JENNINGS & CLOUSE, PLC
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2018

Re: Year-end letter for individual clients

As this year is about to end, now is an excellent time to review your current tax planning strategies to ensure they're still meeting your needs and develop plans for 2019. It's also a good time to take advantage of last-minute planning opportunities that could save you money now and in the coming year.

With all that in mind, please contact us at your earliest convenience to discuss your tax situation so we can develop a customized plan. In the meantime, here's a look at some of the issues we're recommending clients consider as they begin their end-of-year review.

Tax Cuts and Jobs Act (TCJA)

The TCJA was signed into law at the end of 2017. The IRS has been working throughout 2018 on this major piece of tax legislation, issuing proposed regulations, notices, memos, FAQs and more to help individuals make sense of all the changes. Check out the IRS's Individuals tax reform page for updates, resources and to learn how these changes affect you.

Below is a summary of important developments you should be aware of:

- The standard deduction increased in 2018 for all filers. Due to the increase in the standard deduction and reduced usage of itemized deductions, you may want to consider filing a new Form W-4 so that your withholding is reflective of your actual tax liability under these new rules.
- There's a new deduction available for individuals that have qualified business income from a partnership, S corporation or sole proprietorship. This is effective for tax years 2018 through 2025.
- The new tax law increases the child tax credit to $2,000 per qualifying child. The phase-out threshold begins at $400,000 for married taxpayers filing a joint return and $200,000 for other taxpayers. The maximum additional child tax credit increased to $1,400.

- For mortgages that originated in 2018, the interest deduction is limited to interest on debt up to $750,000 ($375,000 for married taxpayers filing separately). Also, interest on home equity loans is only deductible if the funds are used for home improvements or traced to business, investment or passive activity expenditures.
- 529 plans now allow for up to $10,000 in annual distributions for tuition at public, private, or religious elementary and secondary schools.
- There is now an overall limit of $10,000 for property taxes and state and local income taxes (or sales tax in lieu of income taxes). This provision applies from Jan. 1, 2018, to Dec. 31, 2025.

We're here to help you navigate the changes and ensure you receive the most favorable tax treatment.

The Alternative Minimum Tax (AMT) remains a concern, but planning can help.

The new law repealed the AMT for corporate taxpayers, but it still applies to individuals. Many taxpayers are required to add back certain non-taxable income and deductions they've taken. You're now allowed a larger exemption that somewhat reduces the AMT's effects. That exemption rose in 2018 to $70,300 for single and head of household taxpayers and to $109,400 for married couples filing jointly. Talk to us about other ways to minimize your exposure to the AMT using techniques such as income acceleration or deferral.

Tax identity theft is a significant threat.

Our firm takes security very seriously, so we want to begin with a reminder that tax identity theft is a growing problem. With fraudsters becoming more sophisticated and large breaches happening so frequently — such as the 2017 Equifax incident which affected 143 million American consumers — tax identity theft remains a concern. Unfortunately, it can take many forms, so beware if you:

- Receive a notice or letter from the Internal Revenue Service (IRS) regarding a tax return, tax bill or income that doesn't apply to you — It's possible someone has filed a false return using your Social Security number (SSN) to claim a refund or get a job.
- Get an unsolicited email or another form of communication asking for your bank account number or other financial details or personal information, such as your SSN — The IRS doesn't contact taxpayers using email, text or other social media channels, so it's likely a scammer is trying to steal your confidential information.

- Receive a robocall insisting you must call back and settle your tax bill — Your first contact with the IRS will be through official correspondence by mail; it won't call you out of the blue. Also, the IRS does not demand immediate payment over the phone, threaten to arrest you or demand your credit or debit card number or that you use a certain payment method — such as a gift card — to pay your taxes.

If you receive any suspicious communications from the IRS, you can report the contact by filling out this IRS Impersonation Scam Reporting form or calling 800.366.4484. We also urge you to contact our office for advice whenever you receive a communication from the IRS or believe you might be an identity theft victim.

Make sure you're taking steps to keep your personal financial information safe. Check out these identity protection tips from the IRS on how to protect yourself from identity theft. Also, filing your return early can sometimes help prevent tax refund fraud. Contact us so we can help you gather your tax information to file as early as possible.

The Affordable Care Act (ACA) and your taxes

The TCJA repealed the shared responsibility payment (the penalty that the ACA imposes on individuals do not have health insurance) beginning in 2019. However, other aspects of the Affordable Care Act are still in place.

Don't get assessed IRS penalties for underpayment of estimated taxes.

The IRS charges penalties (and interest) if you don't pay the appropriate amount of taxes throughout the year. We can help you calculate your projected income and required quarterly payments — and even adjust your W-2 withholding, if beneficial. Contact our office so we can help you make the required payments before the end of the year to avoid penalties and any surprises come filing season.

Be sure your retirement planning is up to date.

We recommend you review your retirement situation at least annually and make revisions and adjustments as needed. That includes making the most of tax-advantaged retirement saving options. For example, if you're eligible, there's still time to contribute to a traditional or Roth IRA; you may even be able to deduct your contribution to a traditional IRA. If your employer has a

401(k) plan, there's still time to maximize your contributions and achieve significant tax savings. Participants age 50 or older can make catch-up contributions, thereby further increasing potential tax savings. If you're heading closer to retirement, we can help you determine whether you're on target to reach your savings goals.

Note that the TCJA repeals the ability to re-characterize conversion contributions to Roth IRAs. This prohibits taxpayers from unwinding Roth conversions. Taxpayers are still allowed to re-characterize contributions to a Roth IRA as contributions to a traditional IRA if the conversion happens prior to the due date of the income tax return.

Whether it's working toward retirement or getting answers to your tax and financial questions, we're here for you. Please contact our office today at 615.206.0360 if you have any questions or to set up a year-end review. As always, planning ahead can help you minimize your tax bill and position you for greater success.

Sincerely,

Jennings & Clouse, PLC

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