



HUTCHINSON, GILLAHAN & FREEH, P.C.
ACCOUNTANTS, AUDITORS & CONSULTANTS

December 2017

Dear Clients,

Welcome to tax season 2018!! At the time we're writing this letter there are many changes in the air. Congress is currently working on the first major tax reform in about 30 years and we're expecting some significant changes to the tax code starting in 2018. We also are expecting a major change for Hutchinson, Gillahan & Freeh...we will be moving our office to our newly completed building at 125 California Road, Quakertown. We will have more space, better parking, and easier access for our clients and it's located in close proximity to our current office. We will be sending out a formal notice once the actual moving date is set.

In an effort to help you prepare for tax season we would like to highlight the following:

- We have a secure client portal on our website. If you have electronic files that you would like to provide to assist us in preparing your taxes you can send them to us in a secure environment. Just let your preparer know and we can set up a portal for you to use.
- With the rise in identity theft issues, some taxpayers may have been issued an "IP PIN" from the IRS. If you have been assigned an IP PIN you must provide this number to us. **The IRS will reject any return for a taxpayer that was assigned an IP PIN if that number is not reported on their return.**
- If you will be claiming a dependent on your tax return who will also be filing a tax return of their own, please be sure to inform them that you are claiming them as a dependent and that they are not eligible to claim their own exemption. We have had many cases in the past where the IRS has rejected returns and delayed refunds because a dependent claimed their own exemption in error. This takes time to resolve and must be corrected.
- 1099 forms must be filed by any business or rental property owner who pays \$600 or more to an unincorporated business for services during the year. These forms must be filed no later than January 31st. If you need assistance filing these forms or have any questions please call us as soon as possible so we can help you to be in compliance with the filing requirements.
- If you have a partnership, corporation or LLC that files as a partnership or corporation make sure you know the due date of your return. Calendar year Partnership and "S" Corporation tax returns are due by March 15th so be sure to get your tax information to us no later than March 1st if you wish to file a return by the due date. Information received after March 1st will most likely require an extension request to be filed.
- If you qualify for a tax refund and want to receive it as soon as possible please be sure to have your tax information to us by the first week of February. The IRS begins to issue refunds starting February 15th each year.
- If you purchased your health insurance through the Health Insurance Marketplace and received a subsidy you will receive a 1095-A form. We must have this form to properly prepare your tax return. Failure to report this information correctly will result in a notice from the IRS that can be avoided.
- If you have any foreign bank accounts, are the beneficiary of a foreign trust or own a material amount of foreign investments be sure to let us know. **There are significant and serious penalties for not properly reporting certain foreign holdings and transactions.**

Once you have gathered all your tax records please drop off your information at our office at your convenience. It is usually best to wait until you have gathered all your information before you deliver it to us. If you need to go over any special tax situations with your preparer please call our office to schedule an appointment. If you bring your tax information to us after April 1, 2018 (March 1, 2018 for S Corporations and Partnerships) we will most likely have to file an extension request.

We look forward to providing tax services to you and we want to make sure you're aware that we also offer many other tax and accounting services, such as estate and retirement tax return preparation and planning, auditing and other financial statement and attest services, bookkeeping, consulting and other accounting services. Please feel free to call us for any accounting needs you may have.

Sincerely,

Hutchinson, Gillahan & Freeh, P.C.



2017 Year End Tax Guide

TABLE OF CONTENTS

Engagement Agreement (Please Sign and Return).....	1 - 3
Tax Planning tips.....	4
Income Tax Organizer and Tax Guide.....	5 – 20
Personal Guidelines and Questionnaire	22 – 23
Business Guidelines and Questionnaire.....	24 - 26



TO: HG&F Tax Clients

2017 ENGAGEMENT AGREEMENT

Dear HG&F Client:

This letter is to confirm and specify the terms of our engagement with you for the year ended December 31, 2017 and to clarify the nature and extent of the tax services we will provide.

We will prepare the federal, state and local individual income tax returns for the calendar year December 31, 2017. We are not responsible for returns not on the list. If we become aware of any other filing requirement, we will tell you of the obligation and may prepare the appropriate returns at your request as a separate engagement.

This engagement letter does not cover the preparation of any financial statements, which, if we are to provide, will be covered under a separate engagement letter.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all documents, canceled checks, and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

We have provided you with a questionnaire requesting specific information. Completing those forms will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns. This will include the ownership of or signature authority over any foreign bank accounts and the ownership of any other foreign financial assets. We will not verify the information you give us; however, we may ask for additional clarification of some information.

If, during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns as a separate engagement.

Our work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should any exist. The returns will be prepared solely from information provided to us without verification by us.

In accordance with federal law, in no case will we discuss your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your written consent.

The Internal Revenue Code and regulations impose preparation and disclosure standards with non-compliance penalties on both the preparer of a tax return and on the taxpayer. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that don't meet the standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we concluded that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement and you agree to compensate us for our services to the date of withdrawal. Our engagement with you will terminate upon our withdrawal.



TO: HG&F Tax Clients

2017 ENGAGEMENT AGREEMENT

The IRS permits you to authorize them to discuss with us, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

It is our policy to keep records related to this engagement for three (3) years. However, we do not keep any of your original records, so we will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. By signing this engagement letter, you acknowledge and agree that upon the expiration of the three (3) year period, we are free to destroy our records related to this engagement.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending your decision, including our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting your right to refuse disclosure.

Your return(s) may be selected for audit by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax return(s).

Our fees to prepare returns are based upon the complexity of the work involved and the amount of time required for organizing, posting and processing the information. We encourage you to organize your information as well as you can to minimize the amount of time we must spend. The HG&F organizer and our questionnaire on our website may help you organize your documents and alert you to items that you may have overlooked. Completing those forms will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns. This will include the ownership of, or signature authority over, any foreign bank accounts and the ownership of any other foreign financial assets.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.



TO: HG&F Tax Clients

2017 ENGAGEMENT AGREEMENT

If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below and return it to our office. If you disagree with any of these terms, please notify us immediately.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,

Hutchinson, Gillahan & Freeh, P.C.

AGREED TO AND ACCEPTED: _____

Taxpayer

Spouse

PLEASE READ AND SIGN BEFORE FILLING OUT THE ORGANIZER.

NOTE: Delivery of your tax documentation to our office is conclusive that you have read and agree to the provisions of this agreement.



TAX PLANNING TIPS

1. When **selling securities**, consider when you'd rather pay capital gains taxes. Under current law, the Trade Date is considered to be the date of sale.
2. **Social Security Numbers** are required for each of your dependents (age 1 and over). The IRS may deny exemptions and/or head of household status if social security numbers are not provided or do not match the names. Please double check your and your dependents' social security numbers.

CAUTION: Make sure your dependents do not claim themselves if they file their own return. If this happens you will be denied the exemption and will not be able to file electronically. This will require correction with the IRS and could add costs to your return preparation.

3. Itemized deductions may allow for a greater deduction than the standard deduction which is based on filing status, age, etc. However, **itemizing is beneficial only if the total is more than the standard deduction**. You may consider timing your payments for itemized deductions in order to maximize your deduction for a given year. Some suggestions are:
 - a. Consider paying your final State and Local estimated income tax payments, which are due 1-15-18, before 12-31-17 to increase your itemized deductions for 2017.
 - b. If you're planning to make charitable contributions, consider making them in 2017 as opposed to 2018 to increase your itemized deductions for 2017. Its tax wise to consider contributing appreciated assets. Call us for details.
 - c. Interest payments for your mortgage and investments may increase your itemized deductions. Other personal interest is not deductible, except student loan interest, which may be deductible in certain cases. Interest paid for business purposes remains deductible as a business expense.
 - d. **CASH BASIS** taxpayers planning to itemize should pay as many deductible bills as possible before 12-31-17 to maximize their itemized deductions for 2017. **ALTERNATIVE** – Hold this year's payments and double-up next year, if you're on the edge of being able to itemize.

NOTE: The current tax reform discussions in Congress indicate that we can expect major changes in the standard deduction and allowable itemized deductions for 2018, which lead us to believe that many taxpayers will no longer itemize their deductions. Because of this it may be best to maximize your deductions in 2017. Please feel free to call our office and speak with one our tax preparers to discuss how this may affect you.

4. **IRA's:** may be opened after year-end and contributions must be made by 4-15-18 to be deductible for 2017. Deductibility of IRA payments may be limited by your total income and marital status.
5. **SEP:** plans may be established and payments are deductible if completed prior to the due date of the return **including extensions**.



2017 INCOME TAX ORGANIZER AND TAX GUIDE



This booklet is to assist you in compiling all of the necessary information to help us prepare your tax return accurately.

If you decide not to fill out this booklet, it is important that you still fill out page four (4) to keep our records up to date.

PLEASE ATTACH:

- All W-2 Statements.
- All 1099's
 - 1099-DIV (Dividends)
 - 1099-INT (Interest)
 - 1099-B (Brokers)
 - 1099-R (Retirement)
- All Tax Forms you receive
- All Forms 1095 and/or 1099-H for Health Insurance Coverage.

APPOINTMENTS AND/OR TAX DOCUMENTS DELIVERED AFTER APRIL 1, 2018, MAY REQUIRE EXTENSIONS.

Please answer all questions on this page.

If we prepared your prior return and the information is unchanged write "SAME".

Name and Basic Tax Information:

Taxpayer's Name: _____

Occupation: _____ Date of Birth _____

Contact # _____ Social Security # _____

Email: _____

Spouse's Name: _____

Occupation: _____ Date of Birth _____

Contact # _____ Social Security # _____

Email: _____

Address: (New?) Yes No

Street: _____

City, State & Zip _____

School District _____

Did your marital status change during the year? Yes No

Do you want \$3.00 of your taxes to go to the Presidential Election Campaign? Yes No

IF YOU WANT DIRECT DEPOSIT PLEASE PROVIDE YOUR BANK ACCOUNT INFORMATION.

Bank _____ Checking Savings

Routing # _____ Account # _____

TO MEET IDENTIFY THEFT AUTHENTICATION REQUIREMENTS, PLEASE PROVIDE YOUR DRIVER'S LICENSE INFORMATION.

Taxpayer	Spouse
Driver's License # _____	Driver's License # _____
Issue Date: _____	Issue Date: _____
Expiration Date: _____	Expiration Date: _____
State of Issuance: _____	State of Issuance: _____

DEPENDENTS

List children for whom you are entitled to an exemption.

<u>NAME</u>	<u>DOB</u>	<u>SSN#</u>

Other Dependents (less than \$4,050.00 Gross Income)

<u>Full Name</u>	<u>DOB</u>	<u>SSN#</u>	<u>Relationship</u>

Did you provide more than 1/2 of their support? Yes No

Parent's Note:

- Parents claiming non-custodial dependent children under signed agreements – a **FORM 8332** (release), signed by the custodial parent, must be attached.
- All children one year or older must have a social security number in order to claim the exemption.
- Children under age 18 (Age 19 to 23, if a full-time student), with unearned income over **\$1,050.00**, must file a tax return. Children's unearned income of more than **\$2,100** may be taxed at the parents' tax rate.

INCOME

Taxpayer

Spouse

How many **W-2 Forms** do you have? _____

How many **1099-R (Retirement) Forms** do you have? _____

Were any of these distributions rolled over?

Yes

No

INTEREST INCOME

	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$

NOTE: Please provide all ORIGINAL 1099-INT'S.

INTEREST

Include **NON-TAXABLE MUNICIPAL BONDS**
(Must be shown on return even though non-taxable)

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

DIVIDEND INCOME

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

NOTE: Please provide all ORIGINAL 1099-INT'S and 1099-DIV's.

MISCELLANEOUS INCOME

State and Local Income Tax Refunds	\$ _____
Alimony (Not Child Support)	\$ _____
Farm*	\$ _____
Rental* (Include days rented and days used personally)	\$ _____
Sole Proprietor*	\$ _____
Partnerships**	\$ _____
Small Business Corporations (“S” Corp.)**	\$ _____
Estate/Trusts**	\$ _____
Unemployment Compensation*	\$ _____
Social Security Benefits*	\$ _____
Jury Duty (Other Public Service)	\$ _____
Tips/Gratuities (Not Reported)	\$ _____
Prizes/Awards/Contest Winnings	\$ _____
Commissions/Bonuses (Not Reported)	\$ _____
Disability Pay	\$ _____
Retirement Income*	\$ _____
Gambling (Attach W-2G’s/Lottery Winnings (\$ _____ 2017 Losses)	\$ _____

***Please provide ALL ORIGINAL INCOME /EXPENSE SCHEDULE(s) and/or 1099-MISC’s.**

**** Please provide ALL ORIGINAL K-1’s.**

NON-TAXABLE INCOME

Child Support or Assistance	\$ _____
Veterans Benefits	\$ _____
Workmen’s Compensation	\$ _____

CAPITAL GAINS AND LOSSES

Sales of Property / Real Estate / Stocks / Bonds, Etc.

Name of Company/Shares	Date Acquired	Date Sold	Sales Price	Cost	Profit/Loss
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

NOTE: Please provide ALL 1099-B'S.

NOTE: If You Sold Tax Free Municipal Bonds, You Must Report The GAIN or LOSS.

PURCHASE OR SALE OF PERSONAL RESIDENCE

Did you use the residence exclusively as a residence in 2 out of the 5 years preceding the date of sale? Yes No

Date Old Residence Acquired _____

Original Cost \$ _____

Improvements \$ _____

Fixing Up / Repair Expenses \$ _____

Date When Old Residence Sold _____

Expenses of Sale \$ _____

***NOTE: Please provide settlement sheets from PURCHASE AND SALE of property sold.**

MEDICAL INSURANCE – PAID DIRECTLY BY YOU

	<u>Taxpayer</u>	<u>Spouse</u>
Blue Cross / Blue Shield / Major Medical	\$ _____	\$ _____
Long-Term Care	\$ _____	\$ _____
Other Health Care Insurance	\$ _____	\$ _____

NOTE: IF YOU PURCHASED YOUR HEALTH INSURANCE THROUGH THE EXCHANGE AT A DISCOUNTED RATE WE MUST HAVE YOUR 1095 AND/OR 1099H FORM.

ITEMIZED DEDUCTIONS - MEDICAL

NOTE: IF YOUR MEDICAL EXPENSES DO NOT EXCEED 10% OF YOUR INCOME YOU WILL NOT BE ABLE TO ITEMIZE YOUR MEDICAL EXPENSES AND YOU DO NOT NEED TO COMPLETE THE REMAINDER OF THIS PAGE. IF YOU HAVE ANY QUESTIONS PLEASE CALL OUR OFFICE TO SPEAK WITH ONE OF OUR TAX PREPARERS.

	<u>Taxpayer</u>	<u>Spouse</u>
Prescriptions	\$ _____	\$ _____
	\$ _____	\$ _____
	\$ _____	\$ _____

MEDICAL COSTS PAID TO DOCTORS OR OTHER PROVIDERS

List by Name

	\$ _____
	\$ _____
	\$ _____
	\$ _____

MEDICAL TRANSPORTATION, LODGINGS, ETC.

Lodging Expenses – Travel for Medical:

Treatment (up to \$50.00 per night away from home)	\$ _____
Transportation (number of miles) (.17¢/mile)	\$ _____
Parking and Tolls	\$ _____
Reimbursements made directly to you by Medicare or other insurance plans.	\$ _____

ITEMIZED DEDUCTIONS (CONT.)

Interest Paid*

Home Mortgage-Financial Institution	\$ _____
Home Equity Loan	\$ _____
Home Mortgage-Individual	\$ _____
Investment Interest	\$ _____

List Name, Address and SSN# of Individual Holding Mortgage

NOTE: If claiming interest on home equity loan(s), please provide the following:

	<u>Home Interest</u>	<u>Amount</u>
Cost of Home		\$ _____
Improvements to Home		\$ _____
Fair Market Value of Home		\$ _____
1 st Mortgage (Statement showing beginning and ending balances)		\$ _____
2 nd Mortgage (Statement showing beginning and ending balances)		\$ _____
Date of Loan		_____
Home Equity Loan		\$ _____
Reason Borrowed: _____		
Line-of-Credit		\$ _____
Reason Borrowed: _____		

***Credit Cards and other personal interest are not deductible.**

RETIREMENT PLANS

Do you or your spouse have an **IRA**? Yes No

If so, list the amount you have contributed or intend to contribute for this year. \$ _____

IRA payments made -

	Type**	Amount Contributed		Date Paid
		Taxpayer	Spouse	
2017 for 2017		\$ _____	\$ _____	_____
2018 for 2017		\$ _____	\$ _____	_____

** T = Traditional or R = Roth

Are you or your spouse covered by a pension plan? Yes No

If either spouse is an active participant under a Pension Plan, you may not be entitled to a regular **IRA DEDUCTION** – consider a **ROTH IRA**.

AUTOMOBILES USED IN BUSINESS

	Total Miles	Business Miles	Commuting Miles	Personal Miles
Jan-Dec (53.5¢/mi)	_____	_____	_____	_____

Beg. Yr Odometer _____ End Yr. Odometer _____

Do you have written evidence to support your vehicle mileage? Yes No

Do you have another vehicle for personal purposes? Yes No

If your employer provided you with a vehicle, is Personal use during off duty hours permitted? Yes No

MISCELLANEOUS DEDUCTIONS

Union Dues	\$ _____
Professional Dues	\$ _____
Tax Preparation Fees	\$ _____
Safe Deposit Box	\$ _____
Business Publications	\$ _____
Small Tools and Safety Equipment	\$ _____
Educational Expense	\$ _____
Uniforms (not suitable for Street Wear)	\$ _____
Casualty Losses (Non-Reimbursed) (Only if losses exceed 10% of AGI+ \$100)	\$ _____
Employment Agency Fees	\$ _____
Other	\$ _____

ADJUSTMENTS TO INCOME

Moving Expenses (Attach List)	\$ _____
Employee Business Expense (Attach List)	\$ _____
Alimony Paid	\$ _____
Recipient's Last Name: _____ Recipient's SSN# _____	
HSA/MSA Contribution	\$ _____

Education: (Attach 1098-T and/or Receipts for Payments made)

	Beneficiary or Student	Institution	Amt. Paid
529 Contribution	_____	_____	\$ _____
Tuition Paid	_____	_____	\$ _____
Student Loan Interest	_____	_____	\$ _____

SPECIAL DEDUCTIONS – CHILD AND DEPENDENT CARE

	Dependent	DOB	Relationship
A.	_____	_____	_____
B.	_____	_____	_____
C.	_____	_____	_____

	To Whom Paid	Taxpayer ID	Amount Paid
A.	_____	_____	\$ _____
B.	_____	_____	\$ _____
C.	_____	_____	\$ _____

REFUNDS RECEIVED LAST YEAR

Federal	\$ _____
State	\$ _____
Local	\$ _____
Carryover from 2016**	
Federal	\$ _____
State	\$ _____
Local	\$ _____

****NOTE: If Last year's tax return showed that your overpayment was to be credited and instead it was refunded to you, please let us know as this will change your current year tax return.**

Please fill in your payments even though we provide you with the recommended estimated tax payment – we have no way of knowing if the payments were made as recommended.

ESTIMATED TAX PAYMENTS

Due	Date Paid	Check #	Federal	State	Local (T)	Local (S)
Payment 1 (4-15)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
Payment 2 (6-15)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
Payment 3 (9-15)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
Payment 4 (1-17)	_____	_____	\$ _____	\$ _____	\$ _____	\$ _____
TOTAL			\$ _____	\$ _____	\$ _____	\$ _____

INCOME

1. Be sure you have your **W-2's** and **1099's** (forms showing amounts paid to you).
2. Gather all records of **any money received** in **2017** from the sale of stocks, bonds, or real estate. Provide **ORIGINAL 1099-B or 1099-S** forms from Brokers – we will return the documents to you.
3. **Social Security** and **Tax Exempt Income** has to be considered, so please provide these forms as well.
4. Any other money, goods or services you received without charge from any source may have a bearing on your income tax returns, so please make note of all such amounts.

DEDUCTIONS AND EXEMPTIONS

Year	Exemptions	Standard Deductions				
		Single	Married Joint	Married Separate	Head of Household	Qualifying Widow(er)
2017	\$ 4,050.00	\$ 6,300 *(+1,550)	\$ 12,600 *(+1,250)	\$ 6,300 *(+1,250)	\$ 9,300 *(+1,550)	\$ 12,600 *(+1,250)

*Per person – add for Blindness or 65 and older.

If you can itemize more than the standard deduction amounts you will need to gather the totals listed in A through G below. Standard deductions for persons eligible to be claimed as a dependent by someone else are limited to the **greater of \$1,050 or \$350** plus their earned income (up to their standard deduction).

A. MEDICAL

1. You now have to absorb up to **10%** of your total income in medical expenses before the excess medical expenses are deductible.
2. List your costs including any **amounts paid to doctors, dentists, hospitals, and nursing homes, etc. and health insurance** (including **Long-Term Care insurance** within limits (keep separate).
3. List your cost of **Prescription** medicines and drugs.
4. List amounts paid for **medical items** such as glasses, hearing aids or other expenditures for medical reasons.
5. **Transportation** – miles traveled to and from doctors, hospitals, etc. are deductible at .17¢ per mile. Actual costs of other medical travel may also be deductible.

B. INTEREST COSTS

1. **Mortgage** – We need the Form(s) 1098 provided by your lender(s) for your regular mortgage and/or home equity loan(s).
2. **Investment Interest** – Interest paid on loans used for investment. (Subject to limits).
3. **Student Loan Interest** – (Subject to phase-out based on income).

C. TAXES

1. Amounts paid for **Real Estate taxes**.
2. Other Taxes – **Occupation, Personal Property**, etc.
3. State and Local Income **Taxes**.

D. CASUALTY LOSSES

Only the excess over 10% of your Adjusted Gross Income (AGI) plus \$100 is deductible.

A casualty may result in a gain depending on insurance payments received. Provide all details.

E. CONTRIBUTIONS

Prepare a list of everything you contributed to charity. If you have a receipt put an “R” next to that item. Remember, the more receipts you have the more solid your deduction, if you are audited by the **IRS**. Don't forget mileage for charity work at .14¢ per mile, and expenses you incurred in doing charity work. Penalties apply for greatly overvaluing items contributed to charity so make sure your values are realistic if you gave items other than cash. Valuations of \$5,000 or more for non-cash donations must have a bonafide appraisal attached to the return. Valuations of \$500 or more for non-cash donations must be itemized in detail.

SPECIAL NOTE: Contributions of \$250 or more **MUST BE** documented with a receipt from the charity.

ALL contributions now require a receipt or bank record – even cash donations. Clothing must be in good condition.

B. SPECIAL DEDUCTIONS AND CREDITS

- Job Hunting & Moving Exp.
- Child Care Costs
- Disability Income Credit
- Disabled Access Credit
- Adoption Expenses
- Educational Expenses
- Safe Deposit Boxes
- Sale of Personal Residence
- Retirement Acct. (IRA, Keogh or SEP)
- Employee Business Expenses
- Alimony Payments
- Student Loan Interest
- Health or Medical Savings Acct.

F. DOMESTIC WORKERS

The Social Security Domestic Employment Reform Act of 1994 requires that you compute and pay Social Security taxes on wages paid to any domestic employee who is paid \$1,900 or more during the year. Unemployment taxes apply if you paid \$1,000 or more in any quarter.

If you think any of these areas involve you, give us a call so we can check. Complicated conditions frequently apply and often change.

GENERAL INFORMATION NEEDED

- A. **Estimated Tax Payments** – Dates and amounts paid **toward** 2017 Federal, State and Local Income Tax Liabilities. (Other than withholding.)
- B. If you had any **Stock or Real Estate Transactions**, we'll need to know purchase dates and costs as well as sale dates and proceeds. We need settlement sheets for real estate, and broker statements for stocks. Brokers report stock sales to the IRS and to you with a 1099-B and Real Estate Sales with a 1099-S. We will need copies of those forms. We also need the gain/loss statements from brokers.
- C. If you have a **Rental Property** we'll need to know the total rent received and totals of all expenses during the year, summarized by type of expense.
- D. In order to take advantage of the **IRA deduction** you must make your payment on or before **April 15, 2018**. Alimony received may now be considered when determining the IRA contribution you may make for the year. Check with us on limitations on deductibility, if you or your spouse is covered by a pension plan. We need to know amounts paid. SEP-IRA's must be funded by the due date of the return.
- E. Please note: If you will be claiming an exemption for a dependent who is at least 1 year old you **must provide a social security number (TIN)** for that person on your return. If you have a dependent who does not have a social security number contact the nearest social security office and obtain one before filing your 2017 return. Lack of the correct TIN may result in loss of exemption, credits and/or favorable filing status.

Obviously, there are many other possibilities for deductions, which we will go over with you when we gather the information for your return. In the meantime, if you believe you have a deduction but aren't sure, please call and we'll let you know if you do and what records you'll need to substantiate it.

PERSONAL QUESTIONNAIRE

NAME: _____

PLEASE: Take the time to answer the following questions **BEFORE** your appointment or dropping off your tax information. The questionnaire is not only intended to save time but more importantly, to ensure that important information is not overlooked while preparing your tax returns. If you need help with any of the questions, put a “?” to the left of the question(s) and we’ll discuss it.

GENERAL QUESTIONS

Yes No (Check the Box either Yes or No)

1. Did you change your address or move during the year?
2. Did you or your spouse change jobs or employers?
3. Do you want \$3.00 of your tax to go to the Presidential Election Campaign?
4. Did your marital status change?
5. Can someone else claim you as a dependent?
6. Are you or your spouse age 65 or over, and/or blind?
7. List the names and social security numbers of any new dependent:

8. Are any of your dependents **NOT** citizens or residents of the U.S.?
9. Did your children under age 18 have income of more than **\$1,050**?
10. Did you give anyone anything valued at more than **\$14,000** during the year?
11. Were you notified by the IRS or other taxing agencies because changes are being made to prior year tax return(s)?
12. Did you make any estimated tax payments during the year? **(provide details (i.e., dates and amounts))**
13. Did you engage in any barter transactions during the year?

QUESTIONS RELATING TO TYPES OF INCOME

14. Did you receive any payment(s) from a **Pension**, IRA or Profit-Sharing Plan? **(provide 1099-R's)**
15. Did you or your spouse receive any **disability** payments this year? **(provide 1099's)**
17. Did you “roll over” any **IRA** or **Pension** funds this year? **(provide 1099-R's)**
17. Did you receive any **rent** or royalty income?
18. Did you have income or expenses from any business activity? **See “Business Questionnaire”**
19. Are you a partner in a partnership or do you own stock in a Sub-S Corporation? **See “Business Questionnaire”**
20. Did you have any investments for which you were not personally “At Risk?” **See “Business Questionnaire”**
21. Did you have any income or expenses associated with farming?
22. Did you receive any unemployment income?
23. Did you receive any tips not reported to your employer? **(provide amounts)**
24. Did you receive any income from interest or dividends? **(provide 1099's)**
25. Did you receive any “Tax-Free” or “Tax-Exempt” income?
26. Did anyone forgive any amount of money you borrowed?
27. Did you loan any money to another person?
28. Did you trade any investment property for similar property?
29. Did you receive income from any unusual sources **(lottery, gambling, etc.)?**
30. Did you pay or receive any alimony? **(provide amounts)**
31. Did you sell any stocks or bonds, or engage in any transactions involving traded options? **(provide 1099-B's)**
32. If you sold stock or securities, on which you claimed a loss, did you buy stock or securities (which were substantially identical to the stock or securities you sold) within a 60 day period, beginning 30 days prior to, and ending 30 days after the date of sale?

- 33. Did you receive a refund of state, local income taxes or real estate taxes? **(provide 1099-G's)**
- 34. Did you receive any income from the Social Security Administration? **(provide 1099-SSA)**
- 35. If you're age 65 or older or disabled did you or your spouse receive less than \$5,000 from Social Security?
- 36. Did you receive any **incentive stock options** from your employer? (provide details)
- 36a. At any time during the tax year, did you or your spouse have an interest in, or control over, **a foreign financial acct.?**
- 36b. If YES, did the account(s) have a grand total value of \$10,000 or more at any time during the year?
- 37. Were you or your spouse the grantor of, or transferor to, a **foreign trust** which existed during the current tax year, regardless of whether or not you or your spouse had any beneficial interest in it?
- 38. Did you contribute to an IRA, SEP or KEOGH plan – or do you plan to?
- 39. Did you incur any early withdrawal penalties in your savings account(s) or CD's?
- 40. Did you pay anyone to **care for your children**, so you could work?
- 41. Did your employer pay any part of your child care expenses?
- 42. Did you purchase gasoline, lubricating oil, or special fuels for non-highway use in farm or construction vehicles, or airplanes during the year?
- 43. Did you pay any adoption costs?
- 44. Did you pay any educational expenses? **(provide 1098-T)**
- 45. Did you make any changes to make your business accessible to handicapped persons?
- 46. Did you pay any \$1,900 or more for **domestic service's** in or around your home? (i.e., Babysitting, Child Care, Lawn Care, Cleaning, etc.)
- 47. Did you contribute to a 529 (Qualified Tuition Program) for anyone in 2017?
- 48. Did you engage in a virtual currency transaction?
- 49. Do you participate in the Sharing Economy? (Uber, Air BNB, Lyft, etc.)

QUESTIONS RELATING TO ITEMIZED DEDUCTIONS

- 50. Do you owe any money to anyone?
- 51. Do you provide your own medical insurance? **DIRECT Y / N :THROUGH EXCHANGE Y / N PROVIDE 1099-H**
- 51a. Did you contribute to either a Health (HSA) or Medical (MSA) Savings Account?
- 52. Did you pay for Long-Term care insurance?
- 53. Did you buy eyeglasses, dentures or other medical items this year?
- 54. Did you pay an "Occupation," "Occupation Privilege" or "Local Service" Tax?
- 55. Did you make interest payments on a mortgage or investment loan?
- 56. Did you contribute any money, goods or other assets to charity?
- 57. Did you pay any union dues?
- 58. Did you provide uniforms, safety clothing, or tools for your job?
- 59. Did you incur any expenses in collecting or recovering taxable income?
- 60. Did you spend any money searching for a new job?
- 61. Did you have a safe deposit box for investments?
- 62. Did you incur any property loss due to destruction, theft, seizure, or condemnation?
- 63. Did you incur any unreimbursed business expenses, which were required by your employment?
- 64. Did you pay for any employment-related education?
- 65. Did you incur any unreimbursed employee business expenses? If so, see **"Business Questionnaire."**

USE TAX ALERT:

- 66. Did you make any purchases which are subject to PA Sales Tax from vendors who did not charge tax (i.e., internet purchases)? If so, please provide your actual use tax liability. If we don't hear from you we will **ASSUME** you want to use the State provided tables.

The **IRS Code** requires that we advise you that you must meet the “Substantiation Requirements” for any deduction for:

1. Vehicle Use.
2. Traveling Expenses.
3. Entertainment, Amusement or Recreation Expenses.
4. Gifts.
5. “Listed Property” (i.e., defined as – passenger auto, any property used as a means of transportation, property used for entertainment or amusement and any computer or peripheral equipment, as well).

“Substantiation” requires that you maintain “adequate records” which show **ALL** of the following:

1. The **AMOUNT** of the expense.
2. The **TIME** and **PLACE** of the travel, entertainment, recreation or use of the property, or the date and description of the gift.
3. The business **PURPOSE** of the expense or other item, and...
4. The **BUSINESS RELATIONSHIP** of the taxpayer facility to the person being entertained, using the facility or property, or receiving the gift.

It is important that you have written records to substantiate these deductions. Documents such as a log of auto usage, diary, and receipt for expenditure (not a cancelled check alone) are usually considered “adequate records.”

To state the substantiation rules another way, if the taxpayer keeps a log in which he/she records adequate information and can support the log with record, he/she should meet the substantiation rules for such expenses.

PAYROLL AND SUBCONTRACT

If you want us to prepare your **1099’s** or **W-2’s**, please call unless previous arrangements have been made. **WE DO CHARGE EXTRA FOR THESE SERVICES.** These forms must be filed by **January 31, 2018**, to avoid penalties.

WARNING: **1099’s ARE REQUIRED** for any unincorporated entity to whom you paid **\$600 or more** for any service in the course of your trade or business or ownership of a rental property. **IRS** is cracking down on this requirement. **Copies must be filed with PA.**

1099 PENALTIES

1. Failure to file - **\$30 per form up to 30 days; \$60 after 30 days to 8/1; \$100 after 8/1.**

Intentional failure to file – greater of \$100 or 10% of unreported amount.

NOTE: Forms with missing or incomplete information may also be subject to penalty.

BUSINESS INCOME AND EXPENSES – Income and expenses may be reported on either cash or accrual methods whichever was selected at the start of business.

Cash Basis

1. Income **RECEIVED** in **2017** is taxable in **2017**.
2. Expenses **PAID** in **2017** are deductible in **2017**.

Accrual Basis

1. Income **EARNED** in **2017** is taxable in **2017** – whether or not received.
2. Expenses **INCURRED** in **2017** are deductible in **2017** – whether or not paid.
3. We need your accounts receivable (amounts owed **TO** you) and accounts payable (amounts owed **BY** you) lists for both **12-31-16** and **12-31-17**. If we prepared your **2016** return we have the **12-31-16** information.

Remember, in general, qualified **BUSINESS DEDUCTIONS** must be **ORDINARY, NECESSARY** and **REASONABLE** to avoid **IRS** disallowance.

The following tasks must be accomplished in order to properly prepare your returns:

1. Please **TOTAL ALL INCOME AND EXPENSE ITEMS** and summarize to obtain yearly totals for each item.
2. Make sure all of your purchases of **EQUIPMENT** having a useful life of more than one (1) year are listed in an equipment register or are shown separately under “**Miscellaneous**” with a description of what was purchased. Please provide copies of the purchase documents, if possible.

3. If you **SOLD OR TRADED ANY EQUIPMENT OR PROPERTY**, we'll need the dates of sale and amounts received, as well as original purchase dates and costs. If **Real Estate-Settlement** sheets are required.
4. Remember, if you're claiming **TRAVEL, ENTERTAINMENT or MEAL EXPENSES** you need very careful records documenting the "**Who, What, When, Where and WHY**" of each expense. Without these records, **IRS** may disallow the deduction under audit. Be sure to keep Entertainment and Business meal costs separate from other related costs like lodging and travel. Meals and entertainment are only 50% deductible while other expenses are not so limited. **ASK ABOUT PER DIEM RATES.**
5. If you have a business loan(s) we'll need to know the amount(s) of interest paid.
6. **DON'T FORGET** – If your business requires an **INVENTORY** we must have an accurate cost value of your inventory at year-end. After counting and listing the inventory items, you must multiply the item quantities times their **COST** (or market value, if that's lower) and total all of the extended values. If you count items you haven't paid for, note them so we can make the necessary adjustments. If you've paid for items you haven't received we'll need to know that too.
7. If you have a **PAYROLL** and we are not handling it for you, you must total each item for the year, i.e., Gross pay and each deduction item for each employee for the year – making sure that the summary, of all employees' individual amounts, agrees with the amounts reported on your quarterly reports filed throughout the year. We need your file copies of all **QUARTERLY REPORTS** as well.
8. If you used your **CAR OR TRUCK IN BUSINESS** you may be better off taking a deduction for the business mileage at **53.5¢** per mile for all business miles. **REMEMBER** you must be able to document the miles claimed. Leased vehicle qualify for this simplified method.
9. The office-in-home deduction is alive and well and available to eligible businesses. There are some circumstances in which claiming the deduction could jeopardize your entitlement to the tax-free sale of your home. Ask us about the rules – they are complex.

CAUTION:

Claiming the home office deduction for a portion of your electric will result in incurring PA use tax liability on the amount deducted.

2017 PAYROLL CHANGES

WITHHOLDING – FICA, MEDICARE AND SE (SELF EMPLOYMENT) TAXES

Year	Tax	FICA & SE Taxable Wage Base	Employer Tax Rate	Employee Tax Rate	Maximum Employer Tax	Maximum Employee Tax	SE Tax Rate	SE Minimum Tax
2017	FICA	\$118,500.00	6.2%	6.2%	\$ 7,347.00	\$ 7,347.00	12.4%	\$ 14,694.00
	Medicare	Unlimited	1.45%	1.45%	Unlimited	Unlimited	2.9%	Unlimited
2018	FICA	\$127,200.00	6.2%	6.2%	\$ 7,886.40	\$ 7,886.40	12.4%	\$ 15,772.80
	Medicare	Unlimited	1.45%	1.45%	Unlimited	Unlimited	2.9%	Unlimited

UNEMPLOYMENT					PA STATE TAX	
FEDERAL			STATE		Tax Rate	
Taxable Wage Base	Net Tax Rate	Taxable Wage Base	Employee Withholding			
2017	\$ 7,000.00	0.6%	\$ 9,500.00	.0007 X Gross Pay		3.07%
2018	\$ 7,000.00	0.6%	\$ 9,750.00	.0007 X Gross Pay		3.07%
Includes ALL Tips, Sick Pay and Taxable Fringe Benefits					Note: New W-4 forms are required to be filled out by ALL Employees each year.	

BUSINESS QUESTIONNAIRE

NAME: _____

PLEASE: Take the time to answer the following questions **BEFORE** your appointment or dropping off your tax information. The questionnaire is not only intended to save time but more importantly, to ensure that important information is not overlooked while preparing your tax returns. If you need help with any of the questions, put a “?” to the left of the question(s) and we’ll discuss it.

QUESTIONS FOR BUSINESS OWNERS AND LANDLORDS

Yes No (Check the Box either Yes or No)

- 1. Did you buy, sell, exchange, or scrap any business property or equipment?
- 2. Do you have an area of your **home used Regularly and Exclusively** as your principal place of business?
- 3. The **IRS** allows a deduction for expenditures for travel away from home, entertainment, and certain business gifts **ONLY IF** substantiated by adequate records or sufficient substantiating evidence. Records must include: (1) Amount Spent; (2) Time and place of travel or entertainment; (3) Date and description of Gift, and (4) Business purpose of the expenditure.
 - 3a. Do you have these records?
 - 3b. If so, are they written?
- 4. Did you make interest payments on a business loan?
- 5. If you provided your own medical insurance, were you eligible to participate in any subsidized health plan at any time during the year?
- 6. Did you pay any unincorporated entity (including LLC’s) **\$600** or more for services rendered to your business?
- 7. If so, did you issue **1099’s**?
- 8. Did you hire any veterans who may qualify for the **Work Opportunity Credit**?
- 9. Do you provide health insurance for your employees?
 - 9a. If so, please provide details of your plan.
- 10. Did you engage in any barter exchanges during the year?