

Jerry N. Little, Jr., CPA, P.C.

Tax Package for Individual Clients

2018 Tax Year

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February 9, 2019

To my clients:

The Tax Cuts and Jobs Act, passed in December 2017, has changed tax law more than any other that I remember. Most provisions of the law took effect in 2018. There are so many changes that I cannot begin to give you a comprehensive list. If you want to read about the law and get into details, you can do some easy research and get all kinds of information written much better than what I could create from scratch.

That being said, first and foremost among the changes, is the tax break for small business owners, including independent contractors who get a 1099. It is called the QBI deduction (Qualified Business Income), and is a 20% discount of income from operating a "trade or business". Using the simplest example possible, if you have a \$10,000 profit from a business, you would get a \$2,000 deduction (20% of \$10,000 profit). Of course there are exceptions to the rule, and exceptions to the exceptions, and limitations, on and on. Business tax returns will be more time consuming this year to follow new disclosure requirements regarding QBI.

There are major changes affecting many individuals who have itemized deductions. The good news for some is that the standard deduction has almost doubled. A married couple now has a standard deduction of \$24,000. Many of my clients' itemized deductions are less than that, so it represents a bigger deduction for them. Another huge new change is that you can no longer deduct miscellaneous itemized deductions that are subject to the 2% floor, including employee business expenses, tax prep fees, and investment expenses. No more Forms 2106! Those taxpayers who have previously written off lots of mileage, as an employee, will lose a big deduction!

Because of that increased standard deduction, if you are married, and the total of your mortgage interest and charitable contributions are less than \$14,000, you will probably not be itemizing deductions. The state and local tax deduction is now limited to \$10,000. However, there are still deductions for medical expenses in excess of 7.5% of AGI, gambling losses, casualty losses. It's only the misc itemized deductions subject to 2% floor that got eliminated/no longer deductible.

Great news, if you have children, age 16 and under, the child credit has doubled to \$2,000 per child and many more of you are eligible. Now you can make up to \$400,000 and still get the credit.

There is a new \$500 credit for dependents over the age of 16.

But, you no longer get a dependency exemption for each member of your family.

But most of the tax rates have decreased by 2%.

There are so many more changes!

Remember that starting last year, us tax preparers are required to ask for a driver's license or state-issued ID when e-filing. Please send us a copy of your driver's license.

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There are a lot of scams going on. Some criminals are calling and texting and emailing you, pretending to be the IRS, threatening law suits, etc. The IRS will not call you unexpectedly and demand money. You will receive letters instead. You will receive many letters, but not phone calls or emails, or texts from the IRS.

Enclosed is a checklist for you to use to help you decide what information to provide to us. This checklist is only a guide. There is no easy way to list all of the possible things that may affect your income taxes. Err on the side of caution and provide us with any information that may be relevant.

We prefer that you send copies of all of your original documents, such as W2s, 1099s, mortgage interest statements, donation receipts, etc. You keep the originals. As the taxpayer, you are ultimately responsible for your tax return, so you must keep all documentation for at least three years beyond the due date of your income tax returns, including the extension period, if you extend the due date.

Michelle Hammond, CPA, Kim Little, and Saloni Varlani will be working here again this year. Email is an excellent way for us to communicate. You can reach Michelle at michelle@jerrylittlecpa.com, Saloni at SVarlani@JerryLittleCPA.com, and Kim at klittle@jerrylittlecpa.com. The best time for phone calls to our office is afternoons.

I am attaching an engagement letter. This letter confirms the terms, clarifies the services we will provide and indicates your responsibilities.

Please complete the checklist, provide the information needed and return to us with the signed engagement letter. If you prefer to meet in person, please call or email me to set up an appointment.

Thank you for your business!



Jerry N. Little, Jr.

Jerry N Little, Jr, CPA, PC
Suwanee, Georgia 30024

Tax Preparation Engagement Letter

February 5, 2019

Dear Client:

This letter is to confirm and specify the terms of our engagement with you and to clarify the nature and extent of services we will provide.

We will prepare your 2018 federal and state income tax returns. We will depend on you to provide the information we need to prepare complete and accurate returns. We will not verify or audit the information you provide. We will accept the information you provide, including verbal information, to be true and accurate and in no event will we be liable for penalties or damages based upon errors or omissions in the information you provided to us.

We will perform accounting services only as needed to prepare your income tax returns. Our work will not include procedures to find defalcations or other irregularities. Accordingly, our engagement should not be relied upon to disclose errors, fraud, or other illegal acts.

You are responsible for maintaining and retaining all the documents which substantiate all items of income and deductions included in your income tax returns for a minimum of three years from the due date, or actual filing date, of the return, whichever is later. Certain items must be retained longer, such as documentation of real estate purchases, investments, and other transactions.

When we complete the income tax returns, it is important that you review them and ensure that all items of income are included and that deductions, dependents, etc. are accurate. The primary responsibility for accuracy and the burden of proof is always on the taxpayer. We may file an extension at our sole discretion. In the event an extension is filed, you are required to pay in enough money to cover any tax due by the April 15, 2019 deadline. We will not be held liable for late payment of your taxes.

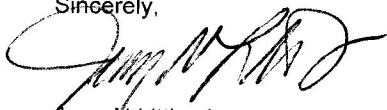
If you receive any notices from taxing agencies regarding your tax returns, you should call or email us, and immediately fax or deliver the notices to us.

Our fees for the preparation of your income tax returns will be based on our standard billing rates. We may provide an estimate of the total fee; however, unforeseen circumstances might increase the amount of time we spend preparing your tax returns. Therefore, the actual fees may be in excess of the original estimate. We reserve the right to add a late fee of 1.5% per month, if not paid within 30 days. If any collection action is required, you agree to reimburse us for our reasonable attorney's fees and expenses incurred in pursuit of collections.

Our engagement ends upon delivery of the tax returns. Any follow-up services, such as responding to tax notices, future tax planning, representation in a tax audit, personal financial or business planning, etc. shall be considered a new engagement.

Thank you for the opportunity to work with you. If you have questions, please call or email.

Sincerely,



Jerry N Little, Jr

(Both spouses must sign for preparation of joint tax returns.)

Accepted by:

Taxpayer name _____

Taxpayer signature _____ Date _____

Spouse name _____

Spouse signature _____ Date _____

Taxpayer Name(s): _____ Date: ____/____/2019

This checklist is to help you get for us all the information we need to prepare your income tax returns.

If we have been doing your tax returns for years, please notify us of any significant changes in 2018 that might impact your income taxes, especially if you think you may owe taxes on the due date.

Do you think that you will have a balance due for 2018? Yes or No You can extend time to file, not to pay.

It is important that you send us notices you receive from the IRS, or Georgia, or your state Dept of Revenue.

As an authorized e-filer, this CPA firm is required to get a copy of you and your spouse's photo ID, or check the box that you don't have one, or check the box that you refused to give it to us.

yes no n/a

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Do you agree to provide us a copy of your drivers license or state issued photo ID? Please attach.

Has your home address changed?

Who is primary contact for tax information? _____ phone # _____

**** Best email address for us to contact you for information: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you have a refund, do you want direct deposit?

If yes, use same account as last year?

If not, we need bank name, routing number and account number

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Did your marital status change during 2018?

Taxpayer occupation: _____ spouse: _____

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Did you receive any W2 Forms from employers? Please provide copies.

How many W2s did you receive? _____ Spouse? _____

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Did you receive interest income and/or 1099 INT? How many? ____ Please provide copies or a list.

Did you receive dividend income and/or 1099 DIV? How many? ____ If so provide copies or a list.

Did you receive any state tax refunds? We need 1099-Gs.

Did you sell any stocks or bonds? We need 1099-Bs and schedules of gain or loss.

Brokers will provide year-end summaries, with calculations of gains/losses. We need them.

The reporting of gains from sales of stocks and other securities have grown increasingly complex.

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Did you have any distributions from IRAs or retirement accounts? How many 1099Rs? ____

Did you contribute to any IRAs or SEPs? Traditional or ROTH? We need Form 5498.

Did you receive any social security income? We need Forms SSA-1099.

Do you have any foreign financial accounts? Strict reporting requirements and major penalties!!!

Did you have gambling income? We need W-2G(s). Gambling losses still deductible, with exceptions.

Did you receive any unemployment benefits? We need 1099-Gs.

Did you receive or pay alimony? Alimony can be taxable and deductible - it depends.

Did you have income from cancellation of debt? We need Form(s) 1099-C, and probably more info.

Did you receive any other income which may be taxable?

Additional information:

yes no n/a

*****HEALTH INSURANCE AND MEDICAL EXPENSES*****

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Did you, your spouse, and your dependents have health insurance every month of the year?

The penalty for not having health insurance can be minimum \$695 per adult, \$347.50 per child, or 2.5% of household income in excess of the filing threshold. Expect to receive Form 1095-A if you purchased health insurance from healthcare.gov. Forms 1095-B and 1095-C are issued by insurance companies and large employers providing information on your health insurance plan. Provide copies to us.

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Did you purchase insurance through the Health Insurance Marketplace? If yes, you may have received a subsidy, and if so, you are required to file a tax return. We need Form 1095-A.

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Do you have a Health Savings Account? If yes, we need two forms: 5498-SA and 1099-SA.

You can put in money up to April 15 for the prior year. How much did you/will you put in for 2018? \$ _____

ITEMIZED DEDUCTIONS - if in excess of standard deduction**Standard deduction is now \$12,000 single, \$24,000 MFJ and \$18,000 H/H**

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Did you pay medical expenses in excess of 7.5% of adjusted gross income? If so, provide info. If deducting medical expenses, we need a detailed list, including mileage (18 cents per mile).

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Did you pay mortgage interest on your home? We need Forms 1098. How many? _____

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Did you pay mortgage interest on a second home? We need Forms 1098. How many? _____

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Did you pay real estate tax on your main home? If not on your Form 1098, how much? \$ _____

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Did you pay real estate tax on a second home, or any other real estate? Please provide amounts.

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Did you pay car taxes (ad valorem)? Boat taxes? Trailer taxes? Most property tax is deductible.

The title ad valorem tax on vehicle purchases in Ga is not deductible.

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Did you pay any margin interest or other interest for investment purposes? Provide info.

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Did you make any charitable contributions? Please provide detailed information.

***Receipts are required more important than ever. They must be "contemporaneous", which means that they were obtained when the contribution was made, not years later.

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Did you make any non-cash charitable contributions? Please read the following info!

You must have a receipt for any contribution of \$250 or more, including non-cash contributions, which states that you received nothing of value in exchange for that contribution.

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Did you travel or have out-of-pocket expenses for charitable activities? Mission trips?

You even need a receipt for mission trip expenses!

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Did you suffer any large losses in a federally declared disaster area?

yes no n/a

REAL ESTATE

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Did you buy, sell or refinance your main home? If yes, we need closing statement(s).

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Did you buy or sell any other real estate? We always need closing statements.

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Do you own property that you rent to others? Ask for our Schedule E checklist.

Additional information:

EDUCATION

yes no n/a

We need to know this info for each student. You must claim the student to qualify.

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Did you pay tuition and fees for higher education for anyone in the household? How much? \$_____

Form 1098-T is required for each student. The form normally shows amounts billed. We need amounts paid.

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Did you pay for books, supplies or equip required for enrollment? How much? We need details.

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Is the student in first four years of college.?

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Did you pay interest on any student loans? We need Form(s) 1098-E.

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Did you contribute money to a GEORGIA Sec 529 plan? Can save Ga taxes.

BUSINESS

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Did you receive any Forms K-1 for any business? We need them. How many? Any new or sold?

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Did you start a business in 2018? Ask for our Schedule C checklist.

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Did you earn income as an independent contractor? We need 1099-MISC forms, income and expenses.

BUSINESS EXPENSES ARE NO LONGER DEDUCTIBLE AS AN EMPLOYEE**They are only deductible if you are filing a Schedule C or a business tax return.**

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Did you use your home for business purposes? Ask us for checklist. ***

*** Home office rules require an area used EXCLUSIVELY for business; no personal use at all.

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Did you use your auto for business purposes? Mileage rate for 2018 is 54.5 cents per mile.

If yes, we need total mileage, and business mileage, any reimbursements you receive.

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Did you move to a new home for your job or business? Only military moves qualify now.

CHILDREN

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Were there any changes in your dependents? New baby? Kids no longer dependents?

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Did your children live with you, and did you provide more than half of their support? If no, we need to talk.

If divorced, or separated, normally, parent with custody gets exemptions and credits. If diff, let's talk.

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Did your child complete a drivers education course? Ga tax credit possible. How much?

(Fees paid to high schools don't qualify.)

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Do you have a dependent child with at least \$2,100 investment income? If so, must file and report.

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Did you pay for childcare so that you or your spouse could work? How much per child? _____

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Is it same daycare as year before? If no, please provide name, address and fed ID# of daycare provider.

OTHER STUFF

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Did anyone owe you money which has become uncollectible? May qualify as bad debt deduction.

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Did you pay anyone at least \$2,100 to work in your home? If yes, you may be required to issue a W2.

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Did you contribute any money to an IRA? Traditional or Roth?

You can contribute money up until April 15 and designate it for the prior year.

Please provide details on anything above, or any other information which may be relevant.
