

TY
2019

Information & Documents for Tax Preparation

This packet will give you an easy head-start on the tax preparation process and help you prepare for your tax appointment. Just click and download.



Dear Clients:

This packet is intended to give you an easy head-start on the tax preparation process and includes the following items:

- Highlights of Pertinent Tax Code Changes – rules that may affect you as you prepare for TY'19 and plan for TY'20
- Summary of Important Tax Data – tables and charts of rates, thresholds, dates and handy references
- Personal Tax Organizer – two-page questionnaire to help you gather your tax data
- Needed Documents – provides a detailed list of supporting documentation that you should attempt to gather
- Engagement Agreement – please sign and return this form to me along with \$400 deposit to get the process started
- Taxpayer Consent – please sign and return this form to me to grant me permission to offer tax planning services to you
- Office Policies – outline of procedures, discounts and my pledge to offer you personalized service and expertise

And there's still more information available on my [website](#). I invite you to click and explore – some of what you'll find there:

- Links to all [state tax authorities](#) and many other [useful reference sites](#)
- Info about estates & gifts, business, investments and senior issues on [Specialty](#) pages dedicated to each topic
- [Due dates](#) for estimated tax payments and filing returns
- Upcoming deadlines for [issuing 1099s](#) (January 31st) and [business tax registration](#) (February 28th)
- A page addressing frequently asked questions ([FAQs](#)) and common taxpayer concerns
- My [blog](#) presenting an informal discussion intended to keep you abreast of code changes and other timely issues
- [Materials](#) to make record-keeping easier, learn about business start-up, find charity valuation guides and much more
- [Fraud](#) to keep you abreast of the latest scams and offer identity theft protection tips
- In the Help section, you'll learn know [How to...](#) to reach the IRS, cancel an automatic debit, find out if your amended return has been processed, order a transcript or simply [have fun](#), amongst many other practical tips.

While I hope to pre-empt many of your questions and give you the information you need before you even think to ask, I also encourage you to call or [e-mail](#) if you would like to discuss your personal situation or use the [Inquire](#) tab. The Inquiry Form was designed to allow prospects to contact me with questions about services that I offer. I am purposefully sending you to that form so that you may become familiar with it and can suggest to *others* – friends, family and referrals – to contact me in this manner. Remember, that I am always eager to welcome your referrals and will reward you with a generous gift card for every referral who becomes a client.

For those of you who seek the luxury of communicating with me without being “on the clock”, I offer a [Service Contract](#) which will entitle you to unlimited hours of free consultation in lieu of my customary hourly rate on such topics as withholding allowances, estimated tax computations, job changes, out-of-state moves, new home purchases, refinancing, divorce and adoption, college savings, retirement plans, business start-up, amongst many other issues.

To entice you to read my Year-start Letter enclosed in this packet, I have outlined various tax saving strategies as well as fee reduction techniques. I encourage you to commit to the tax preparation process by returning the attached Engagement Agreement and Taxpayer Consent form along with a check or [online payment](#) of my \$400 retainer fee. I thank you in advance!

With warm regards,

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For your convenience and to allow for easy reading, all of these documents have been individually posted to the [Materials](#) page of my website.

When you have completed the required forms in this packet and gathered your tax data, you should submit it to me in a security-conscious manner. If you wish to use a secure server, you may head for the [Contact](#) page of my website to **access a link that allows for easy upload and convenient transmission.**

NOTE: To ensure the integrity of my system and for the safety of all clients, I will not accept online transmissions sent via Dropbox, Google Drive or other open-source file sharing systems and I will not accept data sent via servers for which I have to provide information to open an account.

If you would rather use e-mail to send documents and information, please be sure to password-protect your PDF attachments *and provide me with your selected password under separate cover.* Of course, mail and fax work as well. And you may always schedule an in-office appointment if you prefer.

HIGHLIGHTS OF PERTINENT TAX CODE CHANGES

(TY 2019)

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New Laws: With the expansive nature of and sweeping changes introduced by the Tax Cut and Jobs Act of 2017 (TCJA), it was fair to hope that that no additional code changes would be introduced until at least all prospective provisions of the act had become effective. But then came SECURE, legislation enacted on December 20, 2019 for the purpose of Setting Every Community Up for Retirement Enhancement. Nestled within a federal appropriations bill, the act's tax-related sections primarily make changes to the administration of retirement accounts. As such, the act's legislative acronym is hardly the silliest created by Congress. By contrast, here are a few examples of congressional wit and folly (listed in alphabetical not non-sensical order):

- BREATHE: Bringing Reductions to Energy's Airborne Toxic Health Effects Act
- FRESHER: Focused Reduction of Effluence and Stormwater runoff through Hydrofracking Environmental Regulation Act
- PARTS: Promoting Automotive Repair, Trade, and Sales Act or Protecting Access to Rural Therapy Services Act
- PEGASUS: Prevention of Escapement of Genetically Altered Salmon in the United States Act
- PHOENIX: Protecting Honest, Everyday Americans from Senseless and Needless Taxes Act
- REINS: Regulations from the Executive In Need of Scrutiny Act
- USA PATRIOT: Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act




The P's have it, wouldn't you agree? Unless you're giving out an award for the most unpronounceable acronym: LCSBWFTRA (Loop-hole Closure and Small Business and Working Families Tax Relief Act) – California's latest attempt to partially conform TCJA.

Due Dates: The IRS has announced that it will begin processing paper and e-filed returns on **Monday, January 27th**. Here's a list of [due dates](#) for 2019 tax returns:

Form	Due Date (2020)	Extended Due Date (2020)
	*fiscal year filers have alternate filing dates	*fiscal year filers have alternate filing dates
1040 (Individual Return)	April 15	October 15
1065 (Partnership Return)	March 16	September 15 [CA: October 15]
1120-S (S-Corp. Return)	March 16	September 15
1120 (Corporate Return)	April 15	October 15
1041 (Fiduciary Return)	April 15	September 30 [CA: October 15]
990 (Non-profit Organization)	May 15	November 16

Foreign Account Reporting: Taxpayers who had authority over foreign financial accounts with a combined value in excess of \$10,000 at *any* time during 2019 must [e-file FinCEN 114](#) by **April 15th, 2020**; taxpayers who need additional time to file receive an *automatic* 6-month extension. ⚠ Individual taxpayers, as well as corporations and partnerships, may also be required to file Form 8938 and attach it to their income tax return if the aggregate value of foreign financial assets exceeds \$50K. *CA* conforms to FATCA reporting requirements. Failure to attach the federal Form 8938 to the state return will result in a \$10,000 state penalty in addition to any applicable federal penalties.

Information Returns: Copies of W-2s issued to employees and 1099s issued to independent contractors must be submitted with the accompanying Forms W-3 and 1096 by **January 31st, 2020**. Most other 1099s may be filed with the IRS on paper by **February 28th** or submitted electronically by **March 31st**. ⚠ Starting with TY'20, payers reporting non-employee compensation will be required to use the new Form 1099-NEC. 

Local Business Tax: Most cities require that businesses be registered; the attendant tax may sometimes be waived *if* registration forms are timely filed (**March 2nd, 2020** for Los Angeles). ⚠ Independent contractors (workers paid via 1099 rather than W-2) are deemed to be "in business" for licensing purposes. Links to licensing departments in Los Angeles, Culver City, West Hollywood and Santa Monica, information for small business owners and much more can be found on a [specialty page](#) of my website dedicated to business matters. ⚠ Some localities may require AirBnB and other short-term rental hosts to submit Business Property Statements for the purpose of assessing an annual tax on the value of personal property and fixtures used in the business.

CA

now presumes that most workers are employees unless the hiring entity can satisfy each of the following three criteria under the A-B-C Test: A) The employer may not control or direct the worker's performance; B) The worker performs work outside the usual course of the employer's business; *and* C) The worker must be customarily engaged in an independently established trade or business that is of the same nature as the work performed for the employer.

The new absolute standard eliminates the flexibility of the old *Borello* (1989) standard that weighted multiple factors with regards to how the work was performed. While labor unions herald the *Dynamex* (2018) decision on the basis that millions of California workers newly classified as employees may now be eligible to organize, many hiring entities fear that the rules will require a major revamping of lucrative business models. Uber and Lyft – specifically targeted by Assembly Bill 5 (effective 1/1/2020) – have threatened to champion a ballot initiative in an upcoming election.

Certain worker groups [e.g., insurance and securities brokers, doctors, lawyers, architects, engineers, accountants] have been granted legislative exemptions from the A-B-C Test (but not previously enacted guidelines); as have bona fide business entities that qualify under a narrow business-to-business exception if they can satisfy twelve criteria that include providing services directly to a contracting business (not its customers), the contractor maintains a separate business location and registers for a business license, amongst other factors. In general, however, most workers in a wide range of professions must now be classified as employees; thereby becoming eligible for wage protections and employee benefits but unable to claim deductions for unreimbursed business expenses on their *federal* returns.



! TAXPAYER BEWARE: Based on a recent opinion letter issued by the US Dept. of Labor, gig workers may continue to be classified as independent contractors for *federal* tax purposes based on the 20-factor common law test long in effect. As a result, some California workers may be required to file as independent contractors on the federal return using Schedule C to include income reported to them on Form 1099-MISC *and* as employees on the state return to include income reported on Form W-2. When preparing the worker's state income tax return, Schedule CA will have to be used to back out the federal Schedule C income, as well as any deductions claimed for self-employed health insurance premiums and allowable business expenses (which may instead be claimed as unreimbursed employee expenses on the state return). ⚠️ Employers in these circumstances are not required to pay FUTA, but must contribute to the state unemployment fund, as well as withhold state income taxes and SDI. These "hybrid" employees will be covered by workers' compensation, mandatory sick pay and applicable minimum wage laws but will not qualify for health and retirement benefits.

Free Application for Federal Student Aid (FAFSA): The online application is available on the [Dept. of Education](#) website. Applicants must submit 2018 tax return information for the 2020/21 academic year. Smart-phone users may download the [myStudentAid](#) mobile app to complete the FAFSA application.

! TAXPAYER BEWARE: Speaking of dates, tax and law enforcement authorities suggest that you do not abbreviate dates in the long-accustomed manner of "1/1/20" and instead advise that the year be written out in full as "1/1/2020" since the truncated version could easily be pre- or post-dated by scammers.

New Forms: The "postcard 1040" introduced in the prior tax season was hardly a resounding success. While 79 lines of the old federal return were condensed to only 23 lines on two half-pages, six (!) supplemental schedules were required to be filed to accommodate the information that had been eliminated on the shortened form. Congress quickly came to the rescue and ordered the IRS to develop a simpler Form 1040-SR, designed for seniors with only Social Security, pension and investment income. Then, on its own initiative, the IRS revamped Form 1040, adding lines to the front and back of the form and reducing the six added schedules to only three. Capital gains can now be carried directly from Schedule D to the first page, IRA distributions have been separated from pension and annuity income, and the signature line has returned to the second page. For all intents and purposes Forms 1040 and 1040-SR appear almost identical, although the printed text on the senior form is larger.



! TAXPAYER BEWARE: The IRS has added a compliance question to Schedule 1 of Form 1040 that asks taxpayers if they received, sold, sent, exchanged or otherwise acquired virtual currency during the year. Failure to report cryptocurrency transactions may result in civil as well as criminal penalties. As per IRS Notice 2014-21, virtual currencies will be treated as property (not currency), which may result in income recognition if received in lieu of wages (subject to payroll tax) or coins are mined (potentially subject to self-employment tax), as well as gain recognition when coins are sold or exchanged (possibly subject to back-up withholdings). It is not yet clear whether crypto coins will be deemed by state regulatory authorities to be *tangible* personal property subject to sales taxation. Similarly, the US Treasury has not issued definitive guidance whether it will treat virtual currencies as reportable assets under foreign bank accounting and FATCA rules.

CA now requires taxpayers wishing to claim the Head of Household (HoH) status to attach Form 3532 to the state return to allow the FTB to determine the taxpayer's eligibility for the preferential tax filing status. Failure to submit the form will result in the automatic issuance of a Notice of Tax Return Change denying the HoH status and assessing additional tax. The taxpayer may contact the tax authority by phone or letter to dispute the change.

TCJA Changes now in Effect: With one filing season already under our belts since the enactment of the "big" code change, many provisions are familiar while some only became effective in 2019.

Deductions: The inflation-adjusted Standard Deductions are now \$12,200 (Single) and \$24,400K (MFJ). Taxpayers who wish to itemize may still claim deductions for medical expenses, state income and property taxes, mortgage interest, and charitable contributions subject to the guidelines listed below:

State & Local Taxes: The federal deduction for the aggregate of all state and local income taxes and property taxes is limited to \$10,000 on individual and fiduciary returns, although state and local taxes paid while carrying on a trade or business or rental activity remain fully deductible. The "SALT Limitation" spurred state legislators to seek creative workarounds on behalf of constituents. Most, if not all such inventive proposals – such as the creation of state charitable funds allowing donors to claim a state tax credit in lieu of a federal tax deduction for state income and property taxes paid – were thwarted by newly enacted IRS regulations.



Californians, amongst others, have been particularly hard hit with state marginal tax brackets as high as 12.3% and property taxes based on a percentage of skyrocketing real estate prices.

Rev Rul 2019-11 mandates that the taxability of prior-year state tax refunds received in the current tax year will be based on the tax benefit rule rather than allocated proportionally amongst the income and property taxes claimed on the prior-year return. As a result, taxpayers who could not deduct the full amounts of state income and property tax paid on the 2018 federal return due to the SALT limitation but nevertheless received a state tax refund, may not be required to include the full amount of the refund received as taxable income on the 2019 return. Instead, the taxpayer will be required to determine how much of the tax over-payment yielded a tax savings when claimed on the earlier return. *CA* prohibits deductions for state income and sales taxes but allows a deduction for real and personal property taxes in excess of \$10K.

Sales Tax: Based on the Supreme Court decision in *Wayfair, Inc. v South Dakota*, *CA* began imposing sales and use tax on retailers who have an "economic nexus" with the state in early 2019. Thus, retailers who had sales of at least \$100K or made more than 200 transactions during the prior year will be required to register with the California Department of Tax and Fee Administration and remit sales and use taxes, even if the retailer has no physical presence within the state. See [State Nexus Chart](#) to determine which states have adopted a filing threshold or developed simplified filing procedures.

Mortgage Interest: The federal deduction is limited to interest accrued on a maximum of \$750K acquisition debt related to a 1st or 2nd home purchased after December 15, 2017; whereas the *CA* deduction still allows for interest deduction on indebtedness up to \$1 million. TCJA has repealed the federal deduction for interest on all home equity debt; *CA* still allows an interest deduction on HELOCs up to \$100K.

Interest Tracing: TCJA changed the rules regarding the deductibility of mortgage and personal interest. For loans used to buy, build or substantially improve a taxpayer's main or second home – known as acquisition debt – and newly obtained or refinanced after January 1, 2019, the interest deduction is limited to indebtedness totaling no more than \$750K; interest on indebtedness exceeding that limitation is not deductible. (The limitation remains at \$1 million for grandfathered loans in existence prior to 2018.) Additionally, interest on home equity debt and lines of credit (HELOC) has been disallowed unless the loan proceeds are used to improve the personal residence which secures the debt. ⚠️ A new checkbox on Schedule A requires taxpayers to indicate if they did not use the entire mortgage loan to buy, build or improve the home and alerts the IRS that equity debt exists. Interest on HELOCs that is not qualified residence interest may nevertheless be deductible elsewhere on the return, if the loan proceeds are used for business-related expenditures. Prior to 2018, interest tracing rules applied only to HELOC debt in excess of \$100K; now the rules apply to the HELOC in its entirety. ⚠️ Taxpayers should review old records as soon as possible to establish how much, if any part of the equity loan is allocable to acquisition debt in preparation of an eventual audit.





Charitable Contributions: Taxpayers who itemize may claim deductions for documented contributions to qualified donee organizations up to an Adjusted Gross Income (AGI) limitation of 60%; excess contributions may be carried-forward and deducted on future returns for up to 5 years.



PLANNING TIP: Taxpayers may wish to consider donating appreciated assets rather than cash. The taxpayer will generally receive a tax deduction for the full fair market value and be relieved of the tax on the capital gain. If the taxpayer contributes assets or cash to a donor-advised fund, a deduction may be claimed in the year the assets are transferred to the fund even if those assets are only later distributed to recipient charitable organizations.




PLANNING TIP: Seniors over the age of 72 may elect to make a *direct* IRA-to-charity transfer, thereby avoiding the inclusion of their Required Minimum Distribution (RMD) in taxable income, minimizing the taxability of Social Security benefits and potentially avoiding Medicare Surtaxes. QCDs may be particularly attractive to those taxpayers who no longer itemize due to the higher Standard Deduction under TCJA.

Casualties: Losses due to fire, flood or other natural disaster are no longer federally deductible unless incurred in a presidentially declared disaster zone. Taxpayers must provide the [FEMA](#) incident number on Form 4684. Eligible California disasters in 2019 include Winter Storms (February and March), as well as Earthquakes (July).  continues to allow a deduction for losses if either the President or Governor declares the disaster. 

Miscellaneous Itemized Deductions: All deductions subject to the 2% AGI limitation have been eliminated under TCJA, while miscellaneous deductions not subject to the AGI floor remain fully deductible, including such items as casualty and theft losses from income-producing property, federal estate tax paid on income-in-respect-of-decedent and gambling losses.

Hobby Losses: Prior to TCJA, expenses associated with not-for-profit activities could be claimed as Miscellaneous Itemized Deductions to the extent of hobby income. With the elimination of all deductions subject to the 2% AGI limitation on the federal return, gross hobby income becomes fully taxable.

Estates & Gifts: Excess deductions allocated to the beneficiaries of a terminated trust or estate were previously deductible as miscellaneous deductions subject to the 2% limitation and were, therefore, seemingly disallowed under TCJA. But IRS Notice 2018-61 clarifies that costs of trust and estate administration are not subject to the 2% limitation and remain deductible. Administrative costs are those expenses that would not have been incurred if assets had not been held in the estate or trust; these can include fiduciary, as well as investment advisory and tax preparation fees.  Tax preparation fees incurred by an individual are not deductible.

The inflation-adjusted lifetime exemption for estate and gift taxation in 2020 is \$11.58 million. The annual gift tax exclusion remains at \$15,000; the unified tax rate remains at 40%.



PLANNING TIP: Wealthy taxpayers may reduce their taxable estates by making lifetime gifts up to the applicable threshold amounts but are protected from potential recapture by anti-clawback provisions when the exemption reverts back to \$5 million in 2026.

Qualified Business Income: To better align the tax rates of sole proprietorships and pass-through business entities with the new corporate flat tax, taxpayers may now deduct up to 20% of their domestic net qualified business income (QBI) from taxable income [= AGI – Standard or Itemized Deductions]. The deduction may not be claimed above-the-line to reduce AGI, nor may it be used to reduce the self-employment tax. QBI includes trade or business income from self-employment, S-Corps, Partnerships, LLCs and trusts but does not include wages, reasonable compensation paid by S-Corps, guaranteed payments to partners, investment income or income from publicly traded partnerships.



⚠️ The IRS has stated that “the ownership and rental of real property doesn't, as a matter of law, constitute a trade or business, and the issue is ultimately one of fact in which the scope of the taxpayer's activities in connection with the property must be so extensive as to give rise to the stature of a trade or business.” Under a safe harbor provided by IRS Notice 2019-07, a rental enterprise may qualify as a “trade or business” for the purposes of IRC §199A if all of the following criteria can be met: 1) the enterprise maintains separate books and records; 2) the taxpayer performs at least 250 hours of rental service per year; and 3) contemporaneous records are kept to substantiate the hours, dates and types of services performed. Qualified services do not include financial activities, procuring property, studying operational reports, managing capital improvements or traveling to/from the property. Services may be performed by owners, employees or independent contractors (*if* hourly records are maintained by each of these individuals).


The §199A deduction is subject to various phase-out rules depending on whether the income is derived from a specified service business (e.g., healthcare providers, accountants, investment advisors, attorneys, and other consultants) or another source. Specified service businesses may lose a portion of the allowable deduction if taxable income falls within the approximate ranges of \$160K – 210K (Single) or \$321K – 421K (MFJ) and lose the deduction altogether if taxable income exceeds the upper-most thresholds. In contrast, non-specified businesses may still benefit from the deduction if the thresholds are exceeded, but the allowable deduction for these high-income earners will be limited by a complex computation based on wage income paid to employees and the unadjusted basis of the depreciable property held by the business. ⚠️ The IRS has developed new Forms 8995 and 8995-A to compute the allowable §199A deduction. While nightmarishly complex, potential tax savings for taxpayers in the top income bracket eligible for the full deduction could serve to reduce the effective tax rate from 37 to 29.6%.


Affordable Care Act (ACA): Gone! (Sort of.) The *federal* Shared Responsibility Penalty assessed on taxpayers who fail to maintain minimum essential healthcare coverage has been repealed beginning in 2019 [although it is nevertheless advisable to purchase health insurance]. BUT... with the start of 2020, *CA* has adopted a *state* mandate and will impose penalties comparable to those formerly levied by the IRS. Failure to verify coverage may cost you the greater of \$695/adult (\$347.50/child) or 2.5% of your yearly household income, limited to a family maximum of \$2,085. The FTB offers an online [estimator](#) to calculate the applicable penalty. Information about coverages, exemptions and financial assistance are available through [Covered California](#). ⚠️ 2019 was a penalty-free year with neither federal nor state mandates enforced, but watch out in 2020!

This is not
Goodbye

SECURE Act Extensions: Unable or unwilling to leave well enough alone, Congress incorporated numerous tax code changes into its year-end appropriations bill. While many of these provisions re-instate previously expired rules in the nick of time for the upcoming tax season, *some* extensions were made retroactive to TY'18; thereby requiring taxpayers to file amended returns to avail themselves of the tax benefits newly granted. ⚠️ Tax refund claims may be filed up to three years from the date of filing the original return or two years from the date the tax was paid, whichever is later. Thus, for 2018 returns that were timely filed on or before April 15th, 2019, amended returns must be filed on or before April 15th, 2022.

New Rule	Effective Date	<i>CA</i> Conformity
Qualified Mortgage Debt Exclusion – discharge of up to \$2 million of certain qualified principle residence indebtedness is excluded from gross income.	TY19 & TY20 TY18 retroactive ←	NO.
Private Mortgage Insurance Premiums – can be treated as deductible qualified residence interest.	TY19 & TY20 TY18 retroactive ←	NO.
Qualified Tuition Deduction – allows an above-the-line deduction of up to \$4K for qualified education expenses.	TY19 & TY20 TY18 retroactive ←	NO.
Medical Expense Deduction – the aggregate of all medical expenses need only exceed 7.5% (not 10%) of AGI.	TY19 & TY20	YES.
Kiddie Tax – children with unearned income will not be taxed at tax rates applicable to trust and estates, but will (as before) be taxed at their parents' marginal tax bracket.	TY20, but may <i>elect</i> to apply rule to TY18 & TY19	YES.
Retirement Plans: <ul style="list-style-type: none"> Individuals over age 70½ may contribute to Traditional IRAs (if otherwise eligible) but must reduce the \$100K limitation on Qualified Charitable Contributions (QCD) by the amount contributed to the IRA. Age for Required Minimum Distributions (RMD) is raised to 72 (for taxpayers who turn 70½ after 12/31/19). [See SENIOR BONUS below.] Non-spousal beneficiaries of inherited IRAs must schedule RMD withdrawals over a 10-year period and can no longer stretch distributions over their lifetimes. [See PLANNING TIP below.] 	<ul style="list-style-type: none"> TY20 TY20 TY20 	<ul style="list-style-type: none"> NO – IRA contributions would be non-deductible. YES. YES.


 **SENIOR BONUS:** The change allowing taxpayers to postpone withdrawal of their RMDs to age 72 favors those who were born in the first half of 1950 since they may defer receipt of taxable income for up to two years. Taxpayers born in the latter half of 1950, on the other hand, can only postpone taking RMDs by one year.

 **PLANNING TIP:** The law eliminating STRETCH IRAs makes it crucial to review beneficiary designations, particularly if a trust is named as the beneficiary of a retirement account. Under previous see-through rules, the trust could stretch distributions from an IRA over the lifetime of the oldest trust beneficiary. With new rules mandating a 10-year distribution requirement, negative consequences may ensue. Where trust language allows for RMDs to be voluntarily disbursed from an inherited IRA to the trust each year and then passed on to the trust beneficiaries, the trust may now be limited to a one-time withdrawal only in the 10th year after the death of the IRA owner; causing the IRA distribution to be taxed as a lump-sum.

Tax Stats: Now that one full filing season since enactment of TCJA has passed, it is not surprising to note that the number of taxpayers who itemized deductions dropped from 30% in 2017 to only 10% in 2018 and that taxpayers subject to the Alternative Minimum Tax (AMT) dropped from more than 4 million to only 78,000. (AMT collections dropped from nearly \$22 billion to less than \$1 billion.) Corporate tax cuts and the introduction of the 21% flat tax raised inflation-adjusted wages by only 1.2% and yielded an average bonus of only \$28/worker.



The effective tax rate for high income earners (with earnings over \$1 million) dropped from 30 to 29% but dropped more significantly for middle income taxpayers (\$75 – 100K) from 10.2 to 8.7% and for low-income earners (under \$50K) from 3 to only 1.2%. The effective rate is the average rate actually assessed on the whole of a taxpayer's gross income; as opposed to the marginal rate which is applied only to a taxpayer's last earned dollar at the highest applicable rate in the tax tables. To belong to the wealthiest 1% of Americans required an AGI of \$515K; to be in the top 0.1% required \$2.4M; and the top 0.001% (a total of only 1,400 taxpayers) required \$63.4M. By contrast, to be a part of the top 50% of all taxpayers, required an AGI of just under \$42K.

Due primarily to budgetary cuts and forced staffing reductions, examinations of individual tax returns dropped to 0.45% (down from 0.59% in the prior year); although audits of high-income earners (\$5 – 10 million) remained at 4.21%.  Despite the seemingly low audit rate, taxpayers are reminded that the success of our tax system depends upon voluntary compliance. Failure to file honest and accurate returns can lead to significant penalties and even jail time, if caught.



SUMMARY OF IMPORTANT TAX DATA™ FOR TY 2019

[2020 in italics; CA shaded]

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The information herein is for educational use only & should not be construed as tax, financial, or legal advice since every taxpayer's situation is unique. You should consult with tax & legal professionals prior to implementation. Any tax advice herein is not intended to be used—and shall not be used—by any taxpayer for the purposes of avoiding any penalties that may be imposed by the tax authorities.

Federal & CA Tax Rate Schedules

Filing Status	10%	12%	22%	24%	26% AMT only	28% AMT only	32%	35% NOTE: Marriage Penalty	37% NOTE: Marriage Penalty
Single	<9,700 (9,875)	<39,475 (40,125)	<84,200 (85,525)	<160,725 (163,300)	N/A	N/A	<204,100 (207,350)	<510,300 (518,400)	>510,300 (>518,400)
MFJ	<19,400 (19,750)	<78,950 (80,250)	<168,400 (171,050)	<321,450 (326,600)	N/A	N/A	<408,200 (414,700)	>612,350 (622,050)	>612,350 (>622,050)
Alt Min Tax	N/A	N/A	N/A	N/A	<194.8K (<197.9)	>194.8K (>197.9)	N/A	N/A	N/A

Medicare Surtaxes on incomes > \$200K (S); \$250K (MFJ): Earned Income (0.9%) and/or Net Investment Income (3.8%)

Filing Status	1%	2%	4%	6%	7% AMT only	8%	9.3%	10.3%	11.3%	12.3%
Single	<8,809	<20,883	<32,960	<45,753	>275,552	<57,824	<295,373	<354,445	<590,742	>590,742
MFJ	<17,618	<41,766	<65,920	<91,506	>368,727	<115,648	<590,746	<708,890	<1,181,484	>1,181,484

PLUS: CA Mental Health Surtax of 1% on income >\$1 million (all filing statuses)

Capital Gains Rates CA: Capital Gains taxed at Ordinary Rates & NO Qlfd. Dividend

Taxable Income	STCG ≤ 1 year Taxed at ordinary rates	LTCG > 1 year & Qualified Dividends	§ 1250 Deprec. Recapture	Collectibles & § 1202 Sm Bus Stk
<39,375 (S) <78,750 (MFJ)	See above	0%	25%	28%
<434,550 (S) <488,850 (MFJ)	See above	15%	25%	28%
>434,550 (S) >488,80 (MFJ)	See above	20%	25%	28%

CG Rate applies to **Qualified Dividends** held >60 days during 120-day period beginning 60 days before ex-dividend date, incl. some preferred & foreign stocks; excluding REIT, S-Corp & Mutual Fund STCGs—Capital losses cannot offset dividends **[PERMANENT]** CA does not conform.

Exemptions & Deductions

Filing Status	Filing Requirements	Standard Deduction	Personal Exemption	AMT Exemption
Single max. state/local tax = \$10K int lmt'd on NEW mtgs <750K NO Misc or Unreimb Empl xpns	12,200 (12,400) CA: 18,241	12,200 (12,400) CA: 4,537	0 CA: 122	71,700 (72,900) CA: 73,748
Married Joint max. state/local tax = \$10K	24,400 (24,800) CA: 36,485	24,400 (24,800) CA: 9,074	0 CA: 244	111,700 (113,400) CA: 98,330
Senior or Blind (Single)	13,850 (14,050) CA: 24,341	1,650 (1,650)	N/A CA: 122	N/A
Senior or Blind (Married Joint)	25,700 (26,100) CA: 42,585	1,300 (1,300)	N/A CA: 122	N/A
Child (<age 19/24 if FT stdt) [Taxed at trust rates BUT repealed by SECURE for TY20 & TY18/19if elctd] OR may rpt on parents' 1040 if only int/div <10.5K → Form 8814	2,200 (2,200) CA: 1,100	1,100 (1,100)	0	N/A

Federal (& State) Phase-out Ranges

Fil. Stat	Pers. Xmpn. & Item. Ded.	AMT Xmpn	§199A 20% deductn for Qlfd Bus Inc (QBI) Specfd Svc Trade/Biz gets NO ded >threhld	Child Cred 2,000 (1400 rfn'dbl OR 500 qlfd dep)	EIC 6,557 max 2,982 CA [Form 8867 chklist req'd]	IRA (deductible) [See contribn limits @ page 2]	Saver's Cred 10-50% 2,000	ROTH [no limits on conversions; no recharctzn to Traditl after conversion]	Amer Opp 2,500 Under- Grad only	Lifetime Learning 2,000	Educ. Svgs 2000	Stdnt Loan 2,500	Tuit & Fees 2-4K
S	N/A 200,534	510.3- 797.1K 275,552	160.725- 210.725 (163.3-213.3)	200K (200)	8,650 (0)- 50,162 (3) 3,751-30,001	64-74K (65-75K)	19-25-32K (19.5-32.5)	122-137K (124-139)	80-90K	58-68K (59-69)	95- 110K	70-85K (70-85)	65- 80K
MFJ	N/A 401,072	1.026- 1.4674M 368,727	321.4-421.4 (326.6-426.6)	400K (400)	14,450 (0)- 55,952 (3) 3,751-30,001	103-123K (104-124K)	38.5-64K (39-65)	193-203K (196-206)	160- 180K	116-136K (118-138)	190- 220K	140-170K (140-170)	130- 160K

Estate/Trust Tax Rates (Fiduciary Returns)

Taxable Income	Tax Rate
0 - 2,600 (2600)	10 (10)
2,601 - 9,300 (9450)	24 (24)
9,301 - 12,750 (12950)	35 (35)
>12,751 (12950)	37 (37)
AMT Exemption	\$25,000 (25,400)

CA Probate Fees

Estate Size	Fee (Atty & Exctr each earn)
\$0 - 100K	4%
\$100 - 200K	3%
\$200 - 800K	2%
\$800K - 9M	1%
\$9M - 15M	0.5%
>\$15M	Set by Court

Corporate Tax Rates

Taxable Inc	Tax Rate
0 - unlimited	21* *Flat tax effctv 1/1/18 [new rate profitable > \$90]

C-Corp: 800 min fee OR 8.84% of tax inc
S-Corp: 800 min fee OR 1.5% of tax inc
LLC: 900 fee + ann tax if total inc > \$250K
Corp. AMT: 6.65%

Taxable Equivalent Yields

CA: GNMA's & FNMA's are taxable

Tax Rate	2% Cpn	4% Cpn
10%	2.22	4.44
12%	2.27	4.55
22%	2.56	5.13
24%	2.63	5.26
32%	2.94	5.88
32%	3.08	6.15
37%	3.17	6.35

Social Security & Payroll Tax for 2020

Type	Maximums
Social Security Tax	6.2% on \$137.7K
Medicare Tax	1.45% on ALL earnings + 0.9% if inc > 200K(S)/250K (MFJ)
Medicare B Premiums	Base = \$144.60/mo + surchrg
Medicare Prem Surchrg* [*appeal if life-chng event]	If '18 inc >87K (S), 174K (M), + \$57.80 – 347/mo [B] and 12.20 – 76.40/mo [D]
Income when SS taxable	18,240 if < full retirement age
CA Minimum Wage (per hour)	12 sm emplyr/13 lg (\$15 in LA > 7/1/20)
CA Disability (SDI)	1% on 122,909 (max 1,229.09)

Tax on SS Benefits* w/ Excess Income

* COLA incrs for 2020 = 1.6% CA: SS benefits not taxable

Filing Status	0% Taxed	50% Taxed	85% Taxed
Single	<25K	25-32K	>32K
Married Jt	>32K	32-44K	>44K

Retirement Account Limits

Type	Max. Contributions
IRA, incl spsl & ROTH	6,000; 7,000 if >50 (6000; 7000)
SEP, KEOGH, Def Contrib	56K (57K)
SIMPLE	13K; 16K if >50 (13.5K; 16.5K)
401(k), 403(b) & 457	19K; 25K if >50 (19.5K; 26K)
KEOGH/Def.Contrib.	56K (57K)
Defined Benefit (comp. limit)	280K (285K)

Penalties & Fees

Type	Maximums
No Health Insur	BUT @ CA begin TY'20...
Shr'd Rspnsblty (FED repealed > TY'18)	Grtr of \$695/adlt + 347.50/dpndt OR 2.5% of xcs hshld inc (1/12 ass'd mnthly)
Due Diligence	\$530 (540) for HOH, EIC, AOTC & CTC
Xcs MSA W/drwl	20% CA: 12.5%
Early IRA W/drwl	10% (if age <59½) CA: 2.5%
Xcs Accumulation	50% (unless "reas. cause" → Form 5329) NOTE: age incrsd to 72 in 2020
IRA Rollover Wvr	\$10K [Rev Proc 2016-8: only 1 rolvr for all IRAs/fiscal yr]
Late Filing	5% /mo (max 25%; min \$435) [unlss 1 st time penlty wvr] CA: \$135
Late Payment	0.5% per mo. (max. 25%) [unlss 1 st time penlty wvr]
Underpayment	if <1K due or >110% pd if AGI>150K
Penalty Waiver	CA: if tax due > 500
EFT Failure	1% of amt that should've been e-paid
Rqst Installment Plan	\$225 (\$107 if using direct debit)
OIC Min Pymt	≥ 20% for lump-sum OR installments
CA's CDTFA	10% of unpaid Use Tax
Worker Mis-classifctn	\$5K - \$15K/violnt if willful NOTE: CA presumes employee unlss 3-factor test satisfd
Frivolous Return	\$5,000
FinCEN 114 (FBAR)	\$12,921 BUT...
→ 6 mos. auto xtn	if willful: 50% of highest balance + criminal
1099 & W-2 Reptng	\$270; \$540 if intentional disregard \$100/1099 or W-2
8971 Basis Reporting by Estate	Due 30 days after 706 → failure to file penalties = \$50 – \$270 per 8971

2019 Standard Mileage Rates

Type	Cents/Mile
Business	58 (57.5)
Charity—all other	14 (14)
Medical	20 (17)
Moving (NO fed mvg xpns xcpt actv duty mltry)	20 (?)

Important Dates (all dates in 2020 unless specified)

Filing Dates (XTNs)	Estimated Taxes	Stat of Lmnts
1040: 4/15 (10/15) 1065: 3/16 (9/15; 10/15) 1120S: 3/16 (9/15) 1120: 4/15 (10/15) 1041: 4/15 (9/30; 10/15) 990: 5/15 (11/16) FBAR: 4/15 (10/15)	1: 4/15 (30%) 3: 9/15 (0%) 2: 6/15 (40%) 4: 1/15/21 (30%) → Increase ES if Shared Resp. penalties anticipated Pay by 12/31 if itemize unlss SALT or AMT MUST e-pay if ES >20K or tot tax >80K	3yrs Audit 10yrs Clctns 4yrs Audit 20yrs Clctns

Miscellaneous Exclusions and Limitations

Type	Amount
Qualifying Child (use to determine elig for credits)	Related, live-in > ½ yr, < ½ own support, < age 19 (<24 if FT stdt), <13 for Dep Care, <17 for Child Cred
Gift Tax Exclusion	15,000 (15,000); xcs taxed at 40% max \$11.4M (11.58) life xclsn; 155K (157) to non-citizen sps
Estate Tax Exclusion	\$11.4M (11.58M; revrts to 5M @TY'26); max rate 40% xcs Spousal Excln portable (must file w/i 2yrs > DOD)
Expat Tax Exemption	725K (737K) "covered" if avg ann tax > 168K (171K)
Foreign Earned Inc	105,900 (107,600)—31,770 housing exclsn (32,280)
Tax Preference Items	xcs deprec, state tax, pers xmpntns, misc item ded, CGs, pass loss, NOL, ISO (pvt actvty iss'd 09/10 xmpnt)
→ no med. adj	
Nanny Tax—(need EIN)	File if >2,100 (2200) wages/yr \$750/qtr (must e-file)
§179 Deductn	1.02 million (\$1.04 million) CA: 25,000
Educators	\$250 for classroom materials CA does not conform
Per Diems www.gsa.gov	135-216 (140-226 >10/1/19) lodge; 60-71 (60-71) meal
Use of Pers. Residence	NO rental income reported if < 15 days rental
Home Office Deduction	Actl Xpns OR Safe Harbor (\$5/ft² to \$1500, not indxd)
Like-kind Xchgs §1031	id rplcmnt prop @ 45 dy & buy @ 180 dy aftr sell old ltd to real ppty > TY17 & hold 5yr for \$250K xclsn if cnvrted to 1°
→ file FTB 3840 annually	
§121 Exclsn on Sale of Second Home	Non-qlfd Amt = (# yrs used as 1° since 2008 ÷ Total yrs owned) x Realized Gain CA conforms
Mrtg Forgiveness Debt Relief (xp. 12/31/20)	1° Residence loans up to \$2M → File 1040X for retroactv elctn to TY'18
Nonbus Energy Crdt §25C	10% on qlfd. efficiency improvements; lifetime limit \$500 (\$200 for windows) CA does not conform
Residential Energy Credit IRC §25D (solar/wind)	30% of cost if instll'd by 12/31/19; 26% ('20); 22% ('21) BUT lost under AMT CA does not conform
Qlfd Plug-in Veh Crdt §30D	2,500 – 7,500; check irs.gov for eligible vehicles Rducd crdt Tesla & Bolt/Volt TY19 (\$0 >1/1/20 Tesla; >3/31/20 Bolt/Volt) CA: Clean Vehicle Rebate up to \$7K
CA Renter's Credit	60 if AGI < 42,932 (S), 120 if AGI > 85,864 (MFJ)
CA Prpty Tax Postponemnt	Senior, <\$35.5K inc, 40% eqty (apply by 2/10/20)
Medical Xpns (Sched. A) (xp. Dec 20)	Amts. > 7.5% of AGI; \$0 med marijuana CA: 7.5% of AGI
ACA Prem Credit Eligibility	12,490 + 4,420/prsn (max 400% FPL = 49,960/prsn)
LT Care Insur Premiums	420(430)<age 40; 5270(5430)>age 70; incl as SE Hlth Prem
Health Savings (HSA) – max. contribution	3,500 self/7,000 family (3,550/7,100) + \$1K catch-up
CA: add invst inc; sbtrct tbl dstrbtns	Min Dedctble: 1,350 self/2,700 family (1,400/2,800) Max Out-of-Pocket: 6,750 s/13,500 f (6,900/13,800)
Archer Med Savings (MSA)	Min/Max Ded = 2,350/3,500 self; 4,650/7,000 family Max. Out-of-Pocket = 4,650 self; 8,550 family
Qlfd Char Dist	direct transfer from IRA if age >70½—max \$100K
Net Operating Loss	unlimited carry-fwd
NO federal carry-back > 2017	
NO state carry-back > 2018	NOTE: Sched C loss >\$250/500K (255/510) is N/D & becomes NOL

Handy Reference Numbers

Organization	Telephone Number	Website
Internal Revenue Service	Indiv-800/829-1040 Bus-800/829-4933 Advct-877/777-4778 e-Pay Corrections 888/353-4537 300 N Los Angeles St/6230 Van Nuys Blvd M-F 0830-1630	www.irs.gov ; Suspicious e-mails phishing@irs.gov ; Transcripts; Free File if inc < \$69K; Online pymts DirectPay ; Refund Status & Amended Return Status
Franchise Tax Board	Genl-800/852-5711 e-File/e-Pay Help-916/845-0353 Collections-800/689-4776 Advocate-800/883-5910	www.ftb.ca.gov Online Pymts FTBWebPay.gov Status Where's My Refund Acctnt Info MyFTB.gov
Social Security	800/7721213 SSN Verify-800/7726270	www.ssa.gov [Paper stmts sent ea 5yrs to non-web users]
Emplmnt Dev Dpt	888/745-3886 ID Theft-800/229-6297	www.edd.ca.gov
Tax & Fee Admin BOE → CDTFA @ 7/11/17	800/400-7115 Advocate-888/324-2798	http://cdtfa.ca.gov/ 2019 rates—LA County: 9.50%; Orange: 7.75%; Ventura: 7.75%
LA Bus. Permit	844/663-4411	http://finance.lacity.org/
DMV	(Only VLF is ded) ID Theft-866/658-5758	DMV Fee Calculator
Identity Theft	FTC-877/438-4338 IRS-800/908-4490 FTB-916/845-7088 Mdicare 800/4478477 MdiCal 800/8226222 SSA 800/2690271 Eqfx-800/5256285 TrnsUn-800/6807289 Xprm-888/3973742	http://www.consumer.ftc.gov/ Form 14039 IRS Guide to Identity Theft Form 3552 FTB Fraud Referral
Foreign Accts	IRS-866/270-0733 or Intl-313/234-6146 BSA-866/346-9478	Mandatory e-File http://bsaeiling.fincen.treas.gov

Date: _____

- e-approval & mail
- pick-up

Personal Tax Organizer for 2019 Tax Year

→ RETURNING CLIENTS need not provide info. that has remained unchanged, but **everyone must fill in shaded areas** ←

Your Name _____
 Date of Birth _____ SS # _____
 Job Title _____ Self-employ'd Blind/Disbl'd
 Work # (_____) _____ Work Fax # (_____) _____
 Home # (_____) _____ Cell # (_____) _____
 e-Mail _____

Spouse's Name _____
 Date of Birth _____ SS # _____
 Job Title _____ Self-employ'd Blind/Disbl'd
 Work # (_____) _____ Work Fax # (_____) _____
 Home # (_____) _____ Cell # (_____) _____
 e-Mail _____

Home Address: _____ From _____ To _____
 Mailing Address (if different from Home) _____
 Landlord's Name, Address & Phone # (if you rent) _____

Marital Status: Single Married Dom. Partner (RDP) → Provide Marriage License or RDP Certificate Widowed → Spouse's DoD _____
 Separated Divorced Date of Divorce/Seprtn _____ Final? Y N → attach decree/sttlmnt agrmt
 Alimony (not Child Suppt) \$ _____ [rpt @ CA only for divorce after '17] Payee Spouse's Name & SSN _____
Filing Status: Single MFJ MFS HoH Qual. Widow(er) Claimed as a dependent on another person's return? Y N
Info re Qual. Person for HoH: Name _____ SSN _____ Relatnshp to Txpyr _____
 FT Student? Y N Perm/Total Disbl'd? Y N Gross Income \$ _____ # of days in txpyr's home _____

Name(s) of Dependent(s)	Birthdate	Soc. Sec. # (req'd)	Relationship	# of Mo.s in Home	Inc. > \$1K?	Source of Inc.

- Wish to allow **Preparer** to discuss return w/ IRS? Y N
- Contribute \$3 to **Presidential Campaign Fund**? Y N
- Voluntary contributions to **CA's special funds**? Y N
- E-deposit **Tax Refund** to: Bank → Attach voided chk OR same as last year
 Multiple Accts IRA Account Buy I-Bonds
- Any **out-of-state revenue source** Y N State(s) _____
- Adoption Expenses** Y N \$ _____
- Child Care:** Caretrk's Name _____
 Caretrk's Address _____ Phone _____
 Fed Tax ID #: _____ Amt Pd \$ _____
 Childcare benefit rec'd fr employer? Y N Amt \$ _____

- Household Help:** Name & SSN _____
 Empl'ee Cntrctr Form I-9 Y N Amt Pd \$ _____
- Earn Inc Crdt:** Prvsly claim? Y N Prvsly disallw'd? Y N
 → Provide proof of child's residency, e.g. school records, landlord's or doctor's stmt
- Resid. energy imprvmnt** Y N **Plug-in Vehicle** Y N
- Rebates:** Turf Remvl Elec Car Dealr Rdctn → Provide 1099s
- Educators (K - 12):** Amt of unreimbursed expenses \$ _____
- College Exp:** Stdt Name _____ Tuition: \$ _____
 School _____ Yr @ Sch _____
 Purp of Study _____ Req'd by Emplr? Y N
 Emplr assist Y N Schol'shp Y N Amt \$ _____

- Gifts:** Did you gift >\$15K (cash or other) to anyone? Y N
- 1099 Reporting:** Did you pay ≥\$600 to someone? Y N
- Sales/Use Tax:** Any out-of-state or internet purchases? Y N
- ID Theft:** Did IRS send you a letter? Y N IP-PIN _____

- Debt cancl'd** Y N **Barter Inc** Y N **Gig Econ** Y N
- Cryptocurrncy:** Receive, sell, exchange, acquire in '19? Y N
- Foreign Earned Inc** Y N Distribtn fr **forgn trust** Y N
 Auth over **forgn acct** Y N **Forgn assets** owned Y N

ACA Mktplace Health Insur: Did you rcv Premium Credits? Y N If YES, premium/mo \$ _____ Advnc Crdt Pymt/mo \$ _____ → Provide 1095-A

Retirement Plan Contributions & Withdrawals – Plan Type: IRA Spousal IRA Roth IRA SEP KEOGH TSA Company
 Amount Contributed \$ _____ Date ___/___/___ Amt Rolled Over \$ _____ ROTH Conversn \$ _____ → attach stmts for in/out transactions
 Amount Withdrawn \$ _____ Date of Withdrawal ___/___/___ Tax w/h fr Withdrawal \$ _____ Qual Charitable Distrbtn (QCD)? Y N
 Age 70½ in '19 Y N RMD w/d in '19 Y N Pre-'87 IRA w/ diff CA basis Y N IRA value end '19: You \$ _____ Spouse _____

Income

→ Please attach all W-2's, 1099's (incl. 1099-K if applicable), K-1's, Year-end Statements, Trade Confirmations, Closing Escrow Statements, and other supporting documents

Wages, Salaries → attach W-2's	\$ _____	Self-employment Inc. (Expenses on p. 2) (Bus. Description _____)	\$ _____
Social Security → attach SSA-1099	\$ _____	Pension → attach 1099-R	\$ _____
Disability Income	\$ _____	Unemployment Comp.	\$ _____
Sale of 1 ^o Resid. → attach 1099-S	\$ _____	Installment Sale Income	\$ _____
Seller-fin. Mortgage Interest	\$ _____	Payor's Name, Address & SSN	_____
Gambling, Lottery, or Jury Duty	\$ _____	e-Bay or online Sales	\$ _____
Other Income (→ please describe):	_____	Unreported Tips >\$20/mo.	\$ _____
Dividends Rcv'd <input type="checkbox"/> Y <input type="checkbox"/> N	Interest Earned <input type="checkbox"/> Y <input type="checkbox"/> N	Tax-Free <input type="checkbox"/> Y <input type="checkbox"/> N	Securities &/or Ppty Sold <input type="checkbox"/> Yes <input type="checkbox"/> No → Provide cost basis info
Wrthlss Securities <input type="checkbox"/> Y <input type="checkbox"/> N	Collectibles sold <input type="checkbox"/> Y <input type="checkbox"/> N	Inheritance rcv'd <input type="checkbox"/> Y <input type="checkbox"/> N	Dscrptn, Amt & Date of Ppty rcv'd _____

DEDUCTIONS

→ Please use blank paper to provide addtl. info. or clarification. **NEW CLIENTS must attach last year's tax returns** ←

PERSONAL

(Federal only if total over \$ 12,200 if Single, \$ 24,400 if Married Filing Joint)

Medical Expenses (only if over 7.5% of AGI)

Prescription Medication \$ _____
 Doctors, Hospitals & Clinics \$ _____
 Glasses, Orthodontics, Hearing Aids \$ _____
 Medical Supplies \$ _____
 Weight Loss Treatment Y N (→ provide Rx & receipts)
 Travel/Transportation (# of miles)..... _____
 LT Care Insurance Premiums \$ _____
 Health Insur. Premiums (Self-employed? Y N). \$ _____
 COBRA Y N
 Insurance Reimbursements (if any) \$ _____
 HSA Y N (→ Forms 5498-SA & 1099-SA)
 Any inc/loss on investmnts in HSA account? Y N

Taxes

Real Estate Taxes \$ _____
 Auto Registration (VLF only → verify @ dmv.ca.gov) ... \$ _____
 Sales or Local Taxes \$ _____
 Foreign Income Taxes \$ _____

Interest Paid (→ Provide escrow stmts & Form 1098)

Mortgage Interest paid to bank..... \$ _____
 If paid to an individual, provide lender's name, address, SSN:

 Mortgage obtained or refinanced on/after 1/1/18 Y N
 Points Paid \$ _____ Term of Loan (# of yrs) _____
 Home eqty debt Y N Loan used for _____
 Investment Interest (Margin)..... \$ _____

Casualty Loss (Circle: Earthquake, Fire, Theft, Accident, Other)

Description of Property _____
 FEMA Code _____ Cost Basis of property \$ _____
 FMV of Property Before \$ _____ After \$ _____
 Insurance Reimbursement (if any) \$ _____

Charitable Contrib (→ Attach substantiating docs for ALL donations)

Cash..... \$ _____
 Non-Cash Donations (i.e. Goodwill, Auto)..... \$ _____
 Amount of QCD transferred \$ _____
 Charitable Miles..... \$ _____

Miscellaneous [most federal dedctns eliminated as per TCJA]

Gambling Losses (→ MUST provide gambling log/diary) ... \$ _____
 Repymt of previously taxed inc >\$3K \$ _____
 Estate taxes paid on IRD \$ _____

CA only:
 Fees: Tax Prep \$ _____ Invst Advsr \$ _____ Legal \$ _____
 Sfty Dep Box \$ _____ Subscrptns \$ _____ IRA fees \$ _____

Moving Expenses (only if >50 miles & for bus purp) [CA only]

Date _____ From _____ To _____
 Miles from OLD home→OLD wrk _____ →NEW wrk _____
 Shipping \$ _____ Trvl & Lodging (not meals) \$ _____
 Employer Reimb.? Y N Amount \$ _____

ES Taxes Paid	Date	Fed. Amt.	State Amt.
'18 Refund applied to '19 Tax			
4 th Qtr '18 paid to State in Jan '19			
1 st Quarter '19			
2 nd Quarter '19			
3 rd Quarter '19			
4 th Quarter '19			

* Verify ES pymts w/ IRS (800) 829-1040 & FTB (800) 852-5711 or online *

BUSINESS

→ Use separate sheet for each spouse or activity ←

Self-emplmt (S) Unreimb Employee (E) Rental Exp (R)

Rental Real Estate: # days rented _____ # days prsnl use _____

Advertising \$ _____
 Cleaning & Maintenance \$ _____
 Dues (union & association)..... \$ _____
 Education (tuition & books)..... \$ _____
 Fees Paid (legal & professional)..... \$ _____
 Insurance Premiums (business & liability)..... \$ _____
 Interest Expense on Business Loans..... \$ _____
 Licenses \$ _____
 Office Rent \$ _____
 Office Supplies \$ _____
 Postage & Freight..... \$ _____
 Publications & Subscriptions \$ _____
 Repairs..... \$ _____
 Supplies \$ _____
 Taxes Paid (business property) \$ _____
 Telephone \$ _____
 Travel & Lodging \$ _____
 Utilities \$ _____
 Other (please list _____) \$ _____

Equipment Purchases (→ Attach receipts & indicate if new or used)

Description of Item: _____
 Date of Purchase (required): _____
 Amount Paid..... \$ _____ New Used
 Description of Item: _____
 Date of Purchase (required): _____
 Amount Paid..... \$ _____ New Used

Automobile Expenses (if used for business or rental)

Year & Make of Car _____
 Year Placed into Service _____
 Miles: Bus _____ Commute _____ Personal _____ Total _____
 Actual Expenses (gas, insur., repairs) \$ _____
 Is a written contemporaneous log available? Y N

Business Meals (e.g., meals w/ clients or while traveling)

Meals \$ _____ Entertainment \$ _____ [CA only]
 Receipts Y N Bus Purp sbstnt'd Y N

Office in Home (used exclusively for business)

Total Ft² of Home _____ Ft² of Office Area _____
 Rent \$ _____ Util. \$ _____ Insur. \$ _____ Off. Rprs. \$ _____
 Value of Property (→ Attach Property Tax Bill) _____
 Photo Y N 2nd office Y N Safe Harbor Y N

Estimate of Gross Self-emplmnt Income in 2020 \$ _____

→ Client asserts, to the best of his/her knowledge, that the information provided herein is correct and includes all items of income and deductions for which supporting documentation is available, even if not specifically requested.

Client Signature: _____ Date: _____

DOCUMENTS NEEDED FOR TAX PREPARATION

Event or Issue	Information Required
Bankruptcy	<ul style="list-style-type: none"> • Date filed • Court documents
Birth or Adoption	<ul style="list-style-type: none"> • Social Security card • Copy of adoption papers; date of adoption • Adoption expenses & dates incurred • Special needs certification
Charitable Contributions	<ul style="list-style-type: none"> • Date, amount & type • Letters of Acknowledgment from donee organization for gifts in excess of \$250 • Statement whether goods/services received in exchange • Total miles driven for charitable purposes (mileage log) • Statement from IRA if Qualified Charitable Distribution taken
Child Care	<ul style="list-style-type: none"> • Name, address, phone number and taxpayer ID of caregiver; amount paid
Death of Spouse or dependent	<ul style="list-style-type: none"> • Date of death • Copy of will or trust
Debt Forgiveness	<ul style="list-style-type: none"> • Form 1099-A if property abandoned • Form 1099-C for cancelation of debt • Date of foreclosure or short sale
Education	<ul style="list-style-type: none"> • Form 1098-T; financial transcript from school • Record of actual expenses incurred for tuition, fees, books & supplies • Form 1098-E reporting student loan interest
Exchange Transactions	<ul style="list-style-type: none"> • Dates of transfer (old & new) & replacement property identification • Description of properties exchanged (incl. basis & FMV) • Qualified intermediary sale agreement •
Foreign Assets	<ul style="list-style-type: none"> • Any foreign bank accounts or other assets? • Did the aggregate value of all accounts exceed \$10K at any time during year? • Did aggregate value of all financial assets exceed \$50K on last day of year or \$75K any time during year?
Home Refinance	<ul style="list-style-type: none"> • Form 1098 • Closing escrow statement • Detail of amount borrowed, term, & use of loan proceeds
IRS or State Communications	<ul style="list-style-type: none"> • Copies of all letters, assessments & notices received • Status of installments agreements
Job-related Expenses	<ul style="list-style-type: none"> • Detail of meals, lodging & miscellaneous expenses (account book, diary, log, receipts) • Details of employer reimbursements under (non)accountable plan • Verification that expenses are ordinary/necessary, directly related or associated with business • Home Office – verification that it is used regularly/exclusively & for the convenience of the employer • Total miles driven for business purposes (mileage log)

Monica Haven, E.A., J.D., L.L.M.

1534 South Edris Drive * Los Angeles, CA 90035 * (310) 286-9161 * FAX (310) 557-1626 * e-mail: mhaven@pobox.com

Legal Settlement	<ul style="list-style-type: none"> • Purpose, date received • 1099-MISC
Married, divorced or separated	<ul style="list-style-type: none"> • Marriage – prior year's returns of both spouses • Divorce – copy of divorce decree; finalized date • Separation – copy of Separate Maintenance Agreement • Community Property – allocation of income & assets
Medical Expenses	<ul style="list-style-type: none"> • Health & LT Care insurance premiums (verification of coverage required in 2014 & beyond) • Itemized expenses, incl. prescriptions, co-payments & deductibles • Amount of insurance reimbursements • Name, address, phone number and taxpayer ID of caregiver • Total miles driven for medical purposes
New Job	<ul style="list-style-type: none"> • Name of new employer; new hire date • W-2s from old & new employers
Prizes, Lottery & Gambling Winnings	<ul style="list-style-type: none"> • Forms 1099-MISC or W-2G • Substantiated losses
Purchase of stocks, bonds & other assets	<ul style="list-style-type: none"> • Stocks & Bonds – trade confirmations • Residence – closing seller's escrow statement
Rental Property	<ul style="list-style-type: none"> • Purchase or Sales information [see above] • Income & expenses • Improvements – dates & cost of items placed in service during tax year; prior depreciation schedule
Retirement Account Transactions	<ul style="list-style-type: none"> • Contribution – type of plan; amount contributed • Distribution – Form 1099-R
Sale of stocks, bonds & other investments	<ul style="list-style-type: none"> • Form 1099-B • Cost basis information • Residence – closing buyer's escrow statement • Homebuyer Credit – information regarding recapture for 2008 - 2010
Small Business	<ul style="list-style-type: none"> • Dates of formation and/or termination • Partnership or LLC Agreement, Certificate of Incorporation, Corporate Charter (as applicable) • Property contributions & distributions • Schedules K-1
Social Security Benefits	<ul style="list-style-type: none"> • Form 1099-SSA
Taxes	<ul style="list-style-type: none"> • Prior-year state tax return • Property tax bills • Closing escrow statements • DMV registration invoice • Letters from tax authority regarding post-filing adjustments
Unemployment	<ul style="list-style-type: none"> • Form 1099-G

Monica Haven, E.A., J.D., L.L.M.

ENGAGEMENT AGREEMENT FOR TY 2019

Acceptance by Client constitutes mutual understanding and agreement with all terms & engagement of Monica Haven (EA)

(Work will not begin without signed Agreement on file)

Client Name(s): _____

Fee Estimate: _____
Date: _____**Client Responsibilities****Supporting Data**

By signing this Agreement, Client states that Client has the necessary documents and records to support the deductions claimed on the tax return and will provide all requested information in a timely manner. While Client is not required to use the Personal Tax Organizer™, Client must provide all information requested and answer all questions asked on the Organizer in a clear and legible format. Client is advised that the law imposes a penalty for substantial understatement of the tax liability and that the tax authorities regularly question whether any cash or bartering transactions have transpired. Close scrutiny of expenditures, including but not limited to travel and entertainment expenses, business use of automobile and cell phones, as well as charitable donations is common. EA is required to provide full disclosure to tax authorities should estimates or reconstructed data be entered on the return.

Foreign (& Cryptocurrency) Activities

Client is hereby advised that Client is responsible for reporting all foreign activities. By signing this Agreement, Client acknowledges Client's obligation to inform EA if Client has income from foreign sources, has signatory authority over foreign accounts, owns foreign financial assets, invests in foreign retirement plans or has made transactions in virtual currencies. NOTE: Penalty for failure to comply can be punitive.

Timeliness

Client agrees to timely deliver requisite tax data and supporting documentation and will not hold EA responsible for delays due to Client's lack of cooperation during the tax preparation process. A surcharge of 5% may be assessed if Client provides data to EA more than 10 days after EA's initial request. EA may terminate contract without further notice, if Client fails to provide requested data. NOTE: EA will give priority of service to clients who have timely provided data and otherwise cooperated with the tax preparation process.

Extensions (all dates 2020)

The filing deadline for individual returns is April 15th [entities may be subject to other deadlines]. If EA has not received Client's personal income tax data in full by *March 16th*, an extension request will be automatically e-filed by EA and Client will be assessed a \$50 processing fee unless Client has timely notified EA that an extension is neither needed nor wanted [entity data must be submitted 30 days prior to applicable filing deadline]. EA will not provide ongoing reminders of filing deadlines or requests for information. NOTE: Since an extension merely extends the time for filing (not payment), penalties and interest for late payment may accrue for which the Client will be wholly responsible. If Client wishes to authorize electronic funds withdrawal for any federal balance due, Form 8878 must be signed and submitted to EA; other forms may be required to authorize state tax authorities to automatically withdraw funds.

Additional Forms & Taxes

Client understands that Client may be subject to additional tax filing requirements, including but not limited to prior-year and amended returns, payroll tax, 1099 reporting, business tax, sales and use tax, as well as foreign account reporting. If asked, EA will assist with the requisite forms, but Client remains responsible for establishing and meeting all of his reporting and payment obligations.

Courtesy Notification

Client is under no obligation to engage EA from year to year. Nevertheless, EA hereby informs Client that Client may have annual tax filing obligations and must notify EA should Client wish to discontinue services or hire another practitioner.

Client Review

Client is wholly responsible for the accuracy of the return and will—after careful review—sign and deliver the completed return(s) to the proper taxing authorities or authorize EA to file electronically. NOTE: The law provides for a penalty to be assessed for substantial understatement of the tax liability. Client is responsible for all penalties and interest.

Tax Notices

Client agrees to *promptly* notify and forward copies of any communications received from tax authorities to EA for review and advice. Client should keep all originals (including envelopes). If Client wishes to be represented by EA, additional forms, fees and expenses should be anticipated [see Representation Agreement]. In lieu of signing Form 743, Client hereby authorizes EA to have view-only access to all information available on FTB's website that is associated with Client's taxpayer ID (authorization remains in effect until revoked in writing).

Communications

The primary method of information exchange between Client and EA will be electronic. Client must regularly update e-address with EA. Communications sent to Client's last-known e-address are deemed to have been delivered, whether or not Client acknowledges receipt. However, to ensure effective communications, Client is asked to respond to each e-mail; if only to say, "Got it!" or "Thank you."

Payment Terms

When data is submitted to EA, Client will prepay one-half of the applicable tax preparation fee (*minimum prepayment shall be \$400 in all cases*). The *balance is due upon delivery* – whether physical or virtual – of the completed return; whether or not Client chooses to file the return as prepared. Payment may be made via cash, check or online by accessing the Payments page on EA's website (www.mhaven.net) which links to PayPal™. Should any amount remain unpaid 10 days later, Client will *forfeit all discounts* which may have been previously applied. A penalty will be assessed each month based on an annual rate of 6% of the outstanding balance (*minimum penalty \$25*). No additional services will be provided by EA until the account has been brought current. Prepaid deposits are deemed non-refundable once the preparation process has begun. EA may take legal action to collect any outstanding fees and all costs incurred during the collection process will be added to Client's bill; additionally, Client's confidential tax information may be shared with third parties during the collection process. Bank fees for checks returned for non-payment will be billed to Client (*minimum fee \$40*). Client will pay a \$50 penalty for any appointment missed and not canceled with timely notification.

Document Retention

EA's final work product will be retained for five years; thereafter, all documents will be destroyed by EA without further notice to Client. Physical deterioration or catastrophic events may shorten this term. Client understands and agrees that in the event a file is destroyed, EA will no longer have any records and will not have any responsibility to reconstruct the file. Client will assume all costs of shipping and storage should Client *timely* notify EA that the file should be forwarded to Client prior to destruction. EA does not retain any original documents as they are returned to Client at the completion of the tax preparation process. It is Client's responsibility to keep these materials for future use (e.g., possible examination by the tax authorities). A duplicate paper or electronic copy of a return prepared by EA is available for \$50. Client may request the retrieval of physical files or data older than the prior tax year for a fee of \$150.

Please initial Page 1 to acknowledge Client Responsibilities:

Client: _____ Spouse (RDP): _____

Tax Practitioner Responsibilities**Mission**

Returns will be prepared based on information provided by Client. EA will not audit nor verify the data and may request additional material or clarification. EA will make every attempt to properly apply the law and legally minimize Client's tax liability. EA will exercise professional judgment and will, whenever possible and justifiable, attempt to resolve any issues involving the Code in favor of Client.

Practice Standards

EA may not sign a return as a paid preparer if EA determines that the return contains a position that does not have a realistic possibility of being sustained on its merits, unless the position is not frivolous and is adequately disclosed to the IRS as per IRC §6662. EA must inform Client of penalties likely to apply regarding the position advised, prepared or reported and must advise Client of any opportunity to avoid such penalty by making adequate disclosure. EA may rely in good faith (without verification) upon all information furnished by Client; however, EA must make reasonable inquiries if the information appears to be incorrect, inconsistent or incomplete.

Confidentiality

Client is hereby given notice that all communications throughout the tax preparation process with EA are confidential, but *not privileged* and may be disclosed if a summons is issued. The working papers for this engagement are the property of EA and constitute confidential information. Any requests for access to these materials will be discussed with Client before making them available to other parties. Limited privilege may be available during the representation process under IRC §7525. Client may advise EA to assert this privilege in non-criminal tax matters involving the Internal Revenue Service or federal district courts. Client, however, should be aware that disclosure of information considered during the tax preparation process is not covered under privilege—only tax advice communications are covered. Client hereby agrees to reimburse EA for all costs, including legal fees, required to defend the privilege asserted or respond to a subpoena. *Client should immediately engage legal counsel if Client has any concerns regarding possible criminal matters.*

Privacy

EA does not disclose nonpublic personal information about current or former clients to anyone unless instructed to do so in writing by Client [see Disclosure Authorization]. EA will not perform a conflict check; Client remains solely responsible for identifying and disclosing actual or potential conflicts of interest to EA. If a joint return is filed, EA may provide returns and copies of supporting documentation to either spouse without consent from or notification to the other spouse [see Spousal Conflict Waiver]. EA restricts access to nonpublic personal information to those professionals who may assist in the preparation process or provide adjunct services. EA has instituted all reasonable measures, including physical, electronic and procedural safeguards to protect Client's nonpublic personal information. Client assumes the risk of loss of confidentiality and/or tax documents during unencoded electronic transmission or mailing via USPS and third-party delivery services.

Duties

EA will provide Client with a signed copy of the completed return. Client should retain this and all related materials safely for a minimum of five (5) years. EA will be *available year-round* to address any Client concerns and to provide tax-planning advice for an additional fee and only with Client's written consent, although EA will not be responsible for implementation of suggestions made [see TIGTA Consent Form].

Limitations

EA's services are not intended to determine whether Client has filing requirements in taxing jurisdictions other than the one(s) Client has mentioned to EA; Client may purchase a nexus study under separate agreement for an additional fee. EA will not advise Client regarding the classification of workers as employees or independent contractors and urges Client to obtain competent legal advice regarding employment practice matters. EA will not be responsible for mis-deliveries by the USPS or other private carriers. Upon request, Client shall be provided with tracking information and may personally make arrangements and cover the costs of re-delivery or replacement of lost tax returns. EA may terminate engagement for Client's lack of cooperation with the preparation process, for lack of payment or for other reasons with written notice to Client at any time. Client agrees to indemnify and hold EA harmless from all claims, including third party claims and other liabilities, costs and expenses incurred by reason of any action taken or omitted by using good faith arising out of this engagement, except for matters judicially determined to be caused by EA's gross negligence or bad faith.

Duration of Engagement

Engagement will begin once Client has signed Agreement; however, in the event that Client does not return signed Agreement to EA but nonetheless verbally agrees (or otherwise indicates by such actions as submitting the tax organizer, providing tax data, or filing the prepared returns) that EA shall prepare returns on Client's behalf, all terms and conditions of this Agreement shall apply. Client's signature on federal and/or state e-file authorization form(s) shall be deemed acceptance by Client of all terms in Engagement Agreement. Engagement of EA's services will be deemed satisfied upon delivery of completed returns to Client who is solely responsible for filing all tax returns with the appropriate tax authorities. Additional services (e.g. tax planning, communications with tax authorities, preparing prior-year unfiled returns, etc.) may be provided under separate agreement between Client and EA.

Dispute Resolution

Any dispute arising under this Agreement or relating to EA's services, including but not limited to disputes regarding fees, the scope of the engagement or professional malpractice, will be first submitted for non-binding mediation or alternative dispute resolution before litigation is filed. Litigation, if undertaken, shall be conducted in the County of Los Angeles, California according to California state law.

Cost of Service

Fees for tax preparation will be based on the complexity of the return, expertise required, and time expended by EA and will increase annually to remain commensurate with the skill, knowledge, expertise and continuing education required by regulatory authorities. Extraordinary expenses and additional services, incl. but not limited to tax file organization, data compilation, cost basis calculations, research, replacement of lost returns, postage (\$30 min. fee for UPS delivery), correspondence with taxing authorities, bookkeeping, tax consultation and audit representation, will be billed on an hourly basis (\$225/hour). Client may pay by cash or check or PayPal™. Client's returns will not be e-filed until EA's fees have been paid in full or alternate payment arrangements have been agreed upon. For an additional fee, Client may purchase a *Service Contract*, entitling Client to free year-round tax consultation in lieu of an hourly fee, at a cost of \$150/calendar year if paid at time of return preparation or \$195 if paid later. Client may—when appropriate—be automatically invoiced for Service Contract at EA's discretion. Client agrees to review all invoices upon receipt; absent any objection within 30 days, the invoice will be deemed correct, due and payable.

Discounts (all dates 2019)

Client, if eligible, may enjoy one of the following 15% discounts: Student, Senior, OutPatient, or Multi-Return. Client may also be eligible for an additional Early-Bird Discount (10%) if COMPLETED data is delivered to EA by *February 17th*; whereas a surcharge of 5% will be assessed for data delivered after *March 16th* if filing April 15th or *September 14th*, if filing October 15th [entity data must be submitted 30 days prior to applicable filing deadline]. All discounts will be voided if Client has not paid EA's invoice in full within 10 days after initial billing.

Please sign & date Page 2 to confirm acceptance of this Agreement in its entirety [If married, both spouses *must* sign]:

Client Signature: _____	Print Name: _____	Date: _____
Spouse's (RDP's) Signature: _____	Print Name: _____	Date: _____

TAXPAYER CONSENT TO USE TAX RETURN INFORMATION

Federal law requires that this consent form be provided to you (Client). Unless authorized by law, Monica Haven, E.A. (EA) cannot disclose Client's tax return information to third parties for purposes other than the preparation and filing of Client's tax return without Client's consent. If Client consents to the disclosure of tax return information, federal law may not protect Client's tax return information from further use or distribution.

Client is not required to sign this form to engage EA's tax return preparation services. Because EA's ability to disclose Client's tax return information to another tax return preparer affects the tax return preparation service(s) and the associated cost(s) that EA provides, EA may decline to provide Client with tax return preparation services or change the terms (including the cost) of the tax return preparation services that EA provides if Client does not sign this form. If Client agrees to the disclosure of tax return information, Client's consent is valid for the amount of time that Client specifies. If Client does not specify the duration of the consent, the consent is valid for one year from the date of signature.

This consent to disclose may result in Client's tax return information - including Client's Social Security Number (SSN) – to be disclosed to a tax return preparer located outside the United States (US). Both the tax return preparer in the US who will disclose Client's SSN and the tax return preparer located outside the US who will receive Client's SSN maintain adequate data protection safeguards as required under IRC § 7216 to protect Client's privacy and prevent unauthorized access to information. However, if Client consents to the disclosure of information, federal agencies may not be able to enforce US privacy laws against a tax return preparer located outside the US.

By signing below, Client also consents to use of any and all tax information contained in the Client's federal tax income tax returns and all supporting schedules for purposes other than mere preparation of the Client's tax return. Client agrees to allow EA to disclose Client's tax return information (including SSN) to another tax return preparer for purposes of providing assistance in the tax preparation process. Client further consents and agrees to allow EA to communicate information and recommendations to Client via e-mail, fax, mail, phone, and in-person. Such communications may include, but are not limited to:

- **Newsletters, web-blasts, articles, seminar announcements and promotional materials** published by EA
- **Tax Advice** relating to events in Client's life such as college, marriage, divorce, business start-up, and retirement
- **Tax Planning** including forecasting potential tax obligations and computing estimated tax payments
- **Retirement Tax Planning** including Social Security benefits and distributions from retirement accounts
- **Investment and Asset Advice** related to the considerations of buying, selling and exchanging property including stocks, bonds, and real estate.
- **Other Tax and Financial Advice.**

If Client believes that tax return information has been disclosed or used improperly in a manner unauthorized by law or without Client's permission, Client may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at (800) 366-4484 or e-mail at complaints@tigta.treas.gov.

Duration of this consent: _____ <small>(One year from date of signature if left blank)</small>	Date: _____
Client Signature: _____	Print Name: _____
Spouse's Signature: _____ <small>[If married, both spouses <i>must</i> sign]</small>	Print Name: _____

OFFICE POLICIES & PROCEDURES

© 011420

Request for Tax Data. While I have always insisted upon honesty and forthrightness, as well as accurate recordkeeping, I also ask that my requests for additional information and supporting documentation be met without delay and complaint. I am not trying to inconvenience you; instead, I am hoping to ensure that your return is prepared as correctly as possible. If requested materials are not provided, I will not claim the deduction on your return and if materials are not provided in a usable format, a surcharge may be assessed. However, a good excuse is always welcome, if only to offer a laugh: One client explained, "Due to a crazy intervention shoot where we were chasing a heroin addict around Pittsburgh, I wasn't able to get that FedEx to you." Please remember that my intent is to minimize the risk that your returns will audited but if they are examined, I want to improve the chances that all items reported will withstand scrutiny – I call that pre-audit protection.

Data Submission. I ask that you submit your data to me in a security-conscious manner. If you wish to use a secure server, you may head for the [Contact](#) page to access a link that allows for easy upload and convenient transmission. If you would rather use e-mail to send documents and information, please be sure to password-protect your PDF attachments but don't do as my client who diligently attached a protected document to the *same* e-mail in which he provided the password to open the attachment! Of course, mail and fax work as well; or you may schedule an in-office appointment if you prefer. NOTE: For your protection, I will transmit sensitive information to you via [SendFilesSecurely](#), a secure HTTPS server that stores files with high-grade encryption. You will receive an e-mail message providing you with a unique link from which you may retrieve the file that I have uploaded for you. On occasion, I may instead send you a password-protected PDF. For added security during electronic transmission, I will redact critical information such as taxpayer ID and bank routing numbers. If this is not satisfactory or you are unable to open and download an electronic item, you will have to make arrangements for physical delivery.

Rates. Due to ever-greater regulatory demands, additional diligence mandated by IRC §6694, increased recordkeeping requirements, lack of state conformity, AMT complexities, and rising overhead costs, my fees will increase incrementally each year. In some instances, clients may also be subject to a fee bump to help bring my fees in line with competitors of equal experience and expertise. Please note that I do not compete with those who offer low-cost returns; indeed, I am often called upon to "fix" the work prepared by such bargain practitioners. Incidental charges for UPS delivery and expedited servicing will be assessed. I continue to offer introductory discounts to new clients, as well as senior, student and preferred customer rates to existing clients and a *15% out-patient discount* to clients who complete the tax preparation process by mail or e-mail. *Free estimates* are always available.

The tortoise and the hare... To discourage procrastination, I offer a 10% discount in addition to all other applicable discounts if I have received your tax data in FULL by *February 17th*. But if data that would otherwise be available is delivered to me after *March 16th* you may be subject to a 5% surcharge. [All dates are in 2020.] A further surcharge may be assessed if data is provided to me more than 10 days after my initial request. NOTE: I will give priority of service to clients who have timely provided data and otherwise cooperated with the tax preparation process.

Delivery. I will make every effort to have your completed tax packet delivered to you expeditiously as I did when I attempted to flag down a UPS delivery truck stopped at a light. I hastily parked, grabbed my packets, ran across several lanes of traffic and asked the driver if he would take my shipments. He apologetically declined and explained that he would lose his job if he took the packets while standing in traffic. I understood, thanked him, ran off and decided to grab a bite to eat at the nearby fast food joint. While ordering, the UPS driver came up behind me and said, "Now I can take those packets." I was floored; it seems he had parked and specifically come looking for me! But because I cannot always rely on the diligence and dedication of others, I cannot be held responsible for delays or mis-deliveries by the USPS or other private carriers. Upon request, I will provide you with tracking information so that you may make arrangements and cover the costs of re-delivery or replacement of lost tax returns. NOTE: You assume the risk of loss of confidentiality and/or tax documents during unencoded electronic transmission or mailing via USPS and third party delivery services.

Fees for Services. I shall collect ½ of my fees when gathering your tax data and the balance upon delivery of the completed return – the minimum pre-payment in all cases shall be \$400 in all cases. Payments for my services are due in full upon completion of the work, whether or not you file the return as prepared. You may be asked to submit your payment via cashier's check within 10 days prior to the applicable filing deadline or if your invoice for tax preparation fees remains unpaid for more than 10 days. I ask that you make my invoice your first priority. I will gladly work out a payment plan for anyone with a cash-flow problem, but those who do not pay or communicate with me, should expect to forfeit any previously applied discounts and pay a penalty based on an annual rate of 6% of the outstanding balance plus applicable collection fees. No additional services will be provided until the amount due is paid in full. Note that your confidential data may be given to 3rd parties in the event that I am forced to engage a collection agent for non-payment of my fees.

Payments. All payments may be made via cash, check or online by accessing the Payments page on my website (www.mhaven.net) which links to PayPal™. Simply click the "Payment" button at the very top, right-hand corner of any page on the website to make an advance payment, purchase my Service Contract, or pay your balance due.

Service Contract. The Service Contract—\$150 if bought at the time of tax preparation or \$195 if purchased later—entitles purchasers to unlimited hours of free consultation in lieu of my customary hourly rate (\$225) on such topics as withholding allowances, estimated tax computations, job changes, out-of-state moves, new home purchases, refinancing, divorce and adoption, college savings, retirement plans, business start-up, amongst many other issues.

Automatic Extensions. Tax data and documentation must be submitted to me in a timely manner. If requested information remains outstanding on or after *March 16th*, I will automatically file for a 6-month extension on your behalf without further notice to you—the extended deadline for individual returns will then be *October 15th* but you should note that extensions *merely extend the time for filing, not payment*—interest and penalties, if applicable, will continue to accrue and be charged by the tax authorities. If you wish to pay any balance due via electronic funds withdrawal with the extension request, you must sign and submit Form 8878 to me; other forms may be required to authorize state tax authorities to automatically withdraw funds. A charge of \$50 will be added to your invoice for processing the extension on your behalf. I ask that you contact me in a timely manner if you do not want me to file an extension and ask that you do your utmost to complete the tax preparation process efficiently and expeditiously. If I have not received your completed tax data by *September 13th*, a 5% surcharge will be assessed in addition to all applicable fees. S-Corp and partnership returns are due *March 15th*. Therefore, the submission deadline for complete business tax data is *February 17th*. Anticipated turn-around time for most returns once I have received all data is generally 14 – 21 days but may be longer later in the season. NOTE: While California extensions are deemed to be automatic, taxpayers seeking to avail themselves of certain elections *must* file a federal extension to ensure that a valid extension is on record. [All dates are in 2020.]

Courtesy. I ask that we treat each other civilly and professionally. I am not responsible for the provisions or consequences of the Tax Code. I will help you comply with the law, report your income and expenses most favorably, and reduce your tax liability as much as legally allowable. If you are still dissatisfied, please complain to your congressman since I do not deserve your misdirected anger. I understand that everyone suffers periods of anxiety and distress but it is (unlike one client irrationally presumed) not my job to assume your stress. I reserve the right to refuse service to those who treat me with disrespect.

Timeliness. I expect you to devote yourself to all tasks required to complete the tax preparation process in a timely fashion and that you make government-mandated deadlines your priority. You should know that I take these deadlines seriously and always do my utmost to help you to comply with your obligations in a timely manner; even if that means foregoing personal obligations and sleep. You need only to imagine my reaction to an e-mail from a client with misplaced priorities when near midnight on the filing deadline she wrote, “What a long day: After work, we went to the Dodger game. What a waste! They lost.” (No mention was made of the elusive e-file authorization form I was waiting for.)

Patience. As much as I wish I could treat you as though you were my only client, (un)fortunately you are not. Please bear with me as this gracious client did: “My life is quite complicated and I’ll need your help on several fronts. My employer is bankrupt so I’ll soon be out of work and without health insurance. Dad has dementia. Mom is moving into a senior facility. Then there’s the homicide investigation (a patient) and the pedophilia trial (a close friend). It’s all fascinating stuff, really, but... all of it can wait.”

Individualized Advice. Every taxpayer’s situation is unique and not always comparable to that of friends and relatives. Therefore, you should not assume that the advice of others, however sound or well-intentioned, will necessarily apply to you. I invite you to discuss your case with me individually. My office hours are Monday to Friday, 9AM – 5PM. Please note that in a recent Tax Court decision, a taxpayer was held liable for ignoring his long-term tax preparer’s advice and seeking more favorable advice elsewhere (*Wadsworth, TC Memo 2008-171*). With a Masters in Tax Law, I am recognized nationally for my expertise and asked each year to teach fellow tax professionals. I don’t know everything, but I know a lot and will always give you the best advice that I can. One prospect who chose not to engage my services bragged that it was easy to create his own tax preparation program each year because “the laws don’t change that much each year”. He’s wrong – the laws do change and I work hard to stay abreast so that you may pay the least amount of tax legally possible.

Practice Standards. As a paid preparer, I cannot sign your return if I determine that the return contains a position that does not have a realistic possibility of being sustained on its merits, unless the position is not frivolous and is adequately disclosed to the tax authority as per IRC §6662. I will inform you of the penalties which will likely apply with respect to the position advised, prepared or reported and will advise you of any opportunity to avoid such penalty by making adequate disclosure. I may rely in good faith and without verification upon all information furnished by you; however, I must make reasonable inquiries if the information appears to be incorrect, inconsistent or incomplete.

Tax Notices. I ask that you promptly forward any communications received from the tax authorities to me by mail or fax so that I may maintain a complete file on your behalf and offer proper advice as quickly as possible. Please make sure to keep the original documents for your own files. No advice will be provided without seeing the letter in question: Last year, a client called to tell me that he had received a letter from the IRS. When I asked what it said, he told me that he had not opened it and suggested I should just tell him what it said. How could I?! Please note that the IRS *never* sends correspondence by e-mail; you may be sure that any such communication is a scam and should forward all suspicious e-mails to phishing@irs.gov.

Communications. My primary method of information exchange with you will be electronic. Therefore, you must regularly update your e-address with me. Communications sent to your last-known e-address are deemed to have been delivered, whether or not you acknowledge receipt. However, to ensure an effective communications, I ask that you respond to each e-mail; if only to say, “Got it!” or “Thank you.”

Privacy. The Gramm-Leach-Bliley Act prohibits disclosure of nonpublic personal information about current or former clients to anyone, unless specifically authorized by the client in writing. As a result, no disclosures will be given to mortgage brokers and other lenders who, by law, must perform their own due diligence; nor will information be disclosed to third parties (e.g., attorneys, brokers, financial planners, insurance agents, etc.) without your *written* approval [see Disclosure Authorization]. Access to this information is restricted to those professionals who may assist me in the preparation of your return or provide tax advisory and bookkeeping services. I maintain stringent physical, electronic, and procedural safeguards to protect your records but cannot ensure against loss of confidentiality and/or tax documents during electronic transmission or mailing.

Confidentiality. Communications during the tax preparation process are confidential, (*not privileged*) and may be disclosed if a summons is issued. Limited privilege is available during the representation process under §7525—you may ask that I assert the privilege in non-criminal tax matters involving the IRS or federal district courts but must reimburse me for ensuing costs, as well as costs for mandated responses to a legal subpoena. *If you are concerned about criminal matters, please engage legal counsel immediately.*

Document Retention. My final work product will be retained for five years; thereafter, all documents will be destroyed without further notice. Physical deterioration or catastrophic events may shorten this term. I do not retain any original documents as they are returned to your at the completion of the tax preparation process. It is your responsibility to keep these materials for future use, including possible examination by the tax authorities. You may request duplicate hard or electronic copies of any return I have prepared for \$50 processing fee. You may request the retrieval of physical files or data older than the prior tax year for a fee of \$150.

Referrals. I offer many services in addition to tax preparation and consulting, including retirement and estate planning; §529 plan consultations; trustee and executor services; small business consulting and payroll services; client seminars for social, charitable, or business groups; and fluency in German. All of your referrals are always welcome and *much*-appreciated; not just those who are “charming and personable” as judged by the client who apologized for sending someone with a “lackluster countenance and ungainly appearance.”

Humor. Your creativity and humor are appreciated, but you can understand my concern when one client told me that he “just made up the numbers.” I will continue to err on the side of caution and provide you with sound advice. However, I will neither engage in “creative” reporting (as did the taxpayer who claimed his dog as a landscaping subcontractor) nor allow you to claim unsubstantiated expenditures (such as toilet paper for your home office). And unlike one of my competitors who shares an office with his wife (a psychic) leaving me to wonder who’s preparing the returns, I promise you that I work alone (and stick to hard facts)!

My Pledge. I offer personalized service and professional expertise, supported by an extensive tax library, a network of experienced contacts, and countless hours of continuing education. If you leave detailed messages by voice- or e-mail, I will get back to you promptly. Occasionally technology fails and so I ask that you follow-up with another message if you do not hear from me within 24 hours. Conversely, I ask that you acknowledge my communications, if only to assure me that my words of wisdom or pleas for attention have not been lost in cyberspace, ended up in the trash, or fallen upon deaf ears. And if I mark a communication as “urgent”, please assume that I meant it. Do not call me (as one fearful client did) to ask “What did I do? Why do you hate me?” I don’t hate you; I merely want to share time-sensitive information with you.