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DECEMBER 2018

Dear Best Clients Ever:

Well, it's a new world out there, sort of. Lots of changes in the way we do taxes. The primary difference is in the increase to the standard deduction and accompanying elimination of the personal allowance. In order to itemize you must now exceed the standard deduction of \$12,000 for singles and \$24,000 for married filing jointly. (If over age 65 an additional \$1,600 for singles and \$1,300 per person for marrieds.) This increase means a lot of you will not be itemizing deductions for Federal. But for California the standard deduction is still only \$4,401 and \$8,802, respectively. With the deduction for taxes limited to \$10,000, you must have a substantial mortgage interest deduction to be able to beat the standard. Charitable contributions are still the best deductible amount available, assuming you are in a position to be generous. There is no longer an allowable deduction for Miscellaneous items such as brokerage fees, tax preparation fees or unreimbursed employee expenses. On the plus side, the tax rates are reduced. So with the increased standard deduction and the decrease in tax rates, some of you may already be "winners" in this game. Also, the child tax credit is available to more taxpayers, and AMT will not apply to most.



### **A note to all clients, but especially those who tend to procrastinate a bit:**

The last few years have brought us many new clients. We are of course very glad about this, but it also presents a challenge. Obviously, it takes longer to get more tax returns done, and some practices we have followed in the past are becoming simply unworkable. We have had to make a few changes in order to save us time and deliver the best possible service to you. First, we can no longer allow clients to send us their tax documents a few (or one) at a time. You are still welcome to deliver your documents in person, by mail, or by email, but we must ask that you wait until you have all your documents together before sending them. We strive to get everyone's returns done on time, but with recent changes in corporate and partnership due dates, this is becoming more and more difficult. Therefore, if we receive your tax documents after April 1, and you want the return done by the April deadline, we will have to charge an additional fee. Furthermore, we are not able to guarantee returns will be done by the due date. **See below about extensions.**

### **We say this every year, but we need your full attention for these ACTION ITEMS-----**

RIGHT NOW, if you haven't done so already, please find a large envelope, folder, or box, and put it in a place where you can place all Important Tax Documents into as soon as they come in the mail. (You should open them, but put them in the box.) No matter whether you file your taxes early or later, you still will likely receive some of the following by mid-February:

- W-2s
- Brokerage 1099 (might come later)
- Various other 1099s
- 1099-Int or Div
- Brokerage year-end statement
- Unemployment 1099-G
- 1099-Rs
- Mortgage Interest Form 1098
- Health Ins 1095-A,-B or -C

Other common items, that won't come in the mail in January, and only if you expect to itemize:

- Your property tax bills that you paid in the prior year (Make a copy to put in the box.)
- Receipts for all cash and non-cash charitable contributions (Find and put in the box!)
- DMV registrations (But these won't help for Federal if your deductible taxes total is over \$10,000)



If you have quite a few charitable contributions, a listing with total would be very helpful. We don't need to see all your receipts, but you would need them in the event of an audit, for which you would also need a cancelled check, bank or credit card record and/or a letter from the donee to support your gifts. Also make lists of things you gave away (to Goodwill, etc) that you have receipts for (which you should have gotten when you gave the items), so that reasonable valuations can be determined.

**Re EXTENSIONS:** We are happy to help you file for extensions, but if you get your own, please let us know. Be aware that if you expect to owe a balance, it should be paid with an extension request to avoid late payment penalties. If you are expecting a refund, then you can just get the extension, but should still file as soon as is feasible. Some people are forced to wait for K-1s from partnerships or S-Corps, some for late-amended brokerage 1099s, but many just want to put off the inevitable. If you pay estimated taxes, and don't file the previous year early enough, there is a lot of figuring to do to keep from missing too many estimate due dates for the next year. In any case, the duty to file your tax returns rests on YOU.

If you have rental property, fill out our Rental Schedule assuming we sent you one, or make a spreadsheet or listing of your expenses (and your income), and put that in the folder. You should include your property tax and insurance bills, and dates and amounts of any major purchases, improvements or repairs.

If you bought or sold real estate, you should include a copy of your HUD-1 (or settlement statement) for each transaction.

Once again we have an Engagement Letter enclosed with this letter. Please review this letter, sign it and bring it with you to your tax appointment, or send it with your info if you mail it. It's somewhat of a formality, but we are trying to be a little more proactive in this area, and we do appreciate your cooperation.



**Our privacy statement:**

We collect nonpublic personal information about you from the following sources:

- ♦ Information we receive from you on tax preparation worksheets, applications and other documents we use in preparing your tax returns or other forms;
- ♦ Information about your transactions with us, our affiliates, or others; and
- ♦ Information we receive from a consumer reporting agency.

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law, or as requested by you. We restrict access to nonpublic personal information about you to those members of our firm who need to know that information to provide services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your nonpublic personal information. Your confidence in us is important and we want you to know that your personal information is safe. If you have any questions or concerns about this, please contact us.

**If you move**, be sure to keep us aware of your comings and goings. Just pop us an email to let us know your new address, phone number and/or email, if there are changes. Also, if your tax return is being prepared and you haven't heard from us, please call or email to inquire, or check to see if we have emailed you questions. Communication is key!

Please be aware that moving is a time when tax information or prior year returns can easily get misplaced, so it would be wise to designate an "Important Papers" box to include the past couple of years of tax returns, and if the current year has not yet been filed, all current tax-related documents and lists of contributions or other deductible expenses. This box should be kept separate from everything else and closely monitored!

If you were not covered by a health insurance policy in 2018, you must either qualify for an exemption or you will be subject to a Shared Responsibility Payment, that will either increase your balance due or reduce your refund. Please provide us with any and all Forms 1095 that you receive. These could help reduce or eliminate the Shared Responsibility Payment, which will be fairly high for 2018 unless something changes. Ask us if you need to know about this.

IRA Distributions: If you are over age 70-1/2, don't forget to take your Required Minimum Distribution by Dec 31. The penalties for not doing so are severe...50% of the required amount. Having it set up to be distributed on a monthly or annual basis automatically is the best and safest way to ensure it is done. And having taxes withheld often makes sense.

IRA Contributions: The rules and limits are the same as last year, that is, you have until April 15 to make a contribution to any IRA for 2018. The maximum is \$5,500 (\$6,500 if over age 50), or your earned income from wages or self-employment if that is less. The maximum amount can be contributed to a Traditional, or Roth, or a combination of the two.

We recommend making your tax appointment early. We will be happy to schedule you for a future date.

We look forward to seeing the many you who will come in, and hearing from those who can't physically come into the office.

We all wish you the merriest of holidays, however you celebrate! And may 2019 bring you continued health and prosperity.

With warm wishes in the cool season,

*Heather, Melody, Mike, Tracy and Carrie*



PS: No letter would be complete without a joke or three so:

--A fine is a tax for doing wrong. A tax is a fine for doing well.

--"It is more deductible to give than to receive." -Henry Leabo

--Every year around April 15 Americans have a rendezvous with debt.