for personal exemptions.

Child Tax Credit

The credit is increased to \$2000 per qualifying child. The maximum refundable portion of the credit is \$1400 per qualifying child. The act also created a new nonrefundable \$500 credit for qualifying dependents who are not qualifying children. The threshold at which the credit begins to phase out was also increased.

Foreign Accounts

If you have read any news in the last year you know that the IRS is looking closely for offshore accounts. If you have an account, retirement account, or business interest with a value over \$10,000 in a foreign country or a foreign business ownership (not through a mutual fund), please let us know as some special rules will apply to you. There are substantial penalties for failure to disclose these items.

Affordable Care Act

You were still required to maintain health insurance for every member of your family for 2018 or face a potential penalty. We will still need all 1095 Insurance forms.

Moving Expense

The deduction for moving expenses for a move due to a job change is eliminated, with an exception for members of the military in certain circumstances.

Alimony

For any divorce or separation agreement executed **after Dec. 31st, 2018** the act provides that alimony and separate maintenance payments are not deductible by the payee, nor includible in income by the recipient.

Home-Equity Loan Interest: A major change has occurred on home equity lines and 2nd mortgages, 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 of the monies.

Miscellaneous Itemized Deductions

This Act eliminates the deductions for miscellaneous items such as investment expenses, tax prep fees, and unreimbursed employee business expenses, (Ex: Union dues, uniforms, tools, travel, and meals). **But we still need the information for your state return as they are still deductible if you itemize on the state return.**

Business Taxes:

The “Tax Cuts and Jobs Act” contains numerous changes that will affect businesses, large and small.

Other

There are literally hundreds of other changes, extensions and deletions that we will consider this year while preparing your return. Please rest assured that we will utilize our best resources to once again provide you with timely, complete and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support.

Please call our office as soon as possible to schedule your tax appointment. You may drop off your tax information, **along with the completed worksheet, the ACA Health Care Form and a copy of current Drivers License for all taxpayers,** and leave it with one of our staff, and no appointment will be necessary. **We will begin Electronic Filing on the first day that IRS will begin accepting returns. We can prepare your return as soon as you have the information to us.**

- **We are requesting everyone to try to have their tax information in as soon as possible. This is for your benefit. Please don't make us rush to prepare your return. This isn't fair to you or to us.**
- Please bring in all W-2's, 1099s, 1098s, K-1's, Social Security Statements, and any other items of income. It is not necessary that we see all of your receipts for expenses, but you need to keep them in case of an audit.
- If you have Education expenses we need the 1098 from the school and proof of payment of tuition, books, and supplies. We also need to know what year they are in school as this affects the credits.
- If you file Head of Household we will need verification of the ability to claim any dependent, and verification that you are considered unmarried and that you provide more than half the cost of keeping up a home.
- If you are due a refund and want the refund directly deposited to your checking or savings account, we will need a voided, blank check or savings deposit form.
- **Parking is available behind our office. Please come in our back door.**

We are a full service, year-round accounting firm, available to you when and if you need us for tax planning or tax problems all throughout the year. We have been in business for over 39 years and our staff is the same capable and qualified staff that you are used to dealing with in the past. We have had, and will continue to have, a reputation for accuracy, quality, and discretion. We are confident that the E-File Program ensures a speedier, safer, and more accurate filing of your tax return.

Sincerely,

Kelley's Accounting & Tax Service, Inc.

Privacy Policy: “We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients or as required by law. We restrict access to non-public personal information to those professionals necessary to provide accounting and/or tax service to you and we maintain physical, electronic, and procedural safeguards to guard your non-public personal information.”