



**Fiorita Kornhaas & Company, PC**

*Certified Public Accountants and Advisors*

*For personal and corporate growth*

January 15, 2019

Dear Client:

We are again delighted to extend our Best Wishes to you for a Happy, Healthy and Prosperous 2019! With the start of another new year, we look forward to assisting you in your tax preparation and planning as part of your overall financial strategy.

Of course, 2018 will be the first full year of the effects of the Tax Cuts and Jobs Act of 2017 as well as the new Connecticut Pass-Through Entity Tax. This means changes to tax forms and schedules, tax rate brackets, standard deductions, deductions for state and local taxes and many more. The enclosed Tax Highlights outlines some of the major changes to the 2018 provisions that are now in effect. Of course, we are available to discuss current tax developments with you to determine any impact they may have on your planning.

Our 2018 tax questionnaire is enclosed and includes all of the required information that we need to complete your tax returns. We ask that the questionnaire be completed thoroughly prior to submitting your tax information. Kindly provide us with all original 2018 documents, including support for estimated tax payments and your direct deposit information, so that we may expedite the completion of your tax returns.

Tax meetings are now being scheduled at both our Danbury and Southbury offices beginning Saturday, February 9, 2019 through March 30, 2019. Appointments will be scheduled on Wednesdays and Saturdays at our Danbury office and on Thursdays at our Southbury office. Should you decide not to schedule an appointment, please submit information to our office as soon as possible. **Any tax information submitted after April 1, 2019 will require an extension.** As always, any 2018 tax liability must be paid with the filing of your extension by April 15, 2019 in order for your extension to be valid.

We look forward to serving your tax, accounting, and planning needs. We welcome the opportunity to address any concerns or questions you may have at any time.

Sincerely,

Fiorita, Kornhaas & Company, P.C.  
Certified Public Accountants

# 2018 TAX HIGHLIGHTS and CHANGES UNDER TCJA

The Tax Cuts and Jobs Act (TCJA) was signed into law on December 22, 2017. Major highlights and changes under the new law, effective for tax year 2018 are summarized below.

**Individual Tax Rates** are 10%, 12%, 22%, 24%, 32%, 35% and 37% effective for tax year 2018 which were lowered from 10%, 15%, 25%, 28%, 33%, 35% and 39.6% in 2017.

**Standard Deductions** are \$12,000 (Single), \$24,000 (MFJ) and \$18,000 (HOH) for tax year 2018 which were increased from \$6,350 (Single), \$12,700 (MFJ) and \$9,350 (HOH) in 2017.

**Personal Exemptions** are repealed for 2018.

**Capital Gains Tax rates and Qualified Dividends.** Capital Gains and Qualified dividends remain taxed at 0%, 15% and 20% based on your filing status and income level.

**Pass-through income** which is taxed at the same as individual tax rates is now subject to an additional 20% deduction with certain limitations. Many owners of sole proprietorships, partnerships, trusts and S corporations may deduct 20 percent of their qualified business income (QBI). The new deduction – referred to as the Section 199A deduction is available for tax years beginning after December 31, 2017. Certain limits apply with regard to taxable income, type of trade or business, taxable income and W-2 wages paid by the qualified trade or business in calculating this deduction.

**Alternative Minimum Tax** remains at 26% and 28% for individuals with an increased exemption in 2018. For corporate taxpayers, the Alternative Minimum Tax was repealed effective for tax year 2018.

**Net Investment Income Tax** at 3.8% remains unchanged from prior years.

**Additional Medicare Tax** at 0.9% remains unchanged from prior years.

**Itemized Deductions.** Major changes effective with tax year 2018 are as follows:

- State and Local tax deduction is capped at \$10,000 (\$5,000 if MFS)
- Home Mortgage Interest deduction was modified to reduce the limit on acquisition debt to \$750,000 (from the prior law limit of \$1,000,000)
- The Home-Equity loan interest deduction was repealed through 2025
- Moving Expenses are not deductible (except for certain members of the armed forces)
- Casualty losses can only be deducted if the loss is attributable to a federally declared disaster
- Miscellaneous itemized deductions subject to the 2% of AGI floor are repealed through 2025
- The overall limitation on itemized deductions has been suspended through 2025

**Standard Mileage Rates.** Business, medical and charitable use of vehicles are as follows:

	<u>2018</u>	<u>2019</u>
Business Travel	54.5 cents per mile	58 cents per mile
Medical Travel	18 cents per mile	20 cents per mile
Charitable Travel	14 cents per mile	14 cents per mile

## **Estates and Gifts**

- Per-donee 2018 annual gift tax exclusion amount: \$15,000
- Exclusion for transfers to noncitizen spouse: \$152,000
- Gift/estate tax lifetime exclusion amount: \$11,180,000 for 2018 and \$11,400,000 for 2019.

**Tax Credits** The following tax credits are available to some taxpayers (various income limits apply):

- Earned Income Credit: \$519 maximum (with no qualifying children)
- Child Tax Credit: \$2,000 maximum per qualifying child and \$500 per non-child dependent
- Adoption expense: \$13,810 maximum per child
- Child and Dependent Care: 35% of employment-related expenses maximum
- American opportunity: Up to \$2,500 per year maximum
- Lifetime Learning: Up to \$2,000 of qualified tuition and related expenses

## **FOREIGN REPORTING REQUIREMENTS**

**Foreign Accounts** All U.S. citizens with foreign accounts over certain thresholds must file an annual Report of Foreign Bank and Financial Accounts (FBAR Form 114) by the due date of their tax return. This report, which must be filed electronically, is filed with the Financial Crimes Enforcement Network (FinCEN) and carries strict penalties if not properly and timely filed.

**Foreign Source Income** All U.S. citizens are required to report their worldwide income regardless of which country it is sourced from. Only certain sources of income are exempt from this requirement and many countries offer tax treaties with the U.S. to avoid double taxation.

## **TAX CHANGES RELATING TO BUSINESSES**

**Corporate Tax Rates** change to a flat 21% tax effective in tax year 2018 as compared to the graduated rates with a maximum of 35% for tax years 2017 and earlier.

**Small Business Expenses/Bonus Depreciation.** For property placed in service after December 31, 2017 a taxpayer may elect to expense the cost of any section 179 property and deduct it in the year the property is placed in service. The maximum deduction is \$1,000,000 and the phase-out threshold is \$2,500,000.

For qualified property acquired and placed in service after September 23, 2017 and before January 1, 2023 a 100 percent bonus depreciation is applicable. Qualified improvement property is now eliminated from this category of property eligible for the bonus depreciation as well as additional limits on other types of property. Also note that some states, including Connecticut, do not allow this additional depreciation.

**Entertainment and Meals.** The new law eliminates the deduction for expenses related to entertainment, amusement or recreation. However, taxpayers can continue to deduct 50 percent of the cost of business meals if the taxpayer or an employee of the taxpayer is present and other conditions are met.

**Connecticut Pass-Through Entity Tax.** A new 6.99% tax on partnerships, S Corporations and limited liability companies treated as partnerships and S Corporations for federal income tax purposes is in effect starting in 2018 and the entity is required to make quarterly estimated tax payments each year. Due to the passing of this legislation on May 31, 2018, provisions apply for owners of such entities to "re-characterize" their individual estimates so they are treated as made by the entity. As of the date of this mailing, it has not yet been determined if the IRS will allow a deduction for this entity-level tax.



For personal and corporate growth

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## 2018 INCOME TAX INFORMATION

TAXPAYER (First name on a joint tax return)		TAXPAYER (Spouse)	
Name			
Soc. Sec. No.			
Occupation			
Date of Birth			
Home Address			County:
Telephone No.	Home:	Business:	Fax:
E-Mail Address			
*****DID YOU RECEIVE AN IDENTITY PROTECTION PIN FROM THE IRS?*****			

### CHILDREN & OTHER DEPENDENTS

Please be certain that a dependent doesn't claim themselves on their self prepared return, if you are claiming them!

You must provide Social Security Numbers for all dependents, regardless of age.			Date of Birth	Months in Your Home	Gross Income	% of Support Furnished by You** (OK if Student)
Name	Social Security Number	Relation				
1.						
2.						
3.						
4.						
5.						

\*\*Not necessary for children under 19 (at 12/31/18) who lived with you or who are full-time students, if you obviously provided over 50% of their support.

### HEALTHCARE COVERAGE - PLEASE ATTACH ALL 1095 FORMS (A,B OR C)

Did you have 2018 Health Care Coverage through the Health Insurance Marketplace? Yes \_\_\_ No \_\_\_ Carrier Name:

Did you have healthcare coverage (health insurance) for you, your spouse and dependents during all months of 2018? Yes \_\_\_ No \_\_\_

If No, please attach detail of which months no coverage was in effect.

Check if received Form 1095-A \_\_\_ , 1095-B \_\_\_ or 1095-C \_\_\_

### WAGES & SALARIES - PLEASE ATTACH COPIES OF ALL W-2'S

Name of Employer	Gross Wages	Taxable Wages	Federal W/H	Soc. Sec. Tax W/H	Medicare Tax W/H	CT W/H	Other ST W/H	City W/H

\*\*\*Copy of driver's license required for NY tax return\*\*\*

For NY or other Non-Resident Employment - Please provide number of days worked - in state and number of days - out of state.

Taxpayer: In State \_\_\_ ; Out of State \_\_\_ Spouse: In State \_\_\_ ; Out of State \_\_\_

### ESTIMATED INCOME TAX PAYMENTS MADE - ATTACH COPIES OF ALL CANCELLED CHECKS

Due Date	FEDERAL		STATE OF CT		OTHER STATE	
	Date Paid Mo/Day/Yr	Amount	Date Paid Mo/Day/Yr	Amount	Date Paid Mo/Day/Yr	Amount
2017 Overpayment Credited to 2018						
1st Installment	04/17/18					
2nd Installment	06/15/18					
3rd Installment	09/17/18					
4th Installment	01/15/19					
	Total		Total		Total	

### DIRECT DEPOSIT/AUTOMATIC PAYMENT BANKING INFORMATION (Attach blank check/or copy)

Please provide your bank account information for direct deposit of refund and/or automatic payment of balance due on your return:

Bank Name		Bank Routing Number	
Bank Address		Bank Account Number	
Type of Account: ___ Checking ___ Savings			



**ITEMIZED DEDUCTIONS and HEALTH CARE COVERAGE INFORMATION**

**MEDICAL**

Prescription Drugs/Insulin	
Glasses, Contact Lenses, Eye Exams	
Hearing Aids, Batteries	
Medical Travel:	
mi @ 18 cents per mile	
Lab Tests, Therapy, X-Ray	
Prescribed Medical Equipment	
Hospitals/Nurses/Ambulance	
Home Health Care	
Health Center Costs	
Doctors/Dentists (list):	
Lodging (not meals) while away from home for essential medical care	
Health Insurance Premiums paid (list):	
Long Term Care Insurance	
Medicare Premiums (from SSA-1099)	
LESS: Insurance Reimbursement	(            )
HSA or MSA Accounts (provide details)	
<b>NET MEDICAL EXPENSES</b>	

**CONTRIBUTIONS**

Name of Charity (NOTE: Any single payment of \$250 or more must have receipt from donee)	(a) For which you have receipts, cancelled checks, etc.	(b) Other- (clothing, non-cash)*
Churches & Schools		
American Cancer Society		
American Red Cross		
Heart Association		
March of Dimes		
Salvation Army		
United Fund		
Other		
Charitable Travel _____ mi @ 14 cents		
Non Cash: Salvation Army/Goodwill		
Clothing, Personal Property		
Motor vehicle		
Other		

If you made contribution of property (other than cash), attach a description including the date you gave it, the original cost, condition and how you figured its value. Also, a qualified written acknowledgement must be attached if claimed value exceeds \$500.

**TAXES PAID IN 2018**

Real Estate Tax-Residence - 2018	
Real Estate Tax - other	
Personal Property Tax - Auto	
Boat/RV	
State Income Tax - '17 Liability Paid	
State Income Tax - '18 Estimates	
State Income Tax - '18 Withholding	
Sales Tax - '18 (Please provide details on major purchases ie: auto, boat, etc.)	

<p>Did you incur a CASUALTY LOSS from a Federally declared disaster? If so, please attach explanation.</p>
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**MISCELLANEOUS ITEMIZED DEDUCTIONS**

\*\*\*ELIMINATED FOR 2018\*\*\*

**OTHER RELATED BUSINESS EXPENSES (not listed on page 4)**

Tax Service Fee		
Uniforms & Work Tools		
Business Publications		
Small Tools		
Professional Licenses and Fees		
Educator/Teaching Expenses		
Business Related Legal Fees (list):		
Other Related Business Expenses (list):		
Mileage: _____ mi @ 54.5 cents per mile		

**INTEREST PAID**

Home Mortgages*	
Home Equity Loans*	
Points Paid on Mortgage (New home)	
Points Paid on Mortgage (Refinance)	
Term in years of mortgage refinances:	
Investment Interest	
Education Loans	

\*Provide details or closing statements for any new mortgages, refinances, home equity loans and education loans.



**SOCIAL SECURITY & RAILROAD RETIREMENT BENEFITS**

Please attach Form SSA-1099, Social Security Benefit Statement

	Benefits-2018	Medicare Deduction	Net Benefits	Federal Income Taxes Withheld
Taxpayer				
Spouse				

**INCOME FROM PENSIONS, ANNUITIES & IRAs**

Form W-2P/1099R must be included. If payments commenced this year, include information from payer.

Payer	Amount	Fed Tax W/H	State Tax W/H

1. Did you or your spouse make an early withdrawal from an annuity? If yes, amount \$ \_\_\_\_\_.

2. If you own a Traditional IRA, starting at age 70 1/2, you must begin making withdrawals, also known as RMDs -REQUIRED MINIMUM DISTRIBUTIONS. These RMDs must begin NO LATER THAN APRIL 1st following the calendar year in which you reach the age of 70 1/2. Please advise of any distribution.

**GAINS OR (LOSSES) FROM SALE OF PROPERTY**

**SALE OF REAL ESTATE**

Include closing & HUD statements; the property tax bills for year of sale and other pertinent information including dates of acquisition & sale and cost (original cost plus subsequent improvements).

Property Description	Date Sold	Selling Price	Date Purch.	Purchase Price	Improvement Costs

**SALE OF STOCKS, BONDS, ETC. (Attach a separate sheet if necessary)**

Description of Security	# of Units	Sales		Purchases		Long-Term Gain(Loss)	Short-Term Gain(Loss)
		Date	Amount	Date	Amount		
			\$		\$	\$	\$
<b>TOTALS</b>			\$		\$	\$	\$

**MISCELLANEOUS INCOME**

Please furnish details of other income such as alimony, jury fees, finder fees, executor fees, director fees, prizes, state tax refunds, etc. Also list Gambling Losses (to the extent of Winnings).

Payer	Type of Income	Amount

**IRA/KEOGH/SEP/SIMPLE IRA**

Please furnish details and provide annual statement for all retirement account transactions, including ROTH IRA conversions and opening of new accounts in 2019 for tax year 2018.

Description/Name of Institution	2018 Contributions		Rollover/Conversion		Withdrawal	
	Amount	Date(s)	Amount	Date	Amount	Date
Taxpayer						
Spouse						



**CHECK APPROPRIATE BOX**

\*PLEASE FURNISH DETAILS TO ALL QUESTIONS ANSWERED "YES" ON A SEPARATE SHEET.

**ARE YOU PREPARED?**

**IS YOUR FAMILY PROTECTED?**

Our Estate Planning professionals welcome the opportunity to review the following with you throughout the year:

YES NO

- Do you and your spouse each have a current (within 5 years) Will/Living Will/HIPAA waiver/Health Care Power of Attorney?
- Are you confident that your current estate plan ensures that you and your spouses wishes will be carried out?
- Have you and your spouse designated a beneficiary on your insurance policies/IRA's/401K's within the last 5 years?
- Do you have a Living Trust in place as part of your estate plan? Does your spouse, children or executor know where you keep your important documents?
- Have you taken steps to protect your children's inheritance in the event your surviving spouse chooses to remarry after your death?

YES NO

**TAX YEAR 2018**

- Did you have unearned INCOME OF A DEPENDENT CHILD UNDER AGE 18? (ie: interest, dividends, etc.)
- Did you pay tuition for higher education?
- Did you receive any disability payments this year?
- Did you receive tip income not reported to your employer?
- Do you have any worthless securities or loans that became uncollectible this year?
- Has the IRS, any state or local taxing agency notified you of changes to a prior year's tax return?
- Are you in any retirement program at work?
- Did you PAY ALIMONY under a written separation agreement or court order?

If yes, total amount paid in 2018 \$ \_\_\_\_\_.

Recipient's soc. sec. # \_\_\_\_\_ Recipient's last name \_\_\_\_\_

Date of Divorce Decree \_\_\_\_\_ If recently divorced, include copy of divorce decree.

- Did you receive Interest Income From Seller Financed Mortgage? If so, please provide details.

**YOU MAY BE ENTITLED TO A DEDUCTION OR CREDIT**

- If you operated your auto for business purposes and were reimbursed less than 54.5 cents per mile or less than actual expenses.
- If you contributed to a Health Savings Account (HSA) or Medical Savings Account (MSA) (Provide Details).
- If you paid for the CARE OF A DEPENDENT who is under 15 or incapacitated, to enable you and your spouse to work or be a full-time student. (Please attach an additional sheet if more lines are needed.)

Dependent Name	Provider's Name & Address	Provider's Federal ID #	Amount Paid

**TAX CREDITS**

YES NO

YES NO

- Elderly & Permanently Disabled Credit
- Foreign Tax Credit
- Child Tax Credit
- Earned Income Credit
- Adoption Credit
- Job Credit (If Sole Proprietor)
- Qualified Energy-Efficient Home Improvement

**GIFTS**

- Did you make GIFTS totaling \$15,000 or more to any one person, trust or nonexempt organization in 2018? If so, please provide a list of gifts made on a separate sheet, including recipient's name, date, amount and nature of the gift(s).

**2018 TAX YEAR - PRESIDENTIAL ELECTION CAMPAIGN FUND STATEMENT**

Do you or your spouse wish to have \$3 paid to a nonpartisan general account for all eligible candidates ?

- Yourself
- Spouse