

January 8, 2019

Dear Clients:

2018 income tax time is here and, as usual, we would like to remind you to start gathering all your tax information. Unlike recent years in which the tax rules have been stable, 2018 brings extensive changes as a result of a large overhaul passed by Congress. These changes will affect how your 2018 taxes will be calculated.

As you may be aware, New York State has decoupled on some of these new tax law changes. New York State will continue with a dependency deduction. The state will allow full real estate tax deduction and unreimbursed business expenses as deductible on the New York State tax return for taxpayers who itemize. You will also be allowed to itemize your deductions on the state return even if you take the federal standard deduction, allowing you to figure out which deduction will better benefit you. This means we may need additional information to file your New York State individual income tax return than what may be needed to file your federal individual income tax return.

Considering these changes and for proper preparation of your individual income tax return, we will be asking you for the same documentation as last year plus additional information. You may not be able to itemize for federal tax return purposes, deducting mortgage interest, real estate taxes, charitable donations, etc., but for New York State tax return purposes, this may kick in as a better deduction than the standard deduction given. Extra steps and time will be taken to make sure you benefit the best way possible for all federal and state deductions.

Please note a few items which will save us some telephone calls and hopefully some time in preparation of the tax returns.

1. Did your bank account change from last year?
2. Did you get a new or updated driver's license this year? If yes, please provide a copy of the front and back of your new license.
3. List date and amount of property and school taxes paid in 2018.
4. Please make notes about any major changes to your income and deductions. Include all original tax documents you receive.
5. Do you have a home equity loan or line of credit on your principal residence? \_\_\_\_\_. Was the money taken out used to buy, build or substantially improve your main home? \_\_\_\_\_. What was the original amount of the loan or line of credit taken out? \_\_\_\_\_. Amount taken out not used to buy, build or improve your main home? \_\_\_\_\_.
6. Principal Residence Only- Did you purchase your home with a mortgage which incurred before 12/15/17? \_\_\_\_\_. If yes, was the principal mortgage (debt) less than 1 million dollars? \_\_\_\_\_. If no, was the principal (acquisition debt) less than \$750,000? \_\_\_\_\_.
7. If your dependent filed an income tax return, please include a copy with your documents.

The Tax Cuts and Jobs Act (TCJA) was signed into law on 12/22/17 and has made some extensive federal tax law changes. A few items to note: 529 plan distributions were expanded to include elementary and secondary school tuition for 2018 and future (NYS disallowing). The Healthcare Mandate tax penalty was repealed on individuals effective **after** 12/31/18. For new mortgages acquired after 12/15/17, mortgage interest deduction is allowed on indebtedness up to \$750,000 (\$375,000 for taxpayers filing MFS), effective 12/31/17. Home equity interest deduction is allowed on indebtedness on your principal residence only if the money was used to buy, build or improve your main home (subject to the acquisition debt limits). Individual

tax rates were lowered effective for 2018 and future as well as the tax brackets adjusted for inflation. The standard deduction amounts were nearly doubled, and the personal exemption deduction was removed for tax years after 2017. Beginning in 2018, all miscellaneous itemized deductions subject to 2% adjusted gross income are no longer deductible (for example, unreimbursed employee business expenses and investment expenses). Charitable Donations under \$250 each must be substantiated by either a bank record (such as a cancelled check) or a written receipt from the charity showing its name, date and amount of the donation. For each donation of \$250 or more, the taxpayer must obtain a written acknowledgement from the charity (bank record alone is not enough documentation to substantiate the deduction).

Tax returns are prepared in the order they are received. To ensure that your return is prepared on time, please have your completed information to us no later than March 26<sup>th</sup>. Otherwise, we may not be able to meet the April 15<sup>th</sup> deadline and extension requests may need to be filed.

Mail or drop off your information anytime during our regular office hours, 8:30 am through 5:30 pm Monday through Thursday and 8:30 am to 5:00 pm on Friday. We are located at 598 Albany-Shaker Road, on the corner of Knauf Lane. As in the past, all invoices are due and payable upon completion of the return. Attached is the Consumer Bill of Rights required to be sent to you. If you do not understand any part of this bill, please call us with questions.

Thank you for allowing Lev and Bunzey, LLC the opportunity to prepare your 2018 income tax returns. If you need assistance in gathering your information or have additional questions, please email or give us a call. We look forward to hearing from you.

*Lev and Bunzey, LLC*

*Rick, Anita, Robin, Laddie, Jennifer and Jennie*