

BRIAN PRZYSTUP & ASSOCIATES, LLC

International Tax Consultants
Specializing in Aviation, Real Estate & Corporate

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Dear Tax Client:

Enclosed you will find your new Tax Organizer for 2018. Please make sure your organizer is complete and all requested material is provided. Only complete the sections that apply to your tax situation. The use of debit/credit cards, canceled checks and auto logs relating to your profession is the best Audit trail a Taxpayer can

keep. Listed below are some changes and updates from the I.R.S. for the year ending 2018.

- **Increase in standard deduction and personal exemptions.**
- **Increase in child tax credit and earned income credit.**
- **Educators deduction restored for one more year.**
- **Capital gains and dividend tax rates remain at 0%, 15%, and 20%.**
- **Interest income taxed at ordinary income tax bracket.**
- **Additional tax credits, deductions extension for members of the U.S. Armed Forces & Reservists.**
- **Sales tax deductions for states with no state income tax.**
(i.e. food, clothing, automobiles, anything you pay sales tax on)
- **Foreign Earned Income Exclusion increased to \$104,100.**
- **Gift Tax Exclusions increased to \$14,000.**
- **Per Diem Substantiation Rates have increased beginning Oct 1, 2018.**
With documentation full City Code Per Diem Rate
Without documentation flat rate:
\$71 Int'l. , \$66 Dom.
80% of difference for DOT employees International Much higher.
- **Aviation employees: website for per diem rates:**
www.gsa.gov/perdiem
- **Refunds 24/7 Online: www.irs.gov**
Or call 1-800-829-1040.
- **Education credits have increased and tuition and fees deductions have been extended until 12/31/18**

- **Disaster Tax Relief for hurricane Harvey & Irma, relief granted recently.**
All Penalties & interests are Waived.
- **AMT Relief was signed into law by President Obama, helping approximately 25 million taxpayers from paying additional income taxes.**
- **All Corporate owners and officers must be on payroll (W-2) starting January 2010.**
- **Standard Business Auto Mileage Rates for 2017.**
 - 54.5 cents
 - 18 cents from medical and moving
 - 14 cents for charitable
- **Mortgage interest credit for qualifying taxpayers.**
- **Qualified mortgage insurance premiums are now deductible.**

• **Mortgage Relief Bill**

Foreclosure or short sale on their principal Residence. A 1099-C will be issued. Program ends 12/31/16. **It has been Extended to 12/31/2016. No longer in effect for 2017**
Relief + consideration will be given on short Sales and deed in lieu transactions for Investments + rental properties.
If you meet the Insolvency Test, then your Transactions MAY NOT be a taxable event!
INSOLVENCY FORM MUST BE FILLED OUT!!

- **The IRS is not waiving and/or abating any penalties.**
- **CREW MEMBER DISCOUNT**
- **FREE REVIEW of last 3 years !**
- **BONUS DEPRECIATION continues indefinitely for new autos of all Business owners and Self employed Sub contractors.**

- **THIS IS MANDATORY: U.S.**
Citizens with foreign bank accounts holding more than \$10,000 must fill out form 90-22.1 FBAR PUB 54 under U.S. Treasury / IRS Tax code.
- **New law: ANY U.S. citizen that is currently holding any assets over \$50,000 in any other country must declare them on form 8938.**
- **If anyone wants an EXTENSION please email or call us before March 1, 2019.**

Important Dates & Deadlines

- **2018 Personal / Individual 1040 Return due 4/18/19**
- **2018 Business / Corporate Returns – LLC, LLP, Sub S Corp, PA & PCs due 03/15/19**
- **2018–1099 Self Employed Estimated Tax due 01/15/19 Return due 04/15/19**
- **Extensions (Personal/individual) 1040 Return due 10/15/19 With penalty & interest**
- **Extensions (Business/Corporate) Business Return due 09/15/19**
- **All 1099s for contract labor and Self employed individuals us be Issued by 01/31/2019**
- **FBARS due 04/18/2019**

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You may email me any time with tax questions that may arise during the course of the year. For your convenience, you may mail, drop off your records at any time. Phone interviews are also available. Attached is a Direct Deposit form. Please follow the instructions carefully.

Do not send original documents when mailing, overnighting or courier service.

Must have ALL documents before sending. **NO PIECE MAIL** or fax one item and FedEx the other

Payment is due when services rendered.

Wishing all of you, your families and our troops a safe, healthy and prosperous New Year.

Sincerely,



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PENALTIES AND INTEREST

All tax liability for W-2 and Sub Chapter S-Corps are due 3/15/19

If no extension is filed you will be assessed a **Failure to File, Failure to pay Penalty and Interest.**

All tax liability for 1099 self employed individuals are due 1/15/2019. Tax return is due 4/15/2019.

EXTENSIONS DO NOT EXTEND MONIES DUE TO IRS. Monies due to IRS should be paid with extension before 4/18/2019.

All Corporate Business Returns 1120, 1120S, 1065, 1041 are all due on 3/15/2019. If extended due date is 9/15/2019.

All 1040 personal tax returns are due 4/15/2019 If extended due date is 10/15/2019.

AGAIN, All tax liabilities are due by due dates of 1/15/2019 and 4/15/2019 and should be paid with extension if filing an extension.

Please call office for any extensions needed.

Failure to file Penalties, Failure to Pay Penalties, and Interest will be assessed if not file in a timely manner.

Any Client requesting waive + abatement letters will be charged \$150 per letter.

IMPORTANT DATES AND INFORMATION

Note: Extensions will be filed ONLY for Clients that request them at least **15 days before the deadlines**. Clients must call to request extensions. Brian will not be responsible for any late penalties for filing late. Below are due dates for personal and Business tax returns. If an extension was filed, you must provide your ALL TAX DOCUMENTS in 1 PKG ! at least 3 weeks before the deadline.

1.- Personal Taxes are due on April 15th.

If you don't file by this date, you will have to pay 3 penalties:

- FAILURE TO FILE (If extension was not received by 04/15)
- FAILURE TO PAY (This is if you owe money to the IRS) 1099 tax liability is due 01/15
- INTEREST, Failure to Pay Interest. Extension was filed but no payment was made.

*Extension ONLY waive the FAILURE TO FILE PENALTY.

Extensions for personal returns are due on October 15th. Clients must provide tax documents at least 2 weeks before the deadline.

2.- Business Taxes are due on March 15th.

If you don't file by this date, You will have to pay penalties:

- FAILURE TO FILE (If extension was not received by 03/15)
- FAILURE TO PAY (This is if you owe money to the IRS) 1099 liability is due 01/15
- INTEREST, Failure to Pay Interest. Extension was filed but no payment was made.
- LATE FILING PENALTY \$ 195 per shareholder per month.

Extensions for Business returns are due on September 15th. Clients must provide business tax documents at least 3 weeks before the deadline.

- **NOTE:** Most States require to file an annual report. Ex : **in Florida** you need to renew you company

every year before **May 1st**. (The state of Florida annual report is \$150 for Corporations, \$

138.50 for an LLC and \$500 for an LLP). Renew a Corporation after May 1st will cost \$150 + \$400 (penalty) = \$550. Renew LLC after May 1st is \$138.75 + 400 = \$538.75. All Companies not renewed by the third week of September will be dissolved. Reinstatement fees for Corporation are \$ 600 + \$150 (annual report) = \$750. Reinstatement fees for LLC are \$100 + \$138.75 (annual report) = \$ 238.75

Failure to file Penalties, Failure to pay penalties, and Interest will be assessed by the IRS if not filed in timely manner. Then, you will receive IRS letters. Any Client requesting waive + abatement letters will be charged \$150.0 per letter.

HR 1

On December 22, 2017, President Trump signed into law the *Tax Cuts and Jobs Act*. Arguably the most significant changes to the Internal Revenue Code in decades, the law reduces tax rates for individuals and corporations and repeals many deductions, thus simplifying filing for many taxpayers. Most of the individual changes will expire at the end of 2025, meaning the old tax code rates and deductions will return in 2026 unless Congress passes another law before then. Following are the most notable changes taking effect after December 31, 2017.

Individuals

Tax Brackets and Tax Rates.

There are seven tax rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%

Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,525	10% of taxable income
\$9,526 - \$38,700	\$952.50 + 12% of the amount over \$9,525
\$38,701 - \$82,500	\$4,453.50 + 22% of the amount over \$38,700
\$82,501 - \$157,500	\$14,089.50 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$32,089.50 + 32% of the amount over \$157,500
\$200,001 - \$500,000	\$45,689.50 + 35% of the amount over \$200,000
\$500,001 +	\$150,689.50 + 37% of the amount over \$500,000

Married Individuals Filing Joint Returns and Surviving Spouses

If Taxable Income Is Between:	The Tax Due Is:
0 - \$19,050	10% of taxable income
\$19,051 - \$77,400	\$1,905 + 12% of the amount over \$19,050
\$77,401 - \$165,000	\$8,907 + 22% of the amount over \$77,400
\$165,001 - \$315,000	\$28,179 + 24% of the amount over \$165,000
\$315,001 - \$400,000	\$64,179 + 32% of the amount over \$315,000
\$400,001 - \$600,000	\$91,379 + 35% of the amount over \$400,000
\$600,001 +	\$161,379 + 37% of the amount over \$600,000



Married Filing Separately

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$9,525	10% of taxable income
\$9,526 - \$38,700	\$952.50 + 12% of the amount over \$9,525
\$38,701 - \$82,500	\$4,453.50 + 22% of the amount over \$38,700
\$82,501 - \$157,000	\$14,089.50 + 24% of the amount over \$82,500
\$157,001 - \$200,000	\$32,089.50 + 32% of the amount over \$157,500
\$200,001 - \$300,000	\$45,689.50 + 35% of the amount over \$200,000
\$300,001 +	\$80,689.50 + 37% of the amount over \$300,000

Heads of Household

If Taxable Income Is Between:	The Tax Due Is:
0 - \$13,600	10% of taxable income
\$13,601 - \$51,800	\$1,360 + 12% of the amount over \$13,600
\$51,801 - \$82,500	\$5,944 + 22% of the amount over \$51,800
\$82,501 - \$157,500	\$12,698 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$30,698 + 32% of the amount over \$157,500
\$200,001 - \$500,000	\$44,298 + 35% of the amount over \$200,000
\$500,001 +	\$149,298 + 37% of the amount over \$500,000

Trusts & Estates

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$2,550	10% of taxable income
\$2,551 - \$9,150	\$255 + 24% of the amount over \$2,550
\$9,151 - \$12,500	\$1,839 + 35% of the amount over \$9,150
\$12,501 +	\$3,011.50 + 37% of the amount over \$12,500



Alternative Minimum Tax

Alternative Minimum Tax (AMT) Exemptions

Filing Status	Exemption Amount:
Individual	\$70,300
Married Filing Jointly & Surviving Spouses	\$109,400
Married Filing Separately	\$54,700

The phaseout thresholds are increased to \$1,000,000 for married taxpayers filing a joint return, and \$500,000 for all other taxpayers (other than estates and trusts). These amounts are indexed for inflation.

Estate Tax Exemption

The estate and gift tax exemption is doubled for estates of decedents dying and gifts made after December 31, 2017, and before January 1, 2026. This is accomplished by increasing the basic exclusion amount provided in §2010(c)(3), and indexed for inflation. The exemption increases to \$11,200,000 in 2018.

The generation skipping transfer (GST) tax exemption is also doubled.

Standard Deduction

Married filing jointly	\$24,000
Head of Household	\$18,000
Single	\$12,000
Married filing separately	\$12,000
Additional amount if over age 65 or blind.	\$1,600 – Unmarried individuals \$1,300 – Each spouse meeting criterion

Personal Exemptions

The personal exemption is repealed.

Kiddie Tax

The kiddie tax applies to unearned income for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages. Taxable income attributable to net unearned income will be taxed according to the brackets applicable to trusts and estates. The rules for tax applicable to earned income are unchanged.



Child Tax Credit

The child tax credit will increase to \$2,000 per qualifying child and will be refundable up to \$1,400, subject to phaseouts. To receive the refundable portion of the child tax credit, a taxpayer must include a social security number for each qualifying child claimed on the tax return.

Also included is a temporary \$500 nonrefundable credit for other qualifying dependents who are not qualifying children.

Phaseouts, which are not indexed for inflation, will begin with adjusted gross income of more than \$400,000 for married taxpayers filing jointly and more than \$200,000 for all other taxpayers.

Student Loan Interest Deduction

For 2018, the maximum amount that you can deduct for interest paid on student loans remains at \$2,500. Phaseouts apply for taxpayers with modified adjusted gross income (MAGI) in excess of \$65,000 (\$135,000 for joint returns) and is completely phased out for taxpayers with modified adjusted gross income (MAGI) of \$80,000 or more (\$165,000 or more for joint returns).

For graduate students who teach or the children of university employees, the deferred tuition provided would not be taxable.

There are no changes to the current law regarding the American Opportunity Credit or the Lifetime Learning Credit.

Section 529 Plans

Distributions of up to \$10,000 per beneficiary can be used for tuition expenses for public, private or religious elementary or secondary school. The limitation applies on a per student basis rather a per account basis.

Distributions can also be made for expenses related to homeschool. Expenses include:

- Curriculum and curricular materials
- Books or other instructional materials
- Online educational materials
- Tuition for tutoring or educational classes outside of the home (but only if the tutor or instructor is not related to the student)
- Dual enrollment in an institution of higher education
- Educational therapies for students with disabilities

Rollovers from a 529 plan to an ABLÉ account are allowed without penalty provided the ABLÉ account is owned by the same designated beneficiary of the 529 plan or a member of the designated beneficiary's family. Rolled-over amounts count towards the overall annual limitation on contributions to the ABLÉ account.

Discharged of Student Loan Indebtedness

The exclusion from income resulting from the discharge of student loan debt is expanded to include discharges resulting from death or disability of the student.



Itemized Deductions

With the exception of state and local income taxes, mortgage interest, medical expenses, disaster losses, charitable contributions, and other deductions not subject to the 2% floor, all other itemized deductions are repealed. The overall limitation on itemized deductions for upper-income individuals is also repealed.

State and Local Taxes

Taxpayers can claim a deduction for a combination of state and local income tax, sales tax, or real property tax. The aggregate deduction is capped at \$10,000. Foreign real property taxes are no longer deductible.

Under this provision, an individual may not claim an itemized deduction in 2017 on a pre-payment of income tax for a future taxable year in order to avoid the dollar limitation applicable for taxable years beginning after 2017.

Medical Expenses

For 2017 through 2018, expenses exceeding 7.5% of income are deductible; that percentage increases to 10% in 2019. Under this provision, these thresholds also apply for determining AMT.

Charitable Contributions

Taxpayers who are able to itemize deductions can include charitable contributions. The current limitation of 50% of income is increased to 60%.

Mortgage Interest

The deduction for mortgage interest is capped at \$750,000 of debt. The interest deduction is allowed on a first or second home. The interest on home equity loans will no longer be deductible. Interest on up to \$1 million of acquisition debt for loans prior to December 15, 2017 is grandfathered.

Casualty Losses

Deductions for unexpected losses to personal property are no longer deductible unless covered by specific federal disaster declarations.

Wagering Losses

The meaning of losses from wagering transactions is clarified to include other expenses incurred by the individual in connection with the conduct of that individual's gambling activity such as travel expenses to or from a casino.

Teacher Expenses

The bill retains the present law above-the-line deduction of \$250 (indexed for inflation) for out-of-pocket expenses.

Bicycle Commuting Reimbursement

The exclusion from gross income and wages for qualified bicycle commuting reimbursements up to \$20 is suspended.



Moving Expense Reimbursements

The exclusion from gross income and wages for qualified moving expense reimbursements is repealed except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order.

Alimony

Beginning with new divorces in 2019, alimony payments to an ex-spouse are no longer deductible and not taxable to the recipient.

Affordable Care Act

The penalty for failing to maintain minimum essential coverage for individuals (individual mandate) is repealed beginning in 2019. The tax on net investment income (NIIT) remains.

IRA Recharacterizations

The special rule allowing a contribution to one type of IRA to be recharacterized as a contribution to the other type of IRA no longer applies to a conversion contribution to a Roth IRA.

Thus, recharacterization cannot be used to unwind a Roth conversion. However, recharacterization is still permitted with respect to other contributions. For example, an individual may make a contribution for a year to a Roth IRA and, before the due date for the individual's income tax return for that year, recharacterize it as a contribution to a traditional IRA.

In addition, an individual may still make a contribution to a traditional IRA and convert the traditional IRA to a Roth IRA, but the provision precludes the individual from later unwinding the conversion through a recharacterization.

Plan Loan Offsets

An employee's obligation to repay a plan loan is accelerated and, if the loan is not repaid, the loan is cancelled and the amount in employee's account balance is offset by the amount of the unpaid loan balance, referred to as a loan offset. A loan offset is treated as an actual distribution from the plan equal to the unpaid loan balance and is eligible for tax-free rollover to another eligible retirement plan. A rollover contribution is extended from 60 days after the date of the offset to the due date (including extensions) for filing the federal income tax return for the taxable year in which the plan loan offset occurs, that is, the taxable year in which the amount is treated as distributed from the plan.

A qualified plan loan offset amount is a plan loan offset amount that is treated as distributed from a qualified retirement plan, a section 403(b) plan or a governmental section 457(b) plan solely by reason of the termination of the plan or the failure to meet the repayment terms of the loan because of the employee's severance from employment.

Corporations and Businesses

Tax Rates

The tax rate for corporations is reduced to 21% beginning January 1, 2018 and is made permanent.



Dividends Received Deduction

The 80-percent and 70-percent dividends received deductions under current law are reduced to 65-percent and 50-percent, respectively.

Alternative Minimum Tax

Effective for tax years beginning after 2017, corporations are no longer subject to AMT. In the case of a corporation, the bill allows the AMT credit to offset the regular tax liability for any taxable year. In addition, the AMT credit is refundable for any taxable year beginning after 2017 and before 2022 in an amount equal to 50 percent (100 percent in the case of taxable years beginning in 2021) of the excess of the minimum tax credit for the taxable year over the amount of the credit allowable for the year against regular tax liability.

Pass-through Businesses

Non-corporate taxpayers, including trusts or estates, who have domestic qualified business income (QBI) from a partnership, S corporation, or sole proprietorship are allowed to deduct 20% of business-related income, subject to certain wage limits and exceptions. The remaining income is subject to normal individual rates.

The 20% deduction is not allowed in computing adjusted gross income (AGI), but rather is allowed as a deduction reducing taxable income. It does not reduce income subject to SE tax. The deduction is also not allowed for businesses offering certain personal services.

The deduction ratably phases out for joint filers with income between \$315,000 and \$415,000 and between \$157,500 and \$207,500 for others.

This provision provides an alternate limitation based on wages and capital. The limitation is the greater of 50% of the wages paid or 25% of the wages paid plus 2.5% of the unadjusted basis of the business' capital assets.

Carried Interest

The holding period for long term capital gains is increased to three years with respect to certain partnership interests transferred in connection with the performance of services.

Domestic Production Activities Deduction (DPAD)

Repealed effective for tax years beginning after December 31, 2017.

Like-Kind Exchanges

The nonrecognition of gain in the case of the like-kind exchange of property used in a trade or business or for investment is limited to real property only.

Net Operating Losses

Net operating losses are limited to 80% of taxable income for losses arising in tax years beginning after December 31, 2017.

The two-year carryback and special carryback provisions are repealed except for losses incurred in the business of farming. Carryovers are allowed indefinitely. NOLs of a property and casualty insurance company are allowed a two-year carryback and 20-year carryforward period.



Excess Business Losses

Currently taxpayers who incur a net business loss are allowed to carry that loss back two years and forward 20 years. Under the new law, noncorporate taxpayers are allowed an "excess business loss." Instead, the loss is carried forward and treated as part of the taxpayer's NOL carryforward in subsequent taxable years.

An excess business loss for a taxable year is the excess of the taxpayer's aggregate deductions attributable to the taxpayer's trades or businesses for that year, over the sum of the taxpayer's aggregate gross income or gain for the year plus a "threshold amount" of \$500,000 for married individuals filing jointly, or \$250,000 for other individuals. The provision applies after taking into account the passive activity loss rules.

Section 179 Expensing

The maximum amount a taxpayer may expense under §179 increases to \$1,000,000. The phase-out threshold amount increases to \$2,500,000. The \$1,000,000 and \$2,500,000 amounts, as well as the \$25,000 sport utility vehicle limitation, are indexed for inflation for taxable years beginning after 2018.

The definition of §179 property is expanded to include certain depreciable tangible personal property used predominantly to furnish lodging or in connection with furnishing lodging, such as furniture and appliances.

The definition of qualified real property eligible for §179 expensing now includes any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service:

- Roofs
- Heating, ventilation, and air-conditioning property
- Fire protection and alarm systems
- Security systems

Computers and peripheral equipment are removed from the definition of listed property.

Bonus Depreciation

Additional first year depreciation is available to new and used property. In other words, the requirement that the first qualified use begin with the taxpayer is repealed.

Bonus depreciation rates are as follows:

Placed in Service Year	Bonus Depreciation Percentage	
	Qualified Property in General/Specified Plants	Longer Production Period Property and Certain Aircraft
Portion of Basis of Qualified Property Acquired before Sept. 28, 2017		
Sept. 28, 2017 – Dec. 31, 2017	50 percent	50 percent



2018	40 percent	50 percent
2019	30 percent	40 percent
2020	None	30 percent
2021 and thereafter	None	None
Portion of Basis of Qualified Property Acquired after Sept. 27, 2017		
Sept. 28, 2017 – Dec. 31, 2022	100 percent	100 percent
2023	80 percent	100 percent
2024	60 percent	80 percent
2025	40 percent	60 percent
2026	20 percent	40 percent
2027	None	20 percent
2028 and thereafter	None	None

As a conforming amendment to the repeal of corporate AMT, the election to accelerate AMT credits in lieu of bonus depreciation is repealed.

Vehicle Depreciation

The cap placed on depreciation write-offs of business-use vehicles is increased and indexed for inflation. The new limits are as follows:

1st year - \$10,000

2nd year - \$16,000

3rd year - \$9,600

Each year thereafter until cost is fully recovered - \$5,760

The new, higher limits apply to vehicles placed in service after December 31, 2017, and for which additional first-year depreciation §168(k) is not claimed.

Entertainment Expenses

No deduction is allowed with respect to (1) an activity generally considered to be entertainment, amusement or recreation, (2) membership dues with respect to any club organized for business, pleasure, recreation or other social purposes, or (3) a facility or portion thereof used in connection with any of the above items.

In addition, the provision disallows a deduction for expenses associated with providing a qualified transportation fringe to employees of the taxpayer, and except as necessary for ensuring the safety of an employee, any expense incurred for providing transportation (or any payment or reimbursement) for commuting between the employee's residence and place of employment.



Taxpayers may still generally deduct 50 percent of the food and beverage expenses associated with operating their trade or business (e.g., meals consumed by employees on work travel). For amounts incurred and paid after December 31, 2017 and until December 31, 2025, the provision expands this 50 percent limitation to expenses of the employer associated with providing food and beverages to employees through an eating facility that meets requirements for de minimis fringes and for the convenience of the employer.

Technical Termination of Partnerships

The rules under §708(b)(1)(B) providing for technical terminations of partnerships is repealed effect for tax years beginning after December 31, 2017. The provision does not change the present-law rule of §708(b)(1)(A) that a partnership is considered as terminated if no part of any business, financial operation, or venture of the partnership continues to be carried on by any of its partners in a partnership.

