Powers & Company
PO Box 882
Mahopac, NY 10541
Tel: (845) 803-8753
Fax: (845) 803-8759
www.tax-power.com

January 11, 2019

To our loyal clients;

The new federal tax law brings with it many changes, for some such as very large corporations the changes will substantially lower their tax bills hopefully lowering consumer prices and creating employment opportunities and benefitting employees. However, for many middle income individuals, the changes are meaningless and many will find that their refunds are lower or that they owe tax. To worsen matters, although federal forms compliance may be simplified in the minds of the legislators who changed the law, preparing the return could be a nightmare for some and for other, confusing at best. The reason is twofold:

a) All of the input forms have changed that will require hunting for places to input information depending on the tax software that is used.
b) As many states, such as New York, are protesting the federal changes, many states have refused to adopt the federal changes and use federal taxable income as their base, but instead either base taxable income under the old laws while others have cherry picked old deductions that they are permitting for determining that state's taxable income.

What this means is that you need to assemble and provide us with all of the same information that you did before in order for us to prepare your tax return. Some of the information will be used for the federal tax return while other deductions and information may be used for the state tax return.

Here is a snapshot of just some of the new federal tax rules:

1. The improvement in tax rates and threshold for middle and lower income taxpayers is basically nominal,
2. Although the standard deduction that can be used without itemizing deductions is doubled, many of the tax deductions have been eliminated. This will hurt people who own homes in NYS and other high cost areas as the total allowable deduction for state & local taxes paid (income, real estate, property, etc.) is now limited to only $10,000. So if live in NY with a family income of $100,000 and own a home paying $15,000 in real estate tax plus $6,000 in state income tax you are lose a $11,000 deduction. No longer can you deduct personal exemptions (originally scheduled for $4,150 PER FAMILY MEMBER). So for a family of 4 that amounts to another lost deduction of $16,600.
3. For the few who lack medical insurance the penalty is eliminated.

4. Many self employed individuals, including SMLLCs, get a special 20% deduction however this does not pertain to personal service income for consultants, counsellors, lawyers, etc.
5. Most miscellaneous deductions, including unreimbursed employee business and investment fees and expenses are eliminated.
6. Employment related moving expense deductions are no longer deductible and all employer relocation payments and allowances are now added to your W-2 compensation. This is an extremely costly change for many employees and their employers in more ways than one.
7. Americans who own businesses outside of the U.S. have faced catch up taxes on undistributed income even if it was reinvested into expanding the business. Now, income from the foreign business is taxed even though a dividend may not have been paid to the U.S. owner.

This being said, in an attempt to simplify to collection of information with which to prepare your 2018 tax returns, I ask that you provide us with the same information and documents that you usually provide. Visit our website at www.tax-power.com to access the 2017 organizer as a checklist should you need a reminder of the information that may apply to you. If you are an American residing and working outside the united states, use the Expatriate Supplement as well.

Also don't forget that we need from you a copy (front and back) of each spouse's driver's license, the full names, social security (or ITIN) for each taxpayer, spouse and dependents as well as whether or not each family member had health insurance (if you receive any forms from your medical insurance carrier please send this as well.

If you claim credits for children, regardless of whether or not they are qualified dependents, please provide us with a letter from their school or health care provider or some other documentation that is addressed to you at your address that includes the names of the children for whom you claim a child care or earned income credit. **The IRS is very strict that if we do not receive evidence from you that the children live with you and that you provide support, we are NOT permitted to claim the credit.**

If you have any foreign financial accounts, including bank, stocks or other investments retirement savings plans, etc., we will need a list that includes the name and address of the foreign financial institution, the account number, the highest balance or value during the year, if the account was either opened or closed during the year and if the account is jointly owned, we need the name, address and if available, a U.S. tax ID number (SS or ITIN).

Be sure that we have the name of the bank where you wish either your refund to be deposited or any balance owed to be draws from. Unless you advise us of the date that you want any tax owed to be drawn from, we will use April 15 (or June 15 if you reside outside the U.S.

Finally, please sign and date a statement that all information that you provide is accurate and complete. Provide your contact information, including email address and telephone.

If you have any questions, please contact me either by telephone or email.

Kind regards,

Andy Powers

P.S. For those who stop by the office remember that we are now located in the front office at 854 Route 6, Mahopac, NY 10541. **THIS IS NOT OUR MAILING ADDRESS WHICH REMAINS P.O. BOX 882, MAHOPAC, N.Y.**