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Happy New Year!

2018, what a financial year. Lowest unemployment in history, record number of Americans working, strong economic growth and a positive consumer outlook. A wild ride in the stock market has tested our discipline and emotions. 2018 has also marked the most changes to income taxation since the Tax Reform Act in 1986. Most provisions of the 2017 tax cuts and jobs act have become effective in 2018. Additionally, the Wayfair Case has dramatically altered state sales tax rules.

We're just about to enter the 2018 tax filing season, but already the IRS has issued new Federal income tax brackets, standard deduction amount, and many more limits will be adjusted. Confused? We get it, but we are here to help and guide you with your 2018 tax preparation and 2019 tax planning. As many of you know, we now offer enhanced payroll services.

Our customers are truly the best and we would like to extend the warmest of New Years wishes. We thank you for your business and hope the coming year provides you with wonderful opportunities and much happiness.

Gather Your Tax Paperwork and Receipts

As you gather your tax information (i.e. W-2's, 1099's, mortgage statements, etc.) please use the 2018 Client Income Tax Checklist attached. It is a list of common income and deduction items we will need.

Set Tax Appointment, CALL (480) 783-8870

Call us to schedule your appointment. The earlier the better. We strive to beat the April 15th deadline for early appointments. You can also mail, drop off, upload to our ShareFile account or email (mikayla.odell@capitalacctpc.com) your tax information and we will contact you when it is received.

Tax Deadlines

S Corporations & Partnerships (Forms 1120S/1065) – Friday, March 15th

Individual & Corporations (Forms 1040/140 & 1120) – Monday, April 15th

We will continue to keep a close eye on the news and be proactive in implementing strategies to help minimize any adverse tax consequences that may affect you. As always, we have your back.

Please feel free to call us with any questions you may have. We look forward to meeting with you.

Sincerely,

Capital Accounting, PC

2018



TAX HIGHLIGHTS & ANALYSIS

INDIVIDUALS

Individual Rates

Individual rates remained at 10, 12, 22, 24, 32, 35 and 37% through 2018. The amount of income subject to the top tax rate of 37% is \$600,000 (married filing jointly), \$500,000 (single individuals).

Child Tax Credit

\$2,000 tax credit for each child under age 17 permanently extended. Phases out at certain income brackets. If your children are 17 or older or you take care of elderly relatives you can claim a \$500 non-refundable credit.

Itemized Deductions

Much has changed here. Mortgage interest, charitable contributions, and medical expenses remain but with small tweaks to each. Mortgage interest is now on debt up to \$750,000 vs. \$1,000,000 (this only applies on mortgages taken after December 15th, 2017). Charitable contributions can now be up to 60% of income. The threshold for medical expenses is now 7.5% of AGI.

The deduction for state and local taxes is now limited to \$10,000.

Miscellaneous deductions including unreimbursed employee expenses and tax preparation fees are eliminated. Also, gone are moving expenses and most casualty losses.

Solar Credit

Consumers who install solar energy systems (including solar water heating & solar electric systems) can receive a 30% tax credit of total cost. The credit is available through the end of 2019. After that, the percentage steps down each year and then stops at the end of 2021.

Charitable Contributions

Charitable donations continue to be deductible but adequate documentation is a must. Evidence of the donation is necessary. This can be a cancelled check or a credit card receipt, and for any donation more than \$250, a written acknowledgement from the charity is required.

Affordable Care Act

Those who did not have "minimum essential coverage" will get socked with a penalty of 2.5% of your income above the tax filing threshold, or \$695 per adult and \$347.50 per child (up to a family maximum of \$2085) whichever is greater. Obama Care penalties are gone for 2019 and future years.

Reporting of 1099's (Independent Contractors)

Forms 1099-Misc must be filed for payments of \$600 or more to individuals or partnerships. You will need to meet the new January 31st filing deadline. Applicable to both recipient and agency copies, whether filing by paper or electronically.

Corporate Alternative Minimum Tax is repealed.

Net Operating Loss Deduction

The 2017 Tax Act now limits the amount of the NOL that a taxpayer can use to 80% of taxable income. Plus, the law also repeals the provision allowing for a 2-year carryback but does allow for indefinite period to carryforward the NOL.

RETIREMENT ACCOUNTS

401k Accounts

401(k) contributions remain at \$18,500 in 2018, and an additional catch up of \$6,000 if you are age 50 or older. For 2019 the deduction will be \$19,000 plus the catchup. For 2019 the limit is \$6,000, plus catchup.

Traditional IRA

IRA contributions limits for 2018 is capped at \$5,500, with a \$1,000 catch up contribution. Your ability to deduct traditional IRA contributions from your taxable income is income limited, with allowed amounts phased out as your income rises.

IRS Office

Contacting the IRS for guidance continues to be difficult. On the bright side, your chances of facing an IRS audit are greatly reduced. However, the IRS continues to send out computer-generated notices, usually from document-matching processes. Since IRS notices generated in this way are sometimes incorrect, you should contact us as soon as you receive correspondence and we will take care of it.

Remember, never ignore an IRS notice, it won't go away.



Client Income and Expense Helplist

This list is intended to help you gather receipts and statements that you should bring for your tax appointment

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