

Post-Tax Season Hello

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TAX SEASON 2019 STATISTICS

The 2019 primary tax filing season is complete. Below are the statistics for 2018 filed returns per the IRS's reporting.

Stat	Count	% chg
Total Returns Filed	137,233,000	+0.2
Total E-file	126,264,000	+1.4
Average Refund	\$2,725	-2.0

Tax Return and e-filing was in line with filing season 2018 through April 15th. However, as many of you know, the average refund was lower for this season. That issue will be discussed later in this volume.

NON-RETURNING CLIENTS

For any and all non-returning clients. CAF thanks you for your past patronage. Per the terms of the Letter of Engagement and company's privacy policy, client files will be securely stored and retained for three years, after such time, all hardcopy documentation will be securely destroyed. Again, a parting "thank you" for the privilege of being your tax and financial services provider in the past.

TCJA

The 2017 Federal Tax Credit and Jobs Act (TCJA) was the first major reform since 1986. It signaled a sweeping revision of the form 1040 while eliminating forms 1040A and 1040EZ. It made a number of tax savings permanent for corporations, while initiating temporary tax savings for personal income taxes.

The TCJA revised the Schedule A (Itemized Deductions), shortened the Form 1040 by adding module forms (Schedules 1-5) that grouped lines that were initially a part of the original base 1040 form. It instituted an up to 20% deduction for pass through businesses (for example - schedule C self-employed individuals that had taxable profits qualified for this new deduction).

To see a summary of all the TCJA changes, visit: www.cafenterprisesusa.com and click on the appropriate link.

IMPACT OF CHANGES FELT

Most clients felt the impact of the revised code, whether it was a smaller refund or a larger balance due, due to the removal of deductions or the reduction in federal withholding on wages earned. A few clients benefited from the changes.

The standard deduction is now approximately double; eliminating the **Schedule A (Itemized deductions)** for a number of taxpayers for their 2018 federal return. In some situations, it was still better for taxpayers to itemize, losing some refund on the Federal to gain a better overall NET refund between the Federal and state return (VA) combined.

The new law limited the deductibility of state-related income tax and other local taxes paid to \$10k. This included state W-2 withholding that typically is deductible and real estate taxes on homes and land. It also removed the Schedule A deductions subject to 2% (typically unreimbursed out of pocket employee expenses, office in home and business mileage for employees, tax prep fees, investment fees, etc.).

The **personal exemption deduction** has been eliminated; however, most taxpayers with dependents may now qualify for the child tax credit to help offset this change.

Expecting lower taxes for 2018 due to the TCJA, the IRS reduced the **federal withholding tables** in 2018. Your take home pay or pension received was increased; however, there were instances where clients now had a much smaller refund or even a higher balance due. Because of this miscalculation, the IRS waived the penalty for clients that found themselves in a balance due situation due to the reduced withholding.

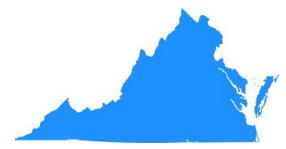
These changes are set until 2025 (unless repealed by a new president/congress); therefore; if you were negatively impacted by the revised tax code for 2018, you will more than likely have the same situation for the 2019 tax return unless you are proactive in making changes.

YOU MAY WANT TO CHANGE YOUR CURRENT Form W-4 or pay in additional amounts for the quarterly estimated tax payment so you will NOT have the same situation next filing season.

It is best to pay extra taxes in through your W-4 withholding election than have a large balance due (with penalties) come April 15. Remember, you can eat an elephant, one small bite at a time.

VIRGINIA TAX REFORM UPDATE

Although the 2017 Federal TCJA was enacted by Congress effective for the 2018 tax year, the Commonwealth of Virginia delayed updating its tax code until February 15, 2019.



The VA General Assembly did not mirror many of the savings enacted by the Federal tax reform - such as the higher standard deduction. Although VA did not change the 2018 VA standard deductions or the \$900 personal exemption amounts, the February 2019 state legislative session voted to mail one-time refunds in the amount of \$220.00 for joint filers and \$110.00 for single/head of household/separate filers. These amounts are intended to provide some tax savings to VA taxpayers at the state level until the 2019 State tax code is more formally revised to mirror more of the TCJA savings. The amounts are expected to be issued in October; however, no other specific information is currently available regarding these refunds.

LATE FILING PENALTIES

Below are penalties that are assessable by the IRS for failure to file or failure to pay the balance due on the due date of the tax return. Two (2) penalties may apply: One penalty is for filing late and one is for late payment. They can add up fast. Interest accrues on top of the penalties.

*Penalty for late filing. If taxpayers file their 2018 tax return more than 60 days after the due date or extended due date, the minimum penalty is \$205 (as of May 5, 2016) or, if they owe less than \$205, 100 percent of the unpaid tax. Otherwise, the penalty can be as much as 5% of their unpaid taxes each month (or fraction of a month) up to a maximum of 25%.

*This tends to apply to balance due returns only.

1. **Penalty for late payment.** The penalty is generally 0.5% (1/2 of 1%) of taxes owed after the due date, for each month or part of the month. It can accrue to 25% of the unpaid taxes.
2. **Combined penalty per month.** The maximum total penalty for failure to file and pay is 47.5% (22.5% late filing and 25% late payment) of the tax.
 - If your return was over 60 days late, the minimum failure-to-file penalty is the smaller of \$210 (for tax returns required to be filed in 2019) or 100% of the tax required to be shown on the return.

Taxpayers should file even if they can't pay. Filing and paying as soon as possible will keep interest and penalties to a minimum. If a taxpayer can't pay in full, getting a loan or paying with a (*low interest*) credit card may be less expensive than owing the IRS.

Payment options. Taxpayers should explore their payment options at [IRS.gov/payments](https://www.irs.gov/payments). For individuals, IRS Direct Pay is a fast and free way to pay directly from a checking or savings account. The IRS will work with taxpayers to help them resolve their tax debt. Most people can set up a payment plan using the Online Payment Agreement tool on [IRS.gov](https://www.irs.gov).

Late payment penalty may not apply. If taxpayers requested an extension of time to file their income tax return by the tax due date and paid at least 90% of the taxes they owe, they may not face a failure-to-pay penalty. However, they

must pay the remaining balance by the extended due date. Taxpayers will owe interest on any taxes they pay after the April due date.

No penalty if reasonable cause. Taxpayers will not have to pay a failure-to-file or failure-to-pay penalty if they can show reasonable cause for not filing or paying on time (i.e. hospitalization).

MOVING IN 2019?

Remember to inform me and the IRS of your new address. We can file Form 8822 to prevent any delays or penalties due to missed IRS notices.

BE AWARE OF IMPOSTERS/SCAMMERS

A reminder to be vigilant of any phone calls or emails claiming to be an official IRS contact for urgent action.



The IRS will never:

- Call, Text or email to demand immediate payment, nor will the agency call about taxes owed without first having mailed you several bills or notices.
- Ask for credit or debit card numbers over the phone or via email.

You should not release any personal information but may attempt to obtain as much information as possible by questioning the solicitor. This includes: his/her name, phone number, physical address, etc. Promptly report the incident to the Treasury Inspector General for Tax Administration (TIGTA) at 1.800.366.4484 or at www.tigta.gov.

This will aid the Service in notifying the public of such scam attempts or in tracking the imposter(s).

(A similar process also applies to the State but report the attempt to scam to Virginia at: 804-367-8031.)

2019 ESTIMATED PAYMENTS SCHEDULE

PAYMENT #	DUE DATE
1	April 15 (May 1 For VIRGINIA)
2	June 15
3	September 15
4	January 15, 2020*

*Paying the 4th estimate for the state by Dec. 31 of the current year may give you a better Schedule

A itemized deduction for the year versus paying the estimate in the following year (when it is actually due).

2018 EXTENSIONS

Those who needed additional time to file the return and who filed and Form 4868 - Application for Automatic Extension of Time To File U.S. **Individual Income Tax Return have an extra 6 months, until October 15, 2019, to submit the final 2018 tax return.** Remember, the extension request and full Payment of federal balance were due on April 15, 2019, unless an installment request was filed and accepted by the IRS. The extension only prolongs the time to file the return's paperwork, **not the time to pay any balance due.** The extension also does not extend the time to contribute to an IRA, which may have a positive effect on saving for the prior year's tax situation.

LIFE CHANGING EVENTS

- Did/Will you (or your spouse) change jobs, get a 2nd job or stop work?
- Did/Will you have a substantial increase or decrease in income?
- Did/Will you make any withdrawals from an IRA or pension plan to pay bills or medical expenses?

Tax planning is a year-round process. Any changes can affect your tax standing. Visit your tax advisor in July or August of each year to gauge your tax situation. Tax penalties can be avoided with proper planning during the last quarter of the year.

RECORD KEEPING FOR SMALL BUSINESSES

Why should business owners keep records?

Good records will help them:

- Monitor the progress of their business
- Prepare financial statements
- Identify income sources
- Keep track of expenses
- Prepare tax returns and support items reported on tax returns

What kinds of records should owners keep?

Small business owners may choose any record-keeping system that fits their business. They should choose one that clearly shows income and expenses.

Except in a few cases, the law does not require special kinds of records.

How long should businesses keep records?

How long a document should be kept depends on several factors. These factors include the action, expense and event recorded in the document. The IRS generally suggests taxpayers keep records for three (3) years.

How should businesses record transactions?

A good recordkeeping system includes a summary of all business transactions. These are usually kept in books called journals and ledgers, which business owners can buy at an office supply store. All requirements that apply to hard copy books and records also apply to electronic business records.



What is the burden of proof?

The responsibility to validate information on tax returns is known as the burden of proof. Small business owners must be able to prove expenses to deduct them.

How long should businesses keep employment tax records?

Business owners should keep all records of employment taxes for at least four (4) years.

<https://www.irs.gov/businesses/small-businesses-self-employed/burden-of-proof>

SUMMER SAFETY TIPS

As the summer nears, we are reminded of many hazards for us, family, pets, seniors, etc. Prepare for summer:

- Test your HVAC-Cooling. Older units may have leaked or are low on refrigerant. It is good to have an annual maintenance agreement; this will ensure you are able to get an HVAC technician out to assist you during peak time of high-volume emergency calls for AC repairs. Such

plans range from \$100-\$170 a year. That usually entails two (2) checkups per year.

- Clean indoor and outdoor intake filters; keep plants and coverings away from the outdoor compressor(s).
- Take advantage of sales of portable cooling units (Window and floor model ACs) as a backup; **however, also be mindful to secure windows when units are installed to ensure you are safe from intruders that may open the exhaust windows further and gain access to the home and occupants!!**
- Be mindful of biting and stinging insects as well as "weird acting" animals. Wasps may make nests in the most unassuming areas (old cans, BBQ grills, covered furniture, etc.) and be ready to defend themselves if you inadvertently disturb them.
- Make sure stagnant water is treated or emptied to avoid mosquitoes and mosquito-borne illnesses (e.g. zika)
- Run emergency generators monthly to ensure they are in functioning order.
- Pooled water is always a hazard. Please be mindful of yourself and young children when around water (pools, river, water parks, etc.).
- **LEARNING EMERGENCY CPR AND AED TECHNIQUES CAN BE A LIFESAVER!! American Heart Association sponsors or approves many classes, nationwide.**
- HYDRATE! HYDRATE!! HYDRATE!!! Dehydration is a serious health issue. Please be mindful of your water intake year-round but especially in summer heat. Water, fruit containing high water volume and other non-alcoholic drinks are paramount to keeping hydrated (especially for children). Lack of sweating or tears is a sign of SEVERE dehydration and immediate rehydration is required to prevent kidney failure and other issues such as heat stroke.

The above is a short list of items to watch for in summer. You can find more complete lists at the following sites:

- <http://www.nsc.org/learn/Pages/safety-events-summer-safety.aspx>

- <https://www.cdc.gov/family/kids/summer/>
- <http://www.webmd.com/women/feature/s/surviving-summer#1>

REFERRALS



The tax preparation business is unique in that it is a mature business model, yet it grows primarily by word of mouth.

Your referrals are valuable. As a thank you, we offer the referral bonus for each new and paid client you refer (Tax Season through October).

Simply refer the client to our online site, send him/her a referral coupon or just complete the back of the CAFe business card that you received in your client packet to refer new clients and receive the bonus payout.

There were a number of client referrals this season. THANK YOU!

Information contained in this newsletter is free to use. Data is derived from the IRS websites and newsletters as well as other sources as noted. No rights are claimed by CAFe on information, or icons included in this document.

Again, "TAXES" is a year-round event and we are right here to help!

Call us if there is a tax need or question! We are here to assist you year-round.

UNTIL 2020, PLEASE BE SAFE AND ENJOY YOUR 2019.

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Summer Search

D R P S U N T A N I C E C R E A M
 Z F C H U S U N B U R N F N J E N
 Y I A H G H B O A T C O U S U G B
 W R U E F F I S H I N G O I N L E
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August
 beach
 bikini
 boat
 camping
 fan
 fishing

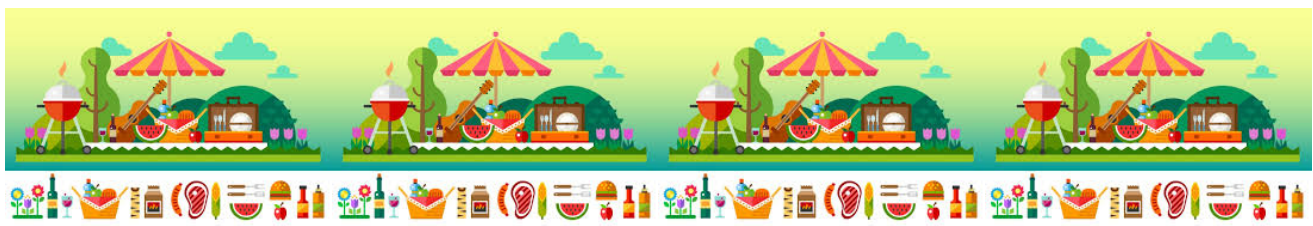


hat
 hot
 ice cream
 July
 June
 lotion
 mosquito

shorts
 sunburn
 sunglasses
 suntan
 swimming
 tent
 vacation



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AM I DEHYDRATED? HERE'S HOW TO TELL

SIGNS OF MILD TO MODERATE DEHYDRATION INCLUDE:



THIRST



DRY MOUTH



FATIGUE



HEADACHE



INFREQUENT URINATION AND/OR DARK URINE



DRY SKIN OR SKIN THAT'S LOST ITS ELASTICITY



CONSTIPATION



DIZZINESS OR LIGHTEADEDNESS



MUSCLE CRAMPS



BAD BREATH



CRAVINGS FOR SWEETS



ALTERED MOOD, CRANKINESS, OR FUZZY THINKING

SIGNS OF SEVERE DEHYDRATION INCLUDE:



RAPID BREATHING



RAPID HEARTBEAT



SEVERE DIZZINESS OR LIGHTEADEDNESS



UNCONSCIOUSNESS OR DELIRIUM



NOT URINATING, OR HAVING VERY DARK-COLORED URINE



EXTREMELY DRY OR SHRIVELED SKIN THAT LACKS ELASTICITY



SUNKEN EYES



EXTREME THIRST



LOW BLOOD PRESSURE



NOT SWEATING EVEN WHEN YOU SHOULD BE (FOR INSTANCE WHILE OUT FOR A RUN IN HOT WEATHER)

DODGE DEHYDRATION WITH THESE EASY TIPS

Keep a water bottle handy

Whenever the bottle is empty, refill and keep sipping.

Increase your produce intake

Fruits and vegetables have a high water content.

Make water more exciting

Mix in a splash of fruit juice, fruit slices, unsweetened (and un-caffeinated) tea, or mint leaves.



Adjust to different situations



Up fluid intake at the first sign of illness.



Hydrate before and during exercise.



Keep water on hand at all times in hot, humid weather or at high altitudes.

Choose room-temperature water



Ice water constricts the arteries surrounding the stomach, which slows down water absorption.



Drink room-temperature (or slightly cooler) water instead.

Listen to your body



Water intake requirements vary by person and circumstance.



Pay attention to any signs of dehydration.



Respond immediately to thirst cues.



Adjust water intake according to activities and the weather.

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