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Dear Client,

This year our annual newsletter is designed to give you the guidance needed for understanding how the big new tax law changes will personally affect you, to dismiss some myths that are floating around; and to provide some basic ideas for tax planning. We have included the 2018 client questionnaire that will help you inform us of the many changes that can occur during the year. Please complete the form and bring it to our office **when you bring your tax document in for preparation.** If you want a more detailed, customized organizer, they are available for free. All you need to do is call our office and request yours.

Please remember to utilize our **WEBSITE** at www.markfraziercpa.com. I am sure you will find it very informative in regard to tax and financial issues.

We will be sending all future planning and year end letters by email, it is **imperative that you give us your current email address on the attached client questionnaire.** This will allow us to communicate with you more often and keep you informed of the many tax law changes occurring.

2018 Tax Changes for Individuals

Everyone seems to think that the new “postcard” return will make income tax preparation easier! Not true. The recurring theme in all of our continuing education classes this year has been the 20% increase in time we can expect to properly complete your return. Here are some of the major changes that have occurred.

The new Federal withholding tables were designed to lower your total tax bill for the year by giving you a bigger paycheck throughout the year. Unfortunately, they were not designed to give you a refund at year end, and for those of you that did not heed our warnings to change your withholding, your refund will be very small (if any) because you already received it in bits and pieces through larger paychecks throughout the year. One of our simple recommendations for 2019 is that all married individuals fill out a W-4 reflecting “single and zero” withholding.

The ability to itemize deductions has been dramatically decreased because the new law provides a much, much larger standard deduction. (You are allowed to deduct the greater of the two). However, we still need to accumulate the information on your medical, tax, mortgage interest, charity and other deductions in order to apply the new rules, and to complete your state tax returns.

A major change has occurred on home equity lines and 2nd mortgages, most of which are now not deductible. In order to get your largest deduction, we will need to know much more information on these amounts than in the past, such as amounts borrowed and use.

Employee work related business expenses are no longer deductible on the Federal return, but we may still need the information for your state return, and if you incur a lot of these types of expenses, you need to discuss the use of an accountable plan with your employer.

Most home-related energy efficiency credits are now expired, but an incredible 30% Federal credit still exists for solar, wind and geothermal costs; and a \$7,500 Federal credit for buying a fully electric car still applies through the end of 2018.

If you are retired, over age 70 ½, and have an IRA you must utilize the direct IRA to charity transfer tool to make charitable contributions. This simple trick can save you hundreds of dollars in income tax.

With over 50% of working Americans now covered by health savings insurance policies, it is of absolute importance that you start a health savings account, even with \$50, and discuss some excellent tax-savings ideas with us for these tax-beneficial plans. And yes, you were still required to maintain health insurance for every member of your family for 2018 or face a potential penalty.

Finally, in order to prepare your return this year **we are required** to obtain all of your W-2's, 1099's from retirement, interest, dividends and brokers, Forms 1095 for health insurance, bank Forms 1098 and any other official IRS documents.

Form 1099MISC

It is imperative that all farmers and business owner's issue form 1099MISC for any payments you make for services or rent that are \$600.00 or greater. These forms are due January 31, 2018 and the IRS has increased the fines for non-compliance and are currently increasing enforcement. We are happy to assist you with the preparation of the 1099's.

Fee Increases

Due to the immense tax law changes for tax year 2018, and the increased costs our firm has incurred in training, staffing, equipment & time to prepare tax returns this year which could double, we will be increasing preparation fees. For individual returns without business or rental activities the fee increase will be minimal, however returns with self-employment, rental activity, farming or business returns will see fee increases from 20% to 30%. I wanted to inform you of this change, in advance, so that you will not be surprised when you pick up your return this year. We have always valued your business, and will continue to value it in the future. The best way that I know of to retain your trust and confidence is to inform you in advance of these and any other changes.

2018 and Future Tax Planning Ideas

1. Every year we are told “I pay too much in taxes” or “I want some of the tax loopholes that rich people get”. We can answer both statements with one answer. Rich people do not receive more tax deductions or “loopholes” than anyone else, they just take advantage of what is there to keep their taxes at a low legal level. The single greatest tax “loophole” that they use, which few average people use to its limit is the ability to defer nearly \$20,000 into a 401-K if your employer has one. If your employer has a 401-K and you are not putting the maximum deferral in it, there is no reason to even think about other tax planning ideas.
2. In the current tax era of greatly increased requirements to itemize deductions, a tax “bunching” strategy is absolutely mandatory. The “bunching strategy” recognizes that the best tax deductions are obtained by putting deductions in one year rather than spreading them amongst several years. For example, in years where your charitable contributions are very low, hold off until the next year to catch up, then also pay the full amount of the next year’s contributions in the “catch up” year in order to double your chances of itemizing. Similarly, few Americans receive medical deductions anymore, but if you incur a large expense for say, the deductible on surgery, then try to do all of your other medical items in the same year, such as dental and vision exams, check-ups, etc.
3. Check into your employer’s handbook to see what employer provided fringe benefits are available. Taxpayer’s are often surprised at the available benefits, or at our explanation of what some benefits really mean. We offer special “tax planning” sessions to go through the handbooks and your paycheck to see what is available and what your options may be, via appointment.

We are happy to meet with you throughout the year for tax planning, retirement and similar income tax related issues, and sincerely appreciate your continued business each year.

Thank You,

Mark A. Frazier
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