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## 2018 TAX RETURNS

Thank you to all of our clients for choosing Commonwealth Tax to prepare your 2018 income tax returns. We continue to refine our processes with the goal to make tax preparation simpler and less stressful for you this year.

**IDs NOW REQUIRED:** The IRS requires we verify an unexpired driver's license or state-issued ID for BOTH spouses and cite information from those IDs on your tax return. Your return cannot be completed until we have copies of both spouses' IDs. We will need to scan the ID for both taxpayers or receive a clear, high resolution image of the ID. To help avoid this hassle in the future, we will retain images of your IDs until they expire, so that you will not have to present both spouses' IDs each year.

**USE OUR NEW SECURE DOCUMENT TRANSFER PORTAL:** To increase the security of your sensitive tax documents and fight computer viruses and cybercrime, we are using a secure web portal to exchange documents with you. Using the portal helps both you and us to avoid harm from e-mail account hacks and malicious e-mail attachments. *We will no longer accept documents attached to email; they will be discarded without being opened.*

**DON'T DROP OFF AND RUN -- WE ENCOURAGE APPOINTMENTS:** We encourage you to schedule an intake appointment with us when you are ready to begin preparation of your tax return. Intake appointments give us the opportunity to clear up questions about your tax documents, help us better understand your tax situation so that deductions are not overlooked, and discuss tax law changes that affect you. For most

clients, the intake appointment requires only a few minutes.

**FIGHT IDENTITY THEFT -- FILE EARLY:** If a criminal has used your name and social security number to file a false return, your refund may be delayed for a year or more. The earlier you file, the less the likelihood a criminal who has stolen your identity will file before you do.

**SAVE MONEY -- FILE EARLY:** We offer a **\$25 "Early Bird" discount** on Form 1040 returns to clients who complete their intakes by Saturday, February 16, 2019. Schedule your appointment early and save money!!!

**SAVE MONEY - GET ORGANIZED:** Because a thoroughly completed tax-organizer helps us complete your tax return in less time, we offer a **\$25 discount on Form 1040 tax returns to clients who both receive their tax-organizer by web portal and thoroughly complete it.** Tax organizers are available early in January. If you would like to receive one, please give us a call to verify your e-mail address and we will send your tax-organizer via our new secure document exchange portal. These forms can be filled-in on your computer and returned to us via the portal, so you do not need a computer printer. We will be happy to send you a tax-organizer by US Mail, *but we do not offer the discount for organizers we deliver in paper form.*

**WHEN YOUR RETURN IS COMPLETE:** You may simply drop by to pick it up. If you have questions or concerns about the results you wish to discuss, it is important that you schedule a delivery appointment with your preparer to ensure your tax preparer is available to meet with you when you arrive.

## SOME DEADLINE DATES HAVE

**CHANGED:** Key deadline dates in 2019 are:

- January 31 -- provide W-2 forms to household and business employees and 1099-MISC forms to business non-employee contractors and others. Large employers who provided health insurance to employees must file and deliver IRS Form 1095C to each employee. Penalties for late filing are substantial.
- March 15 -- S-Corporation (Form 1120S), and Partnership (Form 1065) income tax returns are due.
- April 15 -- C-Corporation (Form 1120), personal (Form 1040 series), trust and estate (Form 1041) federal income tax returns are due.
- May 15 -- Deadline for non-profit organizations to file Form 990 annual information returns.

## EXTENSIONS OF TIME TO FILE:

- If you cannot file your tax return by the due date, you should request an extension of time to file. This is NOT an extension of the time to pay tax. If you expect to owe additional tax, you must make a payment when you file the extension to avoid a late payment penalty.
- If tax due is due, it is due as of the original due date of the return, not the extended due date. For 1040 returns, tax paid after April 15 are assessed a late-payment penalty.
- It is your responsibility to ensure the full amount of tax due is paid by the filing due date *regardless of whether or not the tax return has been completed and filed*.
- If you plan to have Commonwealth Tax prepare your 2018 income tax return and cannot complete your intake by March 31, please contact us and ask that we request an extension of time to file for you.
- It is your responsibility to request an extension of time to file. We do not

automatically request extensions for prior-year clients who have not contacted us.

## LATECOMERS AND EXTENSIONS:

Because we cannot determine at the time you bring your tax documents to us when your return can be completed, and to prevent imposition of IRS penalties for filing returns late, if your intake occurs between April 1 and April 15, we will add a request for extension of time to file to your return. By doing so, if your return cannot be completed and filed by April 15, it will not be penalized as being late.

## TAX RETURNS FOR CHILDREN &

**STUDENTS:** We highly recommend that you DO NOT ALLOW your dependent children or college students to file their own returns this year. We should file their return because of the Affordable Care Act. Allowing a child to file his or her own return, particularly a student, can cost your child and you literally thousands of dollars in Health Care penalties and/or credits. We offer a **\$210 discount** to prepare your dependent children's income tax returns.

## CHANGES AND ITEMS OF SPECIAL INTEREST FOR TAX YEAR 2018

### IMPACT ON TAX RETURN PREPARATION

**FEES 2018:** Due to the hundreds of tax law changes that went into effect for the tax year of 2018, this year will be challenging for many taxpayers and their tax preparers. The majority of the changes will benefit our average client, but a few may be adversely impacted. We have done our best to educate ourselves in all aspects of the new laws to better serve you.

Tax law changes have caused us to implement a few changes to our billing. Not all clients will be affected, but based on the additional time, education and potential liability we have to incur, some of you may see an increase in your preparation fee. Most individuals who are not self-employed will see little or no increase in price. Business and

self-employed individuals will incur a price increase.

We have maintained our basic pricing structure without an increase for the last five years. Rest assured that we have taken steps to limit the increases to as little as possible.

**FORMS 1040-EZ AND 1040-A HAVE BEEN ELIMINATED:** All individual returns are now filed on Form 1040 only. If you filed a Form 1040-EZ or 1040-A last year and nothing else has changed, we will attempt to adjust your fee to minimize or eliminate a price increase.

**YOU MAY BE REQUIRED TO ISSUE FORMS 1099-MISC BY JANUARY 31:** If you are self-employed or operate an LLC or corporation and make payments in the course of your business which total \$600 or more during the year to an individual or to a business that is not a corporation, you are required to issue a Form 1099-MISC to those payees no later than January 31. Failure to do so will result in IRS penalties which have been increased substantially. We can prepare the required Forms 1099-MISC for you, please contact our office early in January for details. We suggest you make a practice of requiring these payees to give you a completed and signed IRS Form W-9 before you pay them. You may download a copy of IRS Form W-9 from the IRS website [www.irs.gov](http://www.irs.gov), or from our website, [www.ctaxva.com](http://www.ctaxva.com).

**CITY BUSINESS LICENSE TAX RETURNS:** We are happy to complete your city business license tax return for an additional fee. Please be sure you specifically call our attention to the city business license tax return paperwork when you bring in your tax documents. Do not combine with your other tax papers or it may be overlooked and not be completed on time.

**AFFORDABLE CARE ACT:** Contrary to popular belief, you must still have qualified health insurance for all family members in 2018 or pay a penalty. Many Americans are

joining "Health care sharing ministries" for health insurance, but there is no tax deduction allowed with these types of plans, even though they may keep you from paying a penalty for not having insurance. *If **anyone listed on your tax return** received a Form 1095 from any issuer or agency we **MUST** have all copies to prepare your tax return.*

**HEALTH CARE FOR THE SELF-EMPLOYED:** If you are self-employed we need to know how much you paid for health insurance premiums for yourself and your family in order to consider a special deduction for you.

**TAX SAVING OPPORTUNITY FOR BUSINESS OWNERS AND THE MARRIED SELF-EMPLOYED:** Establishing a Healthcare Reimbursement Account plan may help you save taxes next year. Please call us for more information.

**YOU MAY NEED TO ADJUST YOUR WITHHOLDING:** If you end up owing the IRS a lot of money, that's a sign you're not having enough withheld from your paycheck. Since the U.S. tax system works on a pay-as-you-go basis, you could owe a penalty for not paying enough throughout the year. If you owe additional tax for 2018, we can do a tax evaluation to help you in 2019; but you must make changes early in 2019 to avoid penalties again next year.

**CHARITY:** ALL deductions of any amount must have a record. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated no later than the date you file your return. The letter must show the date and amount of any individual contribution over \$250, and should also state that no goods or services were received in return for the contribution.

**STANDARD vs. ITEMIZED DEDUCTIONS:** The amount of the standard deduction allowed on the federal return has nearly doubled which may make taking the standard deduction instead of itemizing deductions

result in a lower federal tax bill. HOWEVER, if you claim the standard deduction on your federal return, you must also claim the standard deduction on your Virginia return. Because the Virginia standard deduction amounts have NOT increased, claiming the standard deduction on your federal return may increase your Virginia taxable income and therefore your Virginia tax. To get the optimum result, we must consider itemized deductions on both your federal and Virginia returns when determining whether or not to itemize. You must provide us with your itemized deductions in order for us to take this into account.

**SOME ITEMIZED DEDUCTIONS ON SCHEDULE A HAVE BEEN ELIMINATED:**

Some expenses may no longer be claimed as itemized deductions. Among the most frequently claimed items are:

- Interest paid on Home Equity Lines of Credit (HELOCs).
- Investment advisory and IRA account fees.
- Un-reimbursed employee expenses (does NOT apply to the self-employed) including automobile mileage and home office expenses are no longer deductible.

If you are in doubt, keep a record of the expense and we will help you determine whether or not it is still deductible.

**SOME REFUNDS MAY BE DELAYED:** Tax law requires the IRS to hold refunds for all tax returns which claim the Earned Income Tax Credit or Additional Child Tax Credit until at least February 15. The IRS cautions these refunds likely won't be received by taxpayers

until the week of February 25 if there are no processing issues with the tax return. Taxpayers who opt to receive their refund via paper check will likely experience much longer delays.

**DON'T DELAY:** There are literally hundreds of other changes, extensions and deletions to the tax code that we will consider this year while preparing your return. Because of these changes we are requesting everyone to try to have their tax information in to us at least two weeks earlier than normal, and no later than March 19, 2019. 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.

**TAX PLANNING:** The simplest and most effective tax reduction tool for all Americans of all income levels is full participation in retirement plans. To reduce income tax, make sure you maximize your 401(k) deferral if available, or contribute to tax-deductible IRAs.

Check your employee handbook and see what other fringe benefits are available at work and call us if you aren't sure if they will benefit you. Some of the best fringe benefits provided by employers include cafeteria (or Section 125) plans, as well as child care plans and wellness programs. Many taxpayers have unused amounts left in pre-tax healthcare flex spending (cafeteria/125 plans). If this includes you, get your check-ups, shots, dental work or new glasses taken care of before the end of the year.