

Bacon and Gendreau Tax Preparation
Tax Preparation and Financial Services
62 LaSalle Road
West Hartford, CT 06107
WWW.BGTAXCT.COM

January 1, 2019

To All Our Valued Clients,

The 2018 tax filing season is upon us. We would like to thank you for allowing us to prepare your income tax returns last year and thank you for your continued patronage, support and trust in us by continually referring your friends and family. Steve and I are truly humbled and grateful to every one of our clients.

We will be uploading organizers to our secure portal for your convenience. You should receive an email indicating it is ready to print. Call the office if you need one mailed to you!

Individual filing season will begin accepting electronic and paper returns around January 29, 2019. Generally, refunds electronically deposited will be available in 10 to 14 days from processing.

The filing deadline is April 15th, 2019 for all 2018 calendar year tax returns for individuals. We ask that you do not wait until the last minute. If anyone comes after April 10th, we cannot guarantee that we will complete your tax return on time and we will make the determination if an extension is necessary.

2018 is a year of considerable changes in the preparation of taxes for individuals and small business.

Our firm is committed to being the most educated tax professionals with the goal of our taxpayers paying the lowest legal amount of tax. While our fees will remain reasonable and our service to you superior, you may experience an increase in fees over prior years. This is largely due to the cost of training (new tax laws), supplies, equipment and our refusal to compromise on the quality of service we offer.

The IRS has continued to increase the level of due diligence required of tax preparers in the preparation of tax returns which has led to the increase in preparation time. A preparer is not required to audit, examine, or review books or records, business operations, documents or other evidence to independently verify information provided by the taxpayer; however, the preparer may not ignore the implications of information

furnished by the taxpayer. The preparer must make reasonable inquiries if the information furnished appears to be incorrect or incomplete.

Tax Year 2018 -What's NEW

Lower tax rates, more money. For 2018, most tax rates have been reduced. This means most people will pay less taxes. The 2018 tax rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Although the IRS adjusted the withholding tables in February 2018 that employers use to produce the correct amount of tax withholding for people with simpler tax situations, for instance, those who only take the standard deduction, the withholding tables don't reflect some of the other changes that impact more involved tax returns like the reduction of some itemized deductions. After preparing your return, we will help you fill out a W-4, if needed, to make sure withholdings satisfy your personal situation.

Elimination of personal and dependent exemptions. Under the new tax law the personal and dependent exemptions of \$4,150 were eliminated. If you are married and have a few kids, the elimination of your personal and dependent exemptions can mean a reduction in the number of write-offs you once had.

Increase in the Child Tax Credit. Although you're no longer able to take the dependent deduction, the new tax reform law increased the Child Tax Credit from \$1,000 to \$2,000 per child (under age 17). The law also adds a new, non-refundable credit of \$500 for dependents other than children. Finally, it raises the income threshold at which these benefits phase out from \$110,000 for a married couple to \$400,000, which means more people will be eligible for the credit.

Changes if you're a homeowner. If you are a homeowner or are considering buying your dream home, some of the changes in the new tax law are very important for you. As an existing homeowner, you may see fewer tax deductions especially if you live in a state with high property taxes since the new law limits the amount of state and local property, income, and sales taxes that can be deducted to \$10,000. In the past, these taxes have generally been fully tax deductible. Due to the cap on these tax deductions, you may now also have to take the standard deduction instead of taking itemized deductions since the standard deduction has almost doubled. Don't worry about knowing if you should take the standard deduction or itemize your tax deductions at tax time. We will figure that out for you.

If you are considering purchasing a new home this year, one thing to keep in mind is the law also caps the amount of mortgage indebtedness on new home purchases on which interest can be deducted at \$750,000. That is decreased from \$1,000,000 in current law if you already own a home.

Elimination of tax deductions. The new tax reform law eliminated several popular tax breaks starting in tax year 2018 (the one you file in 2019).

The previous deduction for job-related expenses or other miscellaneous itemized deductions that exceeded 2 percent of your adjusted gross income is suspended. This includes unreimbursed employee expenses such as uniforms, union dues and the deduction for meals, entertainment and travel, as well as any deductions you may have previously been able to claim for tax preparation fees and investment expenses, including investment management fees, safe deposit box fees and investment expenses from pass-through entities.

The deduction for moving expenses (except military) and casualty losses is suspended.

Interest paid on most home equity loans is not deductible unless the loan proceeds were used to buy, build, or substantially improve your main home or second home.

Alimony and separate maintenance payments are no longer deductible for any divorce or separation agreement executed after December 31, 2018, or for any divorce or separation agreement executed on or before December 31, 2018, and modified after that date.

Standard Mileage Rate

The standard mileage rate for the cost of operating your car for business is **54.5 cents a mile (Please note that in addition to mileage you are also allowed to deduct tolls, parking, property taxes and interest).** The standard mileage rate allowed for the use of your car for **medical** purposes is **18 cents a mile** and the standard mileage rate for the use of your car for **volunteer services for a charity** is **14 cents a mile for the entire year of 2018.** You can keep track of your mileage by using an App on your smart phone called Mile IQ. If you drive for business purposes and are **self-employed**, you need to keep track of time, place, purpose for all your mileage driven. We suggest you take a picture of your odometer on January 1st and December 31st, to record the mileage on the car at the beginning and end of the year! I would also save your oil change receipts that can prove your mileage that way (it is written on the receipt).

IRA and Retirement Account Contributions to Roth and Traditional IRA's remain at \$5,500 for 2018 (\$6,000 for 2019) with \$1,000 additional if age 50 or older. Contributions to 401(k) and similar retirement plans are at \$18,500 for 2018 (\$19,000 for 2019) with a catch-up amount of \$6,000. Self-Employment Pension Plan (SEP) maximum contributions remain at \$55,000 for 2018.

Health Savings Accounts (HSAs) TAX Savings TIP

The maximum HSA contribution increases to \$3,450 for single coverage and \$6,900 for family coverage for 2018. (\$1,000 additional if age 55 or older.) Amounts increase to \$3,500 and \$7,000 respectively for 2019. **Please note that you have until April 16, 2019 to contribute to your HSA for a 2018 deduction.**

How to obtain tax transcripts, past tax returns

You can obtain a record of your past tax returns. IRS transcripts are often used to validate income and tax filing status for mortgage applications, student and small business loan applications, and during tax preparation. (<http://www.irs.gov/Individuals/Get-Transcript>)

Charitable Deductions

Charitable deductions must be supported by documentation for every \$1.00 you claim. For donations over \$250.00, documentation must be obtained from the charity. **We will only include non-cash contributions on your tax return if a worksheet is prepared with the amount totaled. The IRS has been auditing Non-Cash Contributions.** See attached worksheet.

Non-Custodial Parents

Need to obtain Form 8332 from custodial parents in order to claim dependent child.

American Opportunity Credit

Form 1098-T is required from your child's educational institution for us to complete the forms for the educational credits. This form along with a copy of their financial transcript can usually be obtained online through their personal student account with the college.

Appointments are scheduled every hour on the hour. Please try to be prompt for your appointment. Please give us the courtesy of a phone call if you will be running more than 10 minutes late.

David Gendreau - Appointments are held in Suite 305. (Right at the top of the stairs.)

Please call Kylie, Michelle or Susan at 860-216-2195 for appointments.

**Monday through Thursday 9:00am – 6:00pm
Fridays 9:00am – 11:00am and Saturdays 8:00am – 3:00pm**

Stephen Bacon - Appointments are held in Suite 201. (Left at the top of the stairs.)

Please call Kylie, Michelle or Susan at 860-216-2195 or 860-233-1171 for appointments.

**Monday through Thursday 9:00am – 6:00pm
Fridays 9:00am – 4:00pm**

IMPORTANT

Payment and signature of Form 8879 is required prior to the actual filing of your income tax returns electronically. We regret and apologize for any inconvenience this may cause you.

Visit our website at **bgtaxct.com** especially the forms/links tab for important topics and valuable resources.

***Best Regards,
Steve and David***

**Bacon & Gendreau Tax Preparation
All-Inclusive Service Program
2018 Tax Year**

Many times during the year we are using our time to respond to client's issues not directly related to the actual preparation of their tax return. We charge a fee for these ancillary services, but we have also established an All-Inclusive Service Program to provide these additional services to our clients at one reduced price.

Our All-Inclusive Service Program will include the following benefits to our clients:

- Answer all IRS notices and correspondence you receive for 2018 tax year.
- Answer all State notices and correspondence you receive for 2018 tax year.
- Assistance for audit preparation (up to 4 hours maximum).
- Free Phone Consultations for the calendar year.
- Review and preparation of W-4(s) to be sure withholding is correct.
- One (1) additional copy of your 2018 tax return, if requested.
- Calculation of Estimated Tax Vouchers
- Free preparation of Amended Returns
- Assistance to prepare FAFSA Form.

If you choose not to participate in this program, our billable rates will be as follows:

- Consultations \$125 an hour (1 hour minimum)
- *IRS Notices and correspondences - \$150 - \$250 per Correspondence.
- *State Notices and correspondences - \$150 - \$250 per Correspondence.
- Additional Copies of tax returns - \$35
- Audit Rates start at a \$400 minimum for the first four (4) hours and \$125 per hour after that.
- Review and preparation of W-4 - \$50
- Preparation of Quarterly Estimated Tax Payments - \$100 Annually, \$25 per Quarter
- Assistance to prepare FAFSA Form. - \$75 an hour
- Preparation of Amended Tax Return - \$125 Minimum for Federal, \$50 for each state

The program fee is payable at the time of your tax preparation. The W-4 review and consultations are for the year during which the fee is paid. The audit fee and letter answering is for the next three years related to the 2018 Tax Return only. The total savings for this program is potentially over \$1,000.

Option A - \$149.00 (1040 with Schedule A, B or D) <input type="checkbox"/>	Option B - \$199.00 (1040 with Schedule C or E) <input type="checkbox"/>
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I ACCEPT the All-Inclusive Service Program

Signature Print Name Date

I DECLINE the All-Inclusive Service Program

Signature Print Name Date

*If we ever do make a mistake preparing your tax return (it happens sometimes, yes -- we're human, too) DON'T WORRY -- we always stand behind our work so we will pay any penalties and interest on our mistake.

◆ Fair Market Value Guide ◆

Men's Clothing

Accessories	\$2 – \$8
Belts/leather	\$5 – \$15
Belts/not leather	\$2 – \$6
Boots	\$6 – \$18
Coats	\$7 – \$40
Jackets	\$8 – \$20
Jeans	\$4 – \$21
Shirts	\$2 – \$8
Shoes	\$4 – \$25
Shorts	\$2 – \$10
Ski suit	\$14 – \$20
Slacks	\$5 – \$12
Sleepwear	\$2 – \$10
Suits	\$15 – \$40
Sweat clothes	\$2 – \$12
Sweaters	\$5 – \$15
Swimwear	\$4 – \$12
T-shirts	\$1 – \$6
Ties	\$1 – \$5
Tuxedo	\$10 – \$60
Wallets	\$2 – \$6

Women's Clothing

Belts/leather	\$5 – \$15
Belts/not leather	\$2 – \$6
Boots	\$6 – \$18
Coats	\$7 – \$40
Dresses/evening wear	\$10 – \$60
Dresses/everyday	\$4 – \$20
Hospital wear	\$3 – \$5
Intimate apparel	\$2 – \$10
Jeans	\$4 – \$21
Purses	\$3 – \$20
Shirts/blouses	\$2 – \$12
Shoes	\$4 – \$25
Shorts	\$1 – \$9
Skirts	\$3 – \$12
Slacks	\$3 – \$12
Sleepwear	\$2 – \$10
Suits	\$5 – \$30
Sweat clothes	\$2 – \$12
Sweaters	\$5 – \$20
Swimwear	\$4 – \$12
Tanks	\$1 – \$6
T-shirts	\$1 – \$6
Vests	\$3 – \$9
Wedding dress	\$25 – \$60

Children's Clothing

Belts/leather	\$3 – \$9
Belts/not leather	\$1 – \$2
Coats	\$3 – \$15
Dresses	\$3 – \$12
Jeans	\$3 – \$10
Pants	\$2 – \$12
Shirts	\$2 – \$6
Shoes	\$2 – \$8
Shorts	\$1 – \$6
Skirts	\$1 – \$6

Sleepwear	\$1 – \$6
Sweat clothes	\$1 – \$6
Sweaters	\$1 – \$6
Swimsuit	\$1 – \$6
T-shirts	\$1 – \$3
Vests	\$1 – \$3

Infants

0–4T	\$3 – \$5
Baby clothes	\$1 – \$15
Coat to 4T	\$5 – \$8

Electrical Items

Calculator	\$5 – \$15
Camera	\$20 – \$200
Coffee maker	\$4 – \$15
Curling iron	\$2 – \$5
DVD player	\$8 – \$15
Lamps/floor	\$5 – \$30
Lamps/table	\$2 – \$20
Phone	\$5 – \$50
Radio	\$5 – \$20
Small appliances	\$2 – \$8
Stereo system	\$25 – \$100
Television	\$60 – \$170
Vacuum cleaner	\$20 – \$40
VCR	\$8 – \$15

Computers

Monitors	\$5 – \$50
Printers	\$5 – \$150
Systems	\$100 – \$400

Kitchen Items

Baking pans	\$1 – \$3
Gadgets	\$1 – \$2
Glasses/mugs	\$1 – \$2
Plates	\$1 – \$3
Pots and pans	\$1 – \$3

Sporting Goods

Bicycles	\$12 – \$60
Exercise equipment	\$5 – \$200
Fishing rods	\$5 – \$25
Golf clubs	\$2 – \$25
Skates	\$3 – \$15
Skis	\$5 – \$50
Sled	\$5 – \$15
Tennis rackets	\$3 – \$10
Tricycles	\$5 – \$20
Wagon	\$5 – \$40

Furniture

Bed/complete (double)	\$50 – \$170
Bed/complete (single)	\$35 – \$100
Bedroom set (complete)	\$250 – \$500
Chairs	\$5 – \$15
Chest	\$20 – \$60
China cabinet	\$40 – \$150
Coffee tables	\$10 – \$25

Crib with mattress	\$25 – \$100
Desks	\$30 – \$90
Dining room set (complete)	\$150 – \$900
Dressers	\$25 – \$100
End tables	\$5 – \$20
High chair	\$10 – \$50
Kitchen set	\$40 – \$100
Mattress/box spring	\$10 – \$50
Play pen	\$4 – \$30
Recliners	\$30 – \$50
Sofa	\$30 – \$150
Wardrobe	\$15 – \$60
Wooden trunk	\$15 – \$30

Textiles

Bath towel	\$2 – \$6
Bedspreads	\$8 – \$24
Blankets	\$2 – \$15
Curtains	\$2 – \$12
Dish towel	\$1 – \$2
Drapes	\$7 – \$30
Mattress pads	\$2 – \$8
Pillows	\$2 – \$8
Quilts	\$8 – \$24
Rugs	\$3 – \$10
Sheets	\$2 – \$8
Tablecloth	\$3 – \$5
Throw rugs	\$3 – \$12
Towels	\$2 – \$6

Books, Records, Etc.

CDs	\$2 – \$5
DVDs	\$2 – \$5
Hard cover books	\$2 – \$6
Paperback books	\$1 – \$3
Records	\$1 – \$2

Toys, Games

Puzzles	\$1 – \$2
Board games	\$1 – \$3
Stuffed animals	\$1 – \$2

Appliances

Air conditioner	\$20 – \$90
Dryer	\$45 – \$90
Fan	\$3 – \$25
Gas stove	\$50 – \$125
Heaters	\$8 – \$22
Iron	\$3 – \$10
Microwave	\$20 – \$40
Refrigerator	\$15 – \$250
Toaster	\$4 – \$12
Washing machine	\$28 – \$150

Miscellaneous

Lawn mower	\$5 – \$65
Luggage	\$5 – \$15
Organ/Piano	\$50 – \$200
Pictures	\$2 – \$10
Riding mower	\$50 – \$300

Note: The price ranges shown represent a compilation based on valuation guides published by various charitable organizations. The taxpayer is responsible for establishing actual value of items donated.

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2018 Tax Preparation Checklist

Personal Information

	Social Security Card(s) (if new client)
	Driver's License(s)
	Prior two years of tax returns (if new client)

Dependent(s) Information

	Dependents' Social Security Numbers & Dates of Birth (if new client or dependent)
	Form 8332 showing that the child's custodial parent is releasing their right to claim a child to you, the noncustodial parent (if applicable)

SOURCES OF INCOME

Employed

	Form W-2(s)
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Unemployed

	Form 1099-G (Need to obtain Form UC1099-G online for CT)
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State Tax Refund

	Form 1099-G
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Self-Employed (See website for organizer)

	Forms 1099-MISC, 1099K , income records to verify amounts not reported on 1099s
	Records of all expenses — check registers or credit card statements, and receipts
	Office in home information for self-employed, square footage of office & entire home

Rental Income (See website for organizer)

	Records of income and expenses
	Rental asset information (cost, date placed in service, etc.) for depreciation

Retirement Income

	Pension/IRA/annuity income Form 1099-R
	Traditional IRA basis (i.e. amounts you contributed to the IRA that were already taxed)
	Social security/RRB income Form 1099-SSA, RRB-1099

Savings & Investments or Dividends

	Interest, dividend income Form 1099-INT, 1099-OID, 1099-DIV
	Income from sales of stock or other property Form 1099-B, 1099-S
	Dates of acquisition and records of your cost or other basis in property you sold (if basis is not reported on 1099-B)

Other Income & Losses

	Gambling income (Form W-2G or records showing income, as well as expense records)
	Cancellation of Debt, Abandonment of Secured Property - Form 1099-C, 1099-A
	Prizes and Awards
	Estates & Trusts Form K-1
	Royalty Income - 1099-MISC
	Health Savings Accounts
	Form 1099-SA or 1099-LTC Health Savings Account and long-term care expenditures
	Form 5498-SA showing HSA contributions
	Record of alimony paid/received with Ex-spouse's name and SSN (Divorce Decree needed)

TYPES OF DEDUCTIONS

Home Ownership

	Form(s) 1098 or other mortgage interest statements - For each slip we also need
	Beginning Loan Balance 1/1/2018
	Ending Loan Balance 12/31/2018
	Acquisition Costs of Property
	Major Improvements
	If Home Equity Loan, were the proceeds used for home improvement?
	If no, please provide explanation of what proceeds of loan were used for (e.g. vacation, college)
	Real estate and personal property tax records - Obtain information from city/town website.

Charitable Donations

	Cash amounts donated to houses of worship, schools, other charitable organizations
	Records of non-cash charitable donations (>\$500 needs detailed information)
	Amounts of miles driven for charitable or medical purposes

Medical Expenses

	Amounts paid for healthcare insurance and to doctors, dentists, hospitals, pharmacy
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Health Insurance

	Form 1095-A if you enrolled in an insurance plan through the Marketplace (Exchange)
	Form 1095-B and/or 1095-C if you had insurance coverage through any other source (i.e . an employer, insurance company, government health plan such as Medicare, Medicaid, CHIP, TRICARE, VA, etc.)
	Marketplace exemption certificate (ECN) if you applied for and received an exemption from the Marketplace (Exchange)

Childcare Expenses (Under Age 13 or Disabled)

	Mandatory: Need name, address, SS# or Federal ID # for provider.
	Fees paid to a licensed day care center or family day care for care of an infant or preschooler.
	Fees paid to a qualified day camp.
	Don't include expenses paid through a flexible spending account at work.

Educational Expenses

	Forms 1098-T from educational institutions (Transcripts are also needed)
	Receipts that itemize qualified educational expenses
	Records of any scholarships or fellowships you received
	Form 1098-E if you paid student loan interest

State & Local Taxes or Sales Tax

	Amount of state/local income tax paid (other than wage withholding), or amount of state and local sales tax paid
	Invoice showing amount of vehicle sales tax paid

Retirement & Other Savings

	Form 5498 showing IRA contributions
	Distributions from 529's and Educational Savings Plans Form 1099-Q

Miscellaneous

	Estimated Taxes Paid
	CHET Contributions and Account Number