

December 19, 2017,

We are sending our annual letter early this year because of the upcoming tax bill in Congress. For 2017 the only major changes we see are: we can no longer automatically exclude Cancellation of Debt income on a principal residence, and the Tuition and Fees Deduction is no longer available.

But, for 2018 there are major changes coming. As of the date of this letter, the vote on the proposed 2018 tax plan has not been taken. Therefore, the following suggestions may or may not improve your tax situation for 2018, but you will be taking a deduction a year early, not losing it.

Most likely the 2018 **standard deduction for married couples** will be **\$24,000**, **individuals** will be **\$12,000**, **head of household** will be **\$18,000**, and **personal exemptions will be eliminated**. So, if your Schedule A itemized deductions are typically less than the above numbers, most of your usual deductions will do you no good in 2018 (because the total will not exceed your standard deduction).

**If you usually take the standard deduction or you are subject to Alternative Minimum Tax (AMT** - which appears on line 45 of your tax return), **disregard the following year-end actions suggested below**. The proposed 2018 tax law will probably be better for you.

**The American Opportunity Tuition Credit is still in effect** in the proposed bill, so tuition payments appear to be OK in 2018 for **undergraduate** work. **Medical expenses** will be deductible if over **7.5%** of Adjusted Gross Income in **2017 & 2018**. In 2018 many of the usual deductions may be eliminated or reduced. These items are property taxes, state and local income taxes, sales tax deduction, home equity interest, mortgage interest on primary residence (new mortgages over \$750,000), employee business expenses, student loan interest, Lifetime Learning Credit and Tuition and Fees Deduction.

**If you anticipate that your itemized deductions will not exceed the proposed standard deduction amounts in 2018, or your combined property, income or sales taxes will exceed \$10,000** (line 9 on Schedule A), it may be beneficial to

- Pay all of your anticipated state income tax obligation, including state estimated payments
- Prepay your property tax for 2018
- Make charitable contributions (including non-cash items)
- Pay medical bills if they will exceed 7.5% of your income
- Buy a new car if the sales tax deduction will help you
- **In general, it is probably best to take deductions in 2017 (tax rates higher in 2017)**
- **Postpone income, if possible, to 2018 (tax rates should be lower)**

The IRS is tightening the rules in many areas to try to prevent tax fraud and we may be obligated to ask you more questions. The **Affordable Care Act (Obamacare)** that mandated health insurance for everyone is still in effect for 2017 (but the penalty looks like it will be removed in 2019).

**FORM 1095 will be issued to everyone who had health insurance; please bring it to the appointment. If you received a subsidy from Obamacare, we must have form 1095-A.**

**FORM 1098-T IS NECESSARY IF YOU CLAIM COLLEGE TUITION CREDITS.** The college or trade school provides this to the student, not the parents, so please alert your child to look for it.

**PLEASE DO NOT SEND SENSITIVE DOCUMENTS BY EMAIL UNLESS THEY ARE ENCRYPTED.**

**Unencrypted emails are not secure.** To facilitate the safe transfer of documents, we have established a **secure web portal**. This will allow you to securely transfer documents to us by logging into our portal and creating an account. To begin this service, please send us an email requesting it; we will then respond with a link for you to create your private, secure account.

We also have a **HIPAA compliant fax service (630-766-6090)**, the same as those used by health care providers. Please be aware that **a fax is not considered completely secure.** (over)

The IRS has increased scrutiny of **Financial Assets over \$10,000 outside the U.S.** There are large **penalties for non-reporting of Foreign Financial Assets.**

If you have **sold investments**, please review your documents and record the cost basis and purchase date. (If you receive a **1099-B, you sold an investment**). Please call your stockbroker or financial institution and have them provide the average cost basis. **We strongly recommend that you have your financial institution provide you with cost basis; they should do this at no charge.** There will be a fee if we are asked to do it for you.

All **businesses** and **landlords** are required to file **Form 1099-Misc by January 31** for any person (not corporations) who is **paid \$600 or more** as an **independent contractor**. Any **single charitable contribution of \$250** or more must be documented by a proper written letter from the charity.

Please bring **receipts** for **non-cash charitable donations** and the value of the donation. If you receive a new or revised document after your tax return has been completed, there will be a **re-do fee**. Of course, if we make an error, we will correct it at no charge.

**Please complete the expanded checklist** that is included with this letter; it can save you time, money and penalties. Please also provide **written totals for your deductions** (not verbal), including charitable contributions, medical expenses, business mileage, home office expenses, and other business expenses. If you want **direct deposit of your refund**, please provide us with the name of your bank, routing and account number, and whether it is checking or savings (**a copy of a check is preferred**). If we do not have **written direct deposit** information, it will default to a check in the mail.

We require **payment of our tax preparation fee before filing**. If this is a hardship, we can make arrangements to hold a post-dated check at a small additional charge. An **Engagement Letter** is enclosed that sets out our mutual understanding of the tax preparation process and fees. **Please sign and return the Engagement Letter** with your tax documents. Due to insurance guidelines, we cannot process your return without payment and the signed Engagement Letter.

Our **REFERRAL DISCOUNTS are \$40**. Both you and the new client receive **\$40 off tax prep** for full-price referrals; \$20 each for less complex returns. Please ask us for a price quote for new clients, as their return may not be the same as yours. Simple **tax returns for dependent children are \$35**. We guarantee the same price for two years on all tax returns, as long as the return remains the same.

**We have appointments Monday, Wednesday, Friday, Saturday, and some Sundays.** A limited Tuesday-Thursday schedule is available, if there are no other options. **Walter Kurzeja is reducing his hours this year and will not be taking appointments.** Linda or Tom Banakis are available to take his place.

**Our office staff is always happy to answer a brief question** or two at no charge, but Greg and Linda have very limited availability during tax season. While **the tax appointment does not allow time for tax planning or consultation**, we offer personal and small business tax consultations after tax season. A fee is expected for consultations.

The **Law Office of Linda Ganster LLC, Attorney-at-Law** offers wills and trusts, probate, estate administration, real estate closings, and new business creation. The phone number for Linda's separate company is **630-766-4322**; her website is **[www.lindaganster.com](http://www.lindaganster.com)**.

Thank you for your past patronage, and we look forward to serving you again this tax season. For additional information and checklists, please see our website, **[www.glindatax.com](http://www.glindatax.com)**.

Sincerely,

Greg and Linda Ganster

Disclosure: Linda Ganster, a licensed Illinois attorney, is an owner of Glinda Company, Inc.

Disclaimer: Linda Ganster is an employee of Glinda Company, Inc., and as such, acts only in the capacity of a tax preparer during the tax appointment. **To discuss any legal matter you may have, Linda may be reached at her separate company, the Law Office of Linda Ganster LLC, at 630-766-4322.** No attorney client relationship shall arise from any information contained in this letter without a written agreement signed by both the client and the attorney. The use of Internet e-mail for confidential or sensitive information is discouraged as it may violate any attorney client confidentiality. This letter is intended to be attorney advertising material, and not solicitation, nor legal advice.