

Happy Holidays

With tax season upon us, we are sending you information that we hope will help you prepare for a smoother tax preparation experience. We are including a taxpayer information checklist for you to complete. To meet IRS guidelines, we are **required** to have one for every return we prepare. If you do not provide it with your tax information, you will need to complete it before we can finish your return.

Tax Changes for 2018

There were major changes made to Federal Tax Law in 2018. We are including a few of the more significant ones here. You can go to our website at: www.thetaxteamlc.com to get all the changes that we feel impact our clients.

NO LONGER ALLOWED:

Personal Exemptions (for Taxpayer, Spouse and Dependents ó was \$4,050 deduction each in 2017).

Equity Home Interest ó Interest on the portion of loan not used for purchase or improvement of home.

Casualty or Theft Deduction (unless President declared disaster zone or business related).

Moving Expenses (except for qualified Military move).

Miscellaneous Deductions - Unreimbursed Employee Business Expenses (Mileage, Union Dues, Supplies, Licenses, Education Expenses, Home Office, etc.), Investment Fees, Attorney Fees & Tax Prep Fees.

NEGATIVE CHANGES:

Tax write-off for Itemizers limited to \$10,000 ó includes property taxes, state and local taxes, and sales tax.

Mortgage Interest on Loans taken after 12/15/17 limited to \$750,000 purchase and improvement debt only.

Discharge of Student Loan Indebtedness will be taxable in most situations.

No charitable deduction for contribution that receives a State Credit (Cultural, % of IDA).

POSITIVE CHANGES:

Standard Deduction Increased to: Single \$12,000, Joint \$24,000 and Head of Household \$18,000.

Tax brackets above the 10% bracket decreased by 2% to 4%.

Child Tax Credit increased to \$2,000 per child age 16 or under, with \$1,400 per child refundable.

Income limits increased significantly before phase out of Child Tax Credit.

Other Dependent Tax Credit - \$500 for child 17 or older, and other dependents claimed on your return.

QBI Deduction ó Most experts believe the 20% QBI deduction (for businesses) will also apply to rental activities in determining taxable income for Federal only. Some limitations apply.

Extender Bill

The following items expired as of 12/31/17 ó but there is an extender bill currently making its way through Congress that would reinstate the following if it passes:

Tuition and Fees Subtraction of up to \$4,000 (Not the Education Credits ó they remain intact)

Mortgage Insurance Premium Deduction for Itemizers

Discharge of Indebtedness on Personal Residence

For 2017 Tax Returns – Congress waited until mid-February 2018 to extend these same items!!!!

Let's hope they finalize what they are doing before the end of the year for these 2018 changes!

IRS Tax Return Processing Delay for SOME Returns

Returns that include Earned Income Credit or Additional Child Tax Credit will be delayed for processing and refunds until late February 2019.

Due Diligence Requirements for Tax Credits and Head of Household Filing Status

In order to legally claim the Earned Income Tax Credit, Child Tax Credit, American Opportunity Credit, or Head of Household for Filing Status, the IRS has expanded the questions and is requiring us to have documentation.

Documentation that IRS feels is adequate to support the credits include: School Records, Landlord Statement, Medical Records, Healthcare Provider Statement, Childcare Provider Records, Social Services Record or Statement, or Place of Worship Statement. We need a 1098T for all Education Credits, along with the financial activity report (including date) on the account to determine how much was actually paid during 2018.

For Head of Household you will need to keep your records showing that you paid over half the cost of keeping up a home (rent or mortgage & tax payments, utilities, home repairs and maintenance, and grocery receipts).

ACA Health Insurance Form 1095 A, B or C

If you and/or your dependents were covered by health insurance of any kind, you SHOULD receive a Form 1095 (A, B, or C). If you purchased your insurance through the marketplace or exchange, we MUST have the 1095-A in order to complete your taxes as required by the IRS. The IRS will not accept any return without either insurance information or a Shared Responsibility Payment for not having health insurance.

Tax Filing Due Dates

The tax filing due date, without extension, is Monday, April 15th! Due date with extension will be October 15th.

Tax Preparation

We provide a secure portal for transferring information and tax documents. We encourage you to scan and upload to the portal, fax, drop off or mail (keep copies) your information or documents to us. You can go to:

<https://thetaxteamllc.securefilepro.com/> and upload the files as a guest at any time, or contact us to set up your personal portal account.

We still offer a 10% discount for referring a new tax client, and the new client will receive a first-time 10% discount. In addition there is a 10% discount available if you get your tax information to us without an in-person appointment by 3/1/19. We will discuss the return over the telephone or by email, so please include any contact numbers and email addresses where you can be reached on your **REQUIRED COMPLETED TAXPAYER INFORMATION CHECKLIST**.

Charity

The IRS and Oregon are stepping up their auditing of charitable giving. All charitable contributions must have proper documentation. Both the Salvation Army and Goodwill have good valuation lists online to assist in pricing your donations. Valuation information is available on our website www.thetaxteamllc.com. The link below outlines the IRS's charitable giving rules: <http://www.irs.gov/uac/Eight-Tips-for-Deducting-Charitable-Contributions>

Mortgage Interest

We must have Form 1098 from you for any mortgage interest you will be deducting. Additionally, we need the **Final Closing Disclosure** from your Lender or the **Final Settlement Statement** from Title if you purchased, sold or refinanced your home in 2018. If you refinanced and took money out, we will need to have general information on the use of the money to see what portion of mortgage interest, if any, is deductible.

Extensions

Per the IRS, we are not allowed to file an extension without your authorization. Taxpayers are allowed to extend their individual tax filing due date to 10/15/19 by filing form 4868. You can call or email us to file for you, or you can go online at: IRS.gov or click on our website for the form and link. **Filing an extension does not extend your time to pay.** If you think you will owe, you need to send payment with your Federal and/or Oregon extension form, or you can file and pay online. IRS website is www.irs.gov and Oregon's website is www.oregon.gov/dor. Those with business or rental activities on the return, may also need to file extensions with City of Portland and/or TriMet. There are forms and links on our website www.thetaxteamllc.com

Foreign Bank Accounts

If you have any accounts, including online gambling, cryptocurrency, retirement or business interests, with a combined value of more than \$10,000 at any time during the year, or a foreign business ownership (not a mutual fund), **you** must file the FinCEN 114 Form electronically online. There are **substantial penalties** for failure to disclose these items. Here is a link to the forms: <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Report-of-Foreign-Bank-and-Financial-Accounts-FBAR>

2019 Tax Year Changes

Traditional and Roth IRAs maximum contribution for **2019** will be **\$6,000** (\$7,000 for taxpayers 50 years or older). There will be NO a penalty for not having Health Insurance Coverage. Alimony Payments are no longer deductible and Alimony Received is no longer taxable for divorces finalized after 12/31/18. If you modify a prior decree, you can elect in the modification to go by these new rules. Medical Expense Deduction is subject to 10% of AGI (currently 7.5%).

Oregon:

Oregon Tax Changes

Oregon has tied to some of the Federal changes. The two changes that could impact our clients are:
Miscellaneous Expense Deduction for Itemizers ó No longer allowed
Home Mortgage Equity Debt Interest ó No longer allowed

Itemizing Deductions

Oregon will **NOT** have the higher standard deduction (like Federal has adopted). If you itemized in the past, you will need to provide all of the same information to itemize on your Oregon return.

Short Term Rentals & Airbnb

Heads Up! If you have short term rentals in Oregon be sure to research permitting, hotel tax and luxury tax issues. These are some of the issues we have heard of however there could be more. City of Portland has their own taxes and requirements.

Medical Subtraction for Oregon

The Oregon Special Medical Subtraction is available for taxpayers 65 or older on 12/31/2018. You need to total your medical expenses separately for the taxpayer and spouse for the additional write-off on the Oregon return.

Charitable Contributions

Oregon will disallow any contributions made to Nonprofits that do not keep/use 30% or more of the contribution for their exempt purpose. For more information go to: <https://justice.oregon.gov/Charities>.

Portland Arts Tax

This tax is due annually for most residents living within the City limits. The City prefers this return be filed and paid online. For more information go to: www.portlandoregon.gov/revenue/artstax. Upon request, we can prepare a paper return for you to mail in with your payment. Tax preparation fees apply.

Business Info: Corps, Partnerships, Schedule C's, Rentals and Employee Expenses:

Business Tax Changes for 2018

Qualified Business Income Deduction (QBI) ó Most businesses will receive a 20% QBI deduction in determining taxable income for Federal only. Some limitations apply. Some experts believe this deduction applies to rentals as well.

Like-Kind Exchanges allowed on Real Estate only. All other exchanges are treated as a Buy and Sell.

Net Operating Losses carried forward only (except farmers). NOLs are limited to 80% of taxable income.

Bonus Depreciation increased to 100%.

Section 179 Expense dollar limit is increased \$1,000,000.

Entertainment Expenses no longer allowed. All meal expenses subject to 50% deduction.

1099 & W-2 Filing Deadline

1099s and W-2s for 2018 payments must be issued to the people and sent to IRS and Oregon by **January 31, 2019**. If you would like our office to complete your forms for you we need the information by **January 11th** to complete them on time. You can order the free forms and instructions to complete them yourself at www.irs.gov, or call 1-800-829-FORM (3676).

Oregon is requiring **ALL** 1099s and W2s to be filed electronically via iWire. Their website is:

<http://www.oregon.gov/DOR/programs/businesses/pages/iwire.aspx>. Federal forms can still be mailed.

If your 1099s are not filed timely, or you issue a 1099 to someone who should be an Employee, Oregon will disallow the expense write-off. Example: Late or Erroneous 1099s = \$25,000 – Oregon will add \$25,000 to your taxable income.

City of Portland and Multnomah County Business License Tax

If you own real estate (excluding your primary residence) or do business within their boundaries and your Gross receipts for ALL business, rental activity and real estate sales is at least \$50,000 you are required to file a tax return and pay tax. You must file an exemption request form if your gross receipts are under \$50,000 and you have not received a waiver letter from the City. The City considers the sale of bare land to be subject to the business tax.

Assets

Business equipment, furnishings, fixtures, etc., of **\$2,500** or less per item or invoice can now be a direct expense on your business tax return if a timely election is made. (\$200 per item without the election.) For any asset over \$200, we will need the description and purchase/placed in service date.

Inventory

Take a physical count on December 31, 2018 and value at your cost (not retail).

Rental Use Days

All rentals must report how many days actually rented at fair rental value. (Renting to friends or family members for less than Fair Rental Value is considered personal use). For mixed use you must also report the number of days used for personal purposes and you are required to keep a log.

Mileage Rates and Log Requirement

For 2018, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 54.5 cents per mile for business miles driven. 2019 has not been announced
- 18 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

You must have a log in order to take the mileage deduction. IRS and Oregon are both continuing to aggressively audit this area. You are required to record mileage as it occurs instead of trying to recreate it later.

There are online sites to help record your mileage. We are using www.mileiq.com and if you say you were referred by The Tax Team, you will get a 20% discount on annual plans. Use discount code: **CAND598A**

Refund Delays

The IRS does not give us any information regarding processing or refund delays. If they need additional information they will send the taxpayer a letter. Reaching the IRS by phone is difficult, however, their phone number is 1-800-829-1040. Refund information is available at: <https://www.irs.gov/> and then click on "Where's My Refund". Oregon has a link as well <https://revenueonline.dor.oregon.gov/tap/>. Links are available on our website <http://thetaxteamllc.com>

PROTECT YOURSELF – Scams saying they are IRS continue to be a problem. Here are five things the scammers often do but the IRS will not do. Any one of these five things is a tell-tale sign of a scam.

The IRS will never:

- Call to demand immediate payment. Nor will the agency call about taxes owed without first having mailed you a bill.
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
- Require you to use a specific payment method for your taxes, such as a prepaid debit card.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in local police or other law-enforcement groups to have you arrested for not paying.

Office Hours

We will be in the office December 17th, 18th and 19th from 9am to 3pm. We will be closed December 20th through January 1st. We will return to the office on Wednesday January 2nd.

Beginning January 2nd through January 9th, we will be working Monday through Wednesday 9 to 3.

Beginning January 14th, our office will be open 5 days a week from 9am to 5pm. Beginning Saturday February 2nd our hours will be: 9am to 5pm Tuesday, Thursday, Friday and Saturday, and 9am to 7pm Monday and Wednesday.

Don't delay your return preparation just because you think you owe taxes. The earlier we receive your information the sooner we can finish your return and the more time you have to prepare for payment.

Due to the complexity and the time needed to accurately prepare a return, those who do not want to go on extension need to have all of their information to us by March 25, 2019.

This year you will have the option of receiving your tax return in booklet form or electronically through the portal. Please provide the method you prefer on your checklist. After you have received your return via your requested method, if you need additional copies or a different method, a fee will apply.

Free Pocket Planners / Calendars for 2019 have arrived. Please stop by if you would like one.

Out of respect to those with allergies, pets are not allowed in our office and please, no fragrances.

We really appreciate your business and look forward to working with you this coming year.

Best wishes to you and yours.

Happy Holidays,

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