

## What's New for '18



This tax filing season has virtually no change from the 2017 season, but boy do we have changes coming for 2018! In December, our Congress passed a MAJOR tax overhaul bill and the President signed it into law on December 22. The tax preparation industry is now anxiously awaiting IRS regulations to set the rules for implementation of this new tax bill. We expect these regs to start trickling out throughout this year.

Form W-4 is used by employees to tell their employer how much taxes they want to have withheld from their paychecks. We are urging everyone to file a new W-4 with their employer as soon as the new form becomes available (which should be in mid February). We no longer can claim dependency exemptions—a tool all of us use to manipulate our tax withholdings. So be careful filling in your new W-4 as it can drastically affect your next year's tax refund or balance due.

It is estimated that 80% of the American taxpayers will enjoy a benefit from this tax revision. That means that 20% of you will not like it and will be paying more in taxes. Because this law is so new, there remains a lot of uncertainty as to how this will impact each of us. For that reason, we urge you to like our **FACTS-5** Facebook page. As IRS publishes their regulations on this bill, we will be using Facebook to keep our clients informed. If you have liked our Facebook page, you will be alerted to news we publish.

Enclosed with this newsletter is a brief outline of some of the new provisions of this

new tax law. Some of the changes you might like, and others you will hate.

We continue to strive to find ways to make it easier for our clients to do business with us. For that reason, we will be using **Intuit.Link** as our new web portal. Be sure to read Pam's article on this new web service. You will find **Link** extremely easy to use and very convenient.

Once again I am proud to announce that this is our 3rd year in a row that we have not had to increase our fees. As all of you know, our fees are based on the various forms needed to prepare your tax return. Each of those forms are priced based on the complexity of the form and the probability of audit. We have NEVER based our fee on the size of your income or tax refund.

Since we do not have to pay large franchise fees like some of our corporate competitors, we pass those savings onto you, our valued customer. You too have contributed to our ability to keep costs down by providing us with your tax documents prior to your appointment. In addition to saving you money, this helps us to prepare a more accurate tax return.

I want to thank you for your loyalty to our firm! Our statistics tell us that 92.3% of our clients return to us each year. This is a phenomenal percentage for our industry. Please know that we understand that you have a choice when it comes to your tax preparation needs and we never take your choice for granted. If you are ever dissatisfied with our service, I personally want to know about it. If you are satisfied, I would appreciate you telling your friends about that too.

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# Help! I Got Mail From The IRS

By: Pam Chauvin-Trahan



The income and payment information we have on file from sources such as employers or financial

Summary of proposed changes

Just when you thought tax season was over, you receive a notice from the IRS. Don't panic you're not alone. Turns out these Automated Under Reporter ("AUR") notices, also known as CP 2000 notices, come out year-round and are quite common. They are basically computer-generated mismatch notices, sent out if the information reported to the IRS by third parties doesn't appear (to the IRS' computers) to match the amounts shown on your return. The number of notices is rising as the IRS tries to close the tax revenue gap, and as their computer systems get more advanced.

**What should you do if you get a notice?**

Take a look at your letter. In the upper right hand corner, there should be an AUR Control # and just below that in tiny type: "Notice: CP2000". If that's the case, at least you're not dealing with a correspondence audit, aka an audit by mail, where the IRS asks for additional

information about certain items such as business expenses, and it's not an office audit or a field audit, examinations where the IRS goes into greater detail in person on a host of issues. Nevertheless, the CP 2000 is serious, and if you don't respond, you'll face additional penalties and interest and a real bill.

The CP 2000 notice isn't actually a bill, although it looks like one at first glance. The first line item reads: "2016 Tax Increase." Check out the [IRS frequently asked questions](#) about CP 2000 notices. Question: "Is this a bill?" Answer: "No." Note to the IRS: Put that Q&A on the first page of the CP 2000 notice, and you might calm some nerves.

Deal with the notice immediately. The IRS gives you only 30 days from the date of the letter (not the date you receive it). Sure, in lots of cases the IRS will be correct. It's common for taxpayers, especially folks who rush to file early in the year anticipating a refund, to inadvertently leave off income from a W-2 from a

*(Continued on page 3)*



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*(Continued from page 2)*

second job or a 1099 from a savings account. But in some cases, it's the IRS's mistake. The IRS software isn't sophisticated enough to pick up all the information on attached schedules. In that case, you have to send

in the same information you originally submitted with a letter of explanation. If you are one of the millions of taxpayers receiving one of these notices this year, be sure to contact our office immediately so that we can assist you!

If you ignore these CP-2000 notices, the IRS will end up assessing you the amount of tax proposed by the CP-2000 notice plus penalties and interest.

## Entertainment Expense No Longer Deductible

One of the major changes in the new tax law passed by Congress in December is the deductibility of entertainment expense. Effective for tax years beginning after 12/31/2017 no one can deduct entertainment expenses — including all business entities.

Prior to the enactment of this law, you and I could deduct 50% of our qualified business entertainment. You will lose that deduction on your 2018 tax

return. I am concerned for the hospitality industry as to the impact this might have on their business. There are a lot of business deals transacted over a business lunch or dinner. With you and corporate America unable to take a deduction for those expenses will corporations ban their employees from hosting those meetings? We should know that answer in the next few months.



## New Standard Mileage Rates Now Available Business Rate to be increased in 2018

The standard mileage rate has been reduced for 2017 and increased for 2018. The Standard Mileage Rate for your business miles is 53.5¢ for 2017. In 2018 your standard mileage rate will increase to 54.5¢. You will use these rates for all business related auto miles.

Did you know that you can also deduct miles for medical purposes? You can take a 17¢ deduction for every mile you put on your car which was for medical purposes—all medical purposes.

This is the 2017 rate. For 2018 that rate is increased to 18¢ per mile.

To nail down this deduction, you need to make a contemporaneous log of all your miles driven. This means that you must log your miles as they occur. Yes, you should include odometer readings in your log.

We can provide you with a log book. Ask for one on your next visit.



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# Claiming a Dependent

By: Jaimmie Adams



Per IRS tax law, a dependent is someone whom you provided at least 50% of their support. Support would include things such as food, shelter, clothing, etc. One of the most common questions I get asked every tax year is, "Can I claim so and so?" Although, the question seems simple, the answer is not. Since it is almost never a simple yes or no, there are a few follow up questions or requirements that a taxpayer has to meet in order for "so and so" to qualify as a dependent.

Dependents are usually, but not always, a child or other relative. Qualifying relatives have their own additional requirements, but all dependents have several requirements they must meet. First, a dependent can file a tax return (but they cannot claim their personal exemption). They

can even be married but they must NOT have filed a joint return. Secondly, they must be a U.S. citizen, U.S. national or a resident alien. The third test is they must have a taxpayer identification number which can be a social security number, a taxpayer identification number, or an adoption taxpayer number.

To claim a child, the child **MUST BE** your son, daughter, stepchild, foster child, brother, sister, half-brother/sister, stepbrother, stepsister, or a descendant of any of these. Not only do you **HAVE** to provide more than 50% of their support, but the child(ren) in question has to have lived with you for more than half the year or at the very least six months plus one day. The child(ren) must be 18 years old or younger, **OR** 24 years old or younger if he/she is a student. If the child is 24 years old or younger and a student, they must have

attended school full time during at least five months of the year.

To claim a parent or other relative, there are additional requirements. The person must have lived with you as a member of your household for the entire year. Also, the person in question cannot have a gross yearly taxable income over \$4,050 for tax year 2017.

As with most things, there are few exceptions to the rules. When you come in for your appointment and you are not sure whom you can claim as a dependent, we can certainly talk it out and make the most beneficial tax decision for your circumstance allowed by law!

Can anyone claim you as a dependent?

## Identity Theft & Tax Fraud Are you a victim?

There is hardly a week that goes by that we get a call from a client who is upset over an email or phone call he/she received from the IRS about an outstanding tax debt that is seriously delinquent.

The IRS will NEVER email you demanding payment of a delinquent tax bill. In addition, the IRS will NEVER call you without first sending you several paper notices through the mail about a delinquent tax bill.

You are being SCAMMED! Don't fall for it. These are professional scammers who are trying to steal your identity and

they are clever in what they do.

Here is what we recommend. If it is a phone call HANG UP! Don't try to be polite or figure out if this is a real IRS agent. It's a con— HANG UP THE PHONE!

If it is an email, don't respond or follow any link in the email. If you do, you will be inundated with a HUGE amount of harassing emails demanding payment.

You must be diligent in protecting your confidential identity information. Identity theft has become a MAJOR problem for all of us. **BE SMART!**



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## Business Owners and Payroll Taxes

By: Karmen Bodin, CPA



Don't delay in paying and submitting payroll taxes! Every business owner employing workers should

already be familiar with payroll taxes; however, are you aware of the consequences of not paying these payroll taxes in a timely fashion? As a business owner, it is your responsibility to withhold federal income and payroll taxes from wage earners in order to submit them to the Internal Revenue Service (IRS). The money owed to the government on behalf of your employees and your business must be made by specific due dates or the government will consider it THEFT!



Why? Because the withholding portion of the payroll taxes is owed to the government by your employee and was never yours to begin with.

Surprisingly, hundreds of businesses are shut down each year by the IRS for withholding the taxes but failing to pay them to the government. In these situations, the IRS rarely gives any leniency for a business to delay sending in tax payments. They will take immediate action if payroll taxes are not paid timely. The IRS will reach into your bank accounts and take the money, no questions asked. If your bank account does not have the funds to satisfy these tax payments, they will shut down your business and liquidate business and personal assets to cover the unpaid payroll taxes.

In the first 16 days past the due date of the Payroll Tax Return, the penalties will add up quickly because the IRS will assess a failure to file penalty, a failure to deposit penalty and a failure to pay penalty. These penalties plus daily interest can become very costly to your business. You can even be held personally liable for 100% of the withholding portion of the payroll tax and be charged with a Federal Crime if the IRS proves you willfully did not file or pay. If you need our help with any payroll tax issues, please contact us as soon as possible so that we can rectify the issues and keep your business running and possibly keep you out of jail.

# 2018 Tax News

## Innocent Spouse Protection

Ultimately, this tax provision is designed to protect people from liability for taxes incurred because of evasive or dishonest financial behavior by their spouses, or from divorces where one person fails to pay tax on the income he or she earned and intends to leave the other spouse with the bill.

An understatement of tax is reporting less tax owed than should have been reported.

Typical erroneous items include omissions of income, understatements of income, overstatements of deductions and over claims of exemptions and credits. The amount must be real and determinable in amount. The amount must be attributable to some erroneous item or



items on the return by the other spouse. Innocent oversights and harmless errors do not count. Several

conditions must be met for the innocent spouse rule to apply.

The innocent spouse must prove (with appropriate documentation) that the error or fraud was committed by the other spouse. The innocent spouse must also be able to establish that he or she didn't know about the income or fraudulent activity. Finally, the application for relief must be made within two years of when the IRS begins its collection process.

where's my refund?

>> [CLICK HERE <<](#)



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## The Importance of Corporate Annual Meetings

By: Karmen Bodin, CPA



Generally, one of the requirements for maintaining a corporation's existence (and the liability protection that it affords) is

that the shareholders and Board of Directors must meet at least annually. Although most people view this requirement as a necessary evil, it doesn't have to be a waste of time. For example, in addition to being a first step in making sure the corporation is respected as a separate legal entity, an annual meeting can be used as an important tool to support your company's tax positions.

Besides the election of officers and directors, other actions that should be considered at the annual meeting include the directors approving the accrual of any bonuses and retirement plan contributions, and ratifying key actions taken by corporate officers during the year. It is common for the IRS to attack the compensation level of closely held C corporation shareholder/officers as unreasonably high and, thereby, avoiding taxation at the corporate level. A well-drafted set of minutes outlining the officers' responsibilities, skills, and experience levels can significantly reduce the risk of an IRS challenge. If the shareholder/employees are underpaid in the start-up years because of a lack of funds, it is also important to document this situation in the minutes for future reference when higher payments are made.

The directors should also specifically approve all loans to shareholders. Any time a corporation loans funds to a shareholder, there is a risk that the IRS will attempt to characterize all or part of the distribution as a

taxable dividend. The primary documentation that a distribution is intended to be a loan rather than a dividend should be in the written loan documents, and both parties should follow through in observing the terms of the loan. However, it is also helpful if the corporate minutes document the need for the borrowing (how the funds will be used), the corporate officers' authorization of the loan, and a summary of the loan terms (interest rate, repayment schedule, loan rollover provisions, etc.).

A frequently contested issue regarding a shareholder/employee's use of employer-provided automobiles is the treatment of that use as compensation (which is deductible by the corporation) vs. treatment as constructive dividends (which is not deductible by the corporation). Clearly documenting in the corporate minutes that the personal use of the company-owned automobile is intended to be part of the owner's compensation may go a long way in ensuring the corporation will get to keep the deduction.

If the corporation is accumulating a significant amount of earnings, the minutes of the meeting should generally spell out the reasons for the accumulation to help prevent an IRS attempt to assess the accumulated earnings tax. Also, transactions intended to be taxable sales between the corporation and its shareholders are sometimes recharacterized by the IRS and the courts as tax-free contributions to capital. Corporate minutes detailing the transaction are helpful in supporting a bona fide sale.

As you can see, many of the issues raised by the IRS involve the payment

of dividends by the corporation. (The IRS likes them — the corporation doesn't.) To help support the corporation's stance that payments to shareholders are deductible and that earnings held in the corporation are reasonable, corporate minutes should document that dividend payments were considered and



how the amount paid, if any, was determined. Dividends (even if minimal) should generally be paid each year, unless there's a specific reason not to pay

them — in which case, these reasons should be clearly documented.

These are just a few examples of why well-documented annual meetings can be an important part of a corporation's tax records. As the time for your annual meeting draws near, please call us if you have questions or concerns.



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## Introducing Intuit Link!

By: Pam Chauvin-Trahan



No one wants their identity or information stolen. That's why **FACTS-5** takes extreme measures protecting our clients' information. We never send

confidential information through email and we recommend that clients do the same. The Privacy Act mandated by our government greatly affects our customer relationship. In the past, many of you have called our office requesting a copy of your tax return be faxed directly to your bank. Since we knew you well and recognized your voice, we would immediately either FAX or email your return to your banker. Pretty convenient for both you and I, right? Well, we cannot do this any longer. Prior to any direct distribution or communication regarding your return to a 3<sup>rd</sup> party we are required to have a signed authorization by you on file before we can discuss your tax situation with anyone!

Our goal is to continue to refine our technological solutions to better serve you. This tax season our office is introducing a new way of exchanging information with you through our new complimentary client portal powered through **Intuit.Link**, which offers each

client a unique and secure profile to answer questions and securely share documents with us using a smartphone, tablet, laptop, or computer. To initially access the portal, you must be invited by our office. After you have scheduled your appointment with our office, Paula or Maggie will send you an invitation to sign up for **Intuit.Link**. <https://link.intuit.com/login/#/signin>. Upon accepting your invite, you will be able to share your tax documents through your secure web based client portal. There you will find a checklist of items requested by our office based on the prior year tax filing along with IRS required disclosures that need to be signed and returned to our office. We will be utilizing **Intuit.Link** to send you other signature forms, as well as ask questions and to request additional documents. You will also have access to current and prior year tax returns; no more calling our office to get it, just logon to your



account anytime, anywhere! You may complete all requests at your leisure. You can access your portal 24/7! Please check your email for your Intuit Link invite. Registration is simple; just use your email address and a password of your choice. Check out this video highlighting **Intuit Link**: <https://www.youtube.com/watch?v=3lZ6LMhqdyY>

We are very excited about this new tool and hope that it helps make the gathering of your information a whole lot simpler! Remember this new portal is just one of many ways you can get information to us: You may fax - 337-898-2787; mail - PO Box 698, Abbeville, LA 70511-0698; or drop them off at our office located at 118 LeBlanc St. Abbeville, LA. (a drop slot is available for after business hour use). Again, our goal is to make it convenient to do business with us! As always, let me express my sincere thanks for the opportunity to assist with your income tax preparation needs. I truly appreciate your continued business. I look forward to seeing you again soon!

# 2018 Tax News

## Meet our new staff members



Paula Hebert Hewlett will be serving as Don's Administrative Assistant, replacing Terry

Stoute who has moved back home to New Orleans. Paula, an Abbeville native, has a vast amount of experience as an office manager and we are very fortunate to have her on staff.



We have two highly qualified people who will handle all of our data processing this year. Ms. Claudette Landry

will be up front pulling double duty. She will be assisting our receptionist as needed and handling data entry. Claudette has tax preparation experience.



Ms. Tanya Lormand from Kaplan will be our other data entry person. We intend to put her accounting training to good use.

We have invested in a highly qualified staff to serve our clients with their accounting and tax preparation needs. You

will find each of our staff members friendly and willing to help you with the confusing task of filing your taxes.



## FACTS-5

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**YOUR TOTAL BUSINESS  
SOLUTIONS PROVIDER**



We're on the web  
[www.facts-5.com](http://www.facts-5.com)

The sheets that follow this page are being provided for your convenience. Normally when you visit us each year, we need you to fill out and sign various forms before we can prepare your return. We are providing those forms to you for you to complete before you come in. It is important that if you are filing a joint tax return, both you and your spouse need to sign where provided.

You will also find our itemized deduction worksheet. This worksheet is a good guide to help you get the biggest refund possible. We suggest you complete it as best you can, then bring it in or upload it through our web portal—**Intuit.Link**. If you have not been granted access to **Link**, simply call 337-893-6798 and we will help you get started using this secure portal. It is really easy to use and very convenient.

**intuit.** Link

## Several New Faces to Greet You in '18

By: Maggie Lackie



Tax season is upon us again! I am looking forward to meeting new clients and seeing old familiar faces. As many of you know, I am Pam's daughter and Don's granddaughter. I have been with **FACTS-5** off and on since high school.

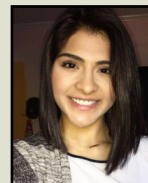
I am back in Acadiana again serving as Pam and Jaimmie's assistant. If you need an appointment or have questions for either one of them I am your point of contact.

We have hired many new staff members who are ready to serve you this year. Mrs. Paula Hewlett will be serving as Don's assistant. She is ready to meet you and answer any questions you may have this year.

Our new data entry team is Mrs. Claudette Landry and Tanya Lormand. Both ladies have been working hard to prepare for the hustle and bustle of tax season and they will be the first person to enter your tax data.

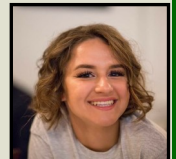
Who doesn't love to be greeted by a smile when you

walk in the door of a business? That's where Roxie Gagne comes in! She will be greeting you with her beautiful smile and cheerful personality as our front office receptionist.



Our back office staff consists of JayLynn Hazel who will be handling all things related to INTUIT.LINK. Have questions or need help with LINK? She's ready with answers.

Our processor this year is Mallory Trahan, my sister (and Pam's daughter too). She will be photocopying and mailing your return once it is complete and ready to return to you.



We are ready to serve you this tax season and look forward to a smooth year. If you have any questions or concerns, please give us a call at 337.893.6798. We are here for you and eager to help. See you all very soon!



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# ACKNOWLEDGMENT OF RECEIPT

**I hereby acknowledge the receipt of the following documents:**

1040 - Individual Tax Return Engagement Letter with Facts-5.

Consent to Use of Form 1040 Information.

Consent to Use of Tax Return Information – Santa Barbara Bank.

Signature of Client: \_\_\_\_\_ Date: \_\_\_\_\_



# 2017

## 1040 - INDIVIDUAL TAX RETURN ENGAGEMENT LETTER

Dear Valued Client

Thank you for selecting **FACTS-5** to assist you with your tax affairs. This letter confirms the terms of our engagement with you and the nature and extent of services we will provide.

We will prepare your 2017 federal and all state income tax returns you request using information you provide to us. We may ask for clarification of some items, but we will not audit or otherwise verify the data you submit. Upon your request, we will provide an "Organizer" which may help you gather the information required for a complete return. If you use the Organizer, it will help you avoid overlooking important information and contribute to efficient preparation of your returns. This helps keep the cost of our services as low as possible.

It is your responsibility to provide information required for preparation of complete and accurate returns. You should keep all documents, canceled checks and other data that support your reported income and deductions for a period of 5 years. They may be necessary to prove accuracy and completeness of the returns to a taxing authority. You are responsible for the accuracy of your returns, so you should review them carefully before signing.

Our work will not include any procedures to discover defalcations or other irregularities. The only accounting or analysis work we will do is that which is necessary for preparation of your income tax returns.

We must use our judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. In order to avoid penalties, we will apply the "more likely than not" reliance standard to resolve such issues. You agree to honor our decisions regarding the need to make protective disclosures in your returns.

Penalties of as much as \$100,000 can be imposed on you for failing to disclose participation in "reportable transactions," that is, certain arrangements the IRS has identified as potentially abusive. We will insist that all such transactions be properly disclosed to us for further disclosure to the IRS.

The law also imposes penalties when taxpayers understate their tax liability. If you have concerns about such penalties, please call us.

Your returns may be selected for audit by a taxing authority. Any proposed adjustments are subject to appeal. In the event of a tax examination, we can arrange to be available to represent you. Such representation will be a separate engagement for which an engagement letter will be provided to you. Fees and expenses for defending the returns will be invoiced in accordance with terms we agree on for that engagement.

Our fee for preparation of your tax returns will be based on the amount of time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable prior to electronic filing of your return or presentation to you for mailing. To the extent permitted by state law, a \$35 fee will be charged for any NSF check return to us by your bank.

We will retain electronic copies of records you supplied to us along with our work papers for your engagement for a period of five years. After five years our electronic records will be destroyed. All of your original records will be returned to you with your copy of your returns. You should keep the original records in secure storage.

To affirm that this letter correctly summarizes your understanding of the arrangements for this work, please sign the enclosed copy of this letter in the space indicated and return it to us in the envelope provided.

We appreciate your confidence in us. Please call if you have questions.

Sincerely,

**FACTS-5** 

PAMELA C. TRAHAN, PRESIDENT

AZCO, INC. (d/b/a **FACTS-5**)

(Both husband and wife must sign for preparation of joint returns)



Taxpayer Signature:

Spouse Signature:

Date Signed:

Taxpayer Printed Name:

Spouse Printed Name:

Taxpayer SSN:

Spouse SSN

# FACTS-5

## Consent for Use of Form 1040 Information

Federal law requires that this consent form be provided to you. Unless authorized by law, we cannot use, without your consent, your tax return information for purposes other than the preparation and filing of your tax return.

You are not required to complete this form. If we obtain your signature on this form by conditioning our services on your consent, your consent will not be valid. Your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year.

Duration of Consent:  One Year from this date  Other \_\_\_\_\_  
(Check one)

I, \_\_\_\_\_, authorize FACTS-5 to use any and all information having to do with my 2017 Tax Return for the purpose of:

- Investment advice to be given.
- Estate planning advice to be rendered.
- Electronic Filing of my 2017 Tax Return to a 3<sup>rd</sup> Party, Intuit, Inc. d/b/a ProSeries.
- Retirement planning advice.
- Social Security planning.
- Calling me to make an appointment or remind me of an appointment.
- Sending newsletters, birthday cards, etc.
- Text message me with tax alerts or information regarding my tax return.
- Acquisition and disposal information of stock, bonds and other assets with my financial advisor.
- General current and future tax advice.

(Cross through any not authorized)

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration by telephone at 1-800-366-4484, or by email at [complaints@tigta.treas.gov](mailto:complaints@tigta.treas.gov).

Taxpayer Signature: \_\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Spouse Signature: \_\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_



**For a jointly filed tax return, BOTH taxpayers' signatures are required.**

Please make a copy of this signed form and return the original to this office at:

118 LeBlanc Street, Abbeville, Louisiana 70510

Or mail to: P.O. Box 698, Abbeville, LA 70511-0698.

Or scan and email this document to: [paula@facts-5.com](mailto:paula@facts-5.com).

## Consent to Use of Tax Return Information

\_\_\_\_\_ (“we”, “us” and “our”)  
Printed name of tax preparer

Federal law requires this consent form be provided to you (“you” refers to each taxpayer, if more than one). Unless authorized by law, we cannot use, without your consent, your tax return information for purposes other than the preparation and filing of your tax return.

You are not required to complete this form. If we obtain your signature on this form by conditioning our services on your consent, your consent will not be valid. Your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year. If you do not consent, then you may still have your tax return prepared and electronically filed by us for a fee.

For your convenience, we have entered into an arrangement with Santa Barbara Bank & Trust Company (“BANK”) to provide qualifying taxpayers with the opportunity to apply for a Refund Transfer (“bank product”) offered by BANK. To determine whether a bank product may be available to you, we will need to use your tax return information by analyzing it and calculating the amount of your anticipated refund.

If you would like us to use your tax return information to determine whether a bank product may be available to you while we are preparing your return, please sign and date this consent to the use of your tax return information.

By signing below, you (including each of you if there is more than one taxpayer) authorize us to use the information you provide to us during the preparation of your 2017 tax return to determine whether to present you with the opportunity to apply for a bank product from BANK.

Printed Name of Taxpayer: \_\_\_\_\_

Taxpayer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name of Joint Taxpayer: \_\_\_\_\_

Joint Taxpayer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at [complaints@tigta.treas.gov](mailto:complaints@tigta.treas.gov)[A1].

TAX YEAR 2017

Name: \_\_\_\_\_

S/S # \_\_\_\_\_

MEDICAL EXPENSE:

Drug Store \_\_\_\_\_  
Drug Store \_\_\_\_\_  
Drug Store \_\_\_\_\_  
Drug Store \_\_\_\_\_

HOSPITAL INSURANCE:

Self-Financed Health Insurance \_\_\_\_\_  
Group Hospital Insurance Premiums \_\_\_\_\_  
Group Hospital Insurance Premiums \_\_\_\_\_  
Medicare Part B Premium \_\_\_\_\_

DOCTORS:

Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_  
Dr: \_\_\_\_\_

HOSPITALS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NURSE CARE:

\_\_\_\_\_

OTHER MEDICAL:

Hearing Aids \_\_\_\_\_  
Dentures \_\_\_\_\_  
Eyeglasses \_\_\_\_\_  
Ambulance Service \_\_\_\_\_  
Lodging Expense for Medical Care \_\_\_\_\_  
Medical Miles: \_\_\_\_\_  
Jan 1 thru Dec 30 \_\_\_\_\_ @ 17¢ P/Mile  
Other Medical Expenses: \_\_\_\_\_  
Crutches & Wheel Chair Rental/Expense \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Total Medical Expenses**

TAXES:

State Income Taxes W/H (Current Year) \_\_\_\_\_  
State Income Tax Paid on Prior Yr. Tax Return \_\_\_\_\_  
Sales Tax \_\_\_\_\_  
Property Taxes \_\_\_\_\_  
Personal Property Tax \_\_\_\_\_

**Total Taxes**

INTEREST EXPENSE:

Home Mortgage \_\_\_\_\_  
Second Mortgage \_\_\_\_\_  
Second Home \_\_\_\_\_  
Investment Interest Expense \_\_\_\_\_

**Total Interest Expense**

CASH CONTRIBUTIONS:

Church \_\_\_\_\_  
Church \_\_\_\_\_  
Muscular Dystrophy \_\_\_\_\_  
Cancer Fund \_\_\_\_\_  
St. Jude \_\_\_\_\_  
United Way \_\_\_\_\_  
Various Missions \_\_\_\_\_  
Misc. Contributions \_\_\_\_\_  
Charity Miles \_\_\_\_\_ @ 14¢ P/Mile

**Total Cash Contributions**

CONTRIBUTIONS OTHER:

To: \_\_\_\_\_  
What? \_\_\_\_\_  
To: \_\_\_\_\_  
What? \_\_\_\_\_

**Total Non-Cash Contributions**

CASUALTY LOSSES

OTHER DEDUCTIONS:

Continuing Education Expense (F/Taxpayers) \_\_\_\_\_  
Depreciation on Tools (From Form 4562) \_\_\_\_\_  
Employee Business Exp (From Form 2106) \_\_\_\_\_  
Employment Agency Expense \_\_\_\_\_  
Invest. Expenses (Include Safe Deposit Box) \_\_\_\_\_  
IRA Custodian Fees \_\_\_\_\_  
Job Seeking Expense \_\_\_\_\_  
Office in Home Expenses \_\_\_\_\_  
Professional Books, Magazines & Journals \_\_\_\_\_  
Professional Society Dues \_\_\_\_\_  
Safety Equipment (Steel-toes, Slickers, etc) \_\_\_\_\_  
School Teacher Supplies \_\_\_\_\_  
Small Tool Expense \_\_\_\_\_  
Tax Assistance Fees \_\_\_\_\_  
Telephone Expense (Business related only) \_\_\_\_\_  
Uniforms (Include Cost of Cleaning) \_\_\_\_\_  
Union Dues \_\_\_\_\_  
Vocational Supplies \_\_\_\_\_  
Other \_\_\_\_\_

**Total Other Deductions**

OTHER DEDUCTIONS:

(Not Subject to 2% Floor)  
Gambling Losses (Limited to winnings only) \_\_\_\_\_  
Impairment-related Work Exp. F/Handicapped \_\_\_\_\_  
Adjustments under a Claim of Right \_\_\_\_\_  
Other \_\_\_\_\_

**Total Deductions Not Subject 2% Floor**



# Re: 2017 Tax Cuts Act: Impact on Families

Dear Client:

The Tax Cuts and Jobs Act makes sweeping tax changes that impact virtually all taxpayers. For individual taxpayers and their families, changes include a decrease in the tax rates, repeal of the personal exemption, increase in the standard deduction, modification to itemized deductions, and doubling of the child tax credit.

Under the Tax Cuts and Jobs Act, personal exemptions are repealed (\$4,050 in 2017) for 2018 through 2025. Instead, the Tax Cuts and Jobs Act provides for a near doubling of the standard deduction. For tax year 2018, it increases the standard deduction from \$13,000 to \$24,000 for married individuals filing a joint return; \$9,550 to \$18,000 for head-of-household filers; and \$6,500 to \$12,000 for all other individuals. These standard deduction amounts are indexed for inflation for tax years beginning after 2018. The additional standard deduction for the elderly and the blind (\$1,300 for married taxpayers, \$1,600 for single taxpayers) is retained.

## Itemized deductions

*Mortgage interest deduction.* The Tax Cuts and Jobs Act limits the mortgage interest deduction to interest on \$750,000 of acquisition indebtedness (\$375,000 in the case of married taxpayers filing separately), for tax years beginning 2018 through 2025. For acquisition indebtedness incurred before December 15, 2017, the Tax Cuts and Jobs Act allows current homeowners to keep the current limitation of \$1 million (\$500,000 in the case of married taxpayers filing separately). Taxpayers may continue to include mortgage interest on second homes, but within those lower dollar caps. However, no interest deduction will be allowed for interest on home equity indebtedness.

*State and local taxes.* The Tax Cuts and Jobs Act limits annual itemized deductions for all nonbusiness state and local taxes deductions, including property taxes, to \$10,000 (\$5,000 for married taxpayer filing a separate return) for 2018 through 2025. Sales taxes may be included as an alternative to claiming state and local income taxes.

*Miscellaneous itemized deductions.* The Tax Cuts and Jobs Act repeals all miscellaneous itemized deductions for tax years 2018 through 2025 that are subject to the two-percent floor under current law.

*Medical expenses.* The Tax Cuts and Jobs Act lowers the threshold for the deduction to 7.5 percent of adjusted gross income (AGI) for tax years 2017 and 2018.

*Casualty losses.* For tax years 2018 through 2025, a casualty loss will only be allowed to the extent it is attributable to a federally declared disaster.

The phaseout of itemized deductions is suspended for tax years 2018 through 2025.

The doubling of the standard deduction and modifications to itemized deductions effectively eliminates many individuals from claiming itemized deductions other than higher-income taxpayers. For example, for the vast majority of married taxpayers filing jointly, only those with total allowable mortgage interest, state income and local income/property taxes (up to \$10,000), and charitable deductions exceeding \$24,000, would claim them as itemized deductions (absent extraordinary medical expenses).

In contrast, the enhanced child credit has been highlighted as one of the provisions that will lower overall tax liability for middle-class families. The Tax Cuts and Jobs Act temporarily increases the current child tax credit from \$1,000 to \$2,000 per qualifying child. Up to \$1,400 of that amount is refundable. The child tax credit is also expanded to provide for a \$500 nonrefundable credit for qualifying dependents other than qualifying children. More families will be able to take advantage of the credit due to an increase in the adjusted gross income phaseout thresholds, starting at \$400,000 for joint filers (\$200,000 for all others).

In addition to changes related to exemptions, the child tax credit and the standard and itemized deduction discussed above, the Tax Cuts and Jobs Act also makes changes to alternative minimum tax and the individual tax brackets.

Because these tax provisions are interrelated, estimating the impact of these changes to the tax liability for any particular family is challenging. However, as with any tax reform, there will be winners and losers.

Example 1: Married Couple (both 45); AGI \$100,000; 2 children (ages 8 and 12); mortgage interest \$6,000; property tax \$5,000; state income tax \$3,000; charitable contributions \$500

Example 2: Married Couple (both 45); AGI \$200,000; 2 children (ages 19 and 22, both in college); mortgage interest \$10,000; property tax \$18,000; state income tax \$6,000; charitable contributions \$1,000

Example 3: Married couple (both 45); AGI \$400,000; 2 children (ages 10 and 12); mortgage interest \$12,500; property tax \$25,000; state income tax \$8,000; charitable contributions \$7,500

Example	1		2		3	
	2017	2018	2017	2018	2017	2018
AGI	100,000	100,000	200,000	200,000	400,000	400,000
Standard Deduction		24,000		24,000		c
Itemized Deduction	14,500	a	35,000	b	50,414	30,000
Exemptions	16,200		16,200		4,860	
Taxable Income	69,300	76,000	148,800	176,000	344,726	370,000
Tax	9,466	8,739	28,678	30,819	88,977	81,779
AMT			319		5,344	
Addtl Med Tax					1,350	1,350
Child Tax Credit	2,000	4,000		1,000		4,000
Total Tax	7,466	4,739	28,997	29,819	95,671	79,129
Tax decrease (increase)		2,727		(822)		16,542

1. Total itemized deductions in 2018 would remain the same at \$14,500 which is less than the new standard deduction of \$24,000.
2. Deduction for total amount of property tax and sales tax would be limited to \$10,000 in 2018. Therefore, total allowed itemized deductions of \$21,000 would be less than the standard deduction of \$24,000.
3. Deduction for total amount of property tax and sales tax would be limited to \$10,000 in 2018. Total allowed itemized deductions of \$30,000 are not phased out and is more than the \$24,000 standard deduction.

Keep in mind that many of the changes to the Internal Revenue Code in the Tax Cuts and Jobs Act are temporary. This is true especially with respect to the provisions impacting individuals. This decision was made in order to keep the tax reform within budgetary parameters, but with no guarantees that a future Congress would extend them. In future years, as the tax reform provisions expire, tax liability for individuals may be negatively affected.

If you have any questions related to tax reform and the impact on your tax liability, please call our office. We are here to assist you.

Sincerely,

**FACTS-5**