BLUM & TRIPP
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Dear Client,

Enclosed is your 2018 Income Tax Data Organizer. We have designed this organizer to assist you in compiling the information necessary for us to prepare your 2018 Income Tax Returns. Please complete the organizer in pencil, attaching additional schedules if necessary. If a section of the organizer does not apply to you, please write "N/A" across the non-applicable pages.

In addition to the organizer are pages 1A and 1B. These deal with reporting for the Affordable Care Act, and foreign bank account reporting requirements. You should review these pages carefully, and return the completed pages to our office with the rest of your tax return organizer. If you have questions regarding these pages, contact Tracy Tripp.

Pages 16 and 17 of the organizer contain a detailed checklist of major items of income, expense, and tax credits. Please determine if any of these items apply to you. Attach a separate sheet of paper describing the applicable items. For 2019, if you anticipate significant changes to your 2018 income or deductions, please complete page 18.

When you have assembled the necessary information for your 2018 Income Tax Returns, call to make an appointment and/or mail us the following information:

- The completed Income Tax Data Organizer
- All W-2 wage statements
- All forms 1095-A, 1095-B and 1095-C reporting medical insurance
- All forms 1099 and other statements of interest, dividends, and other income received
- All documentation indicating payments of interest, taxes, charitable contributions, and other deductions
- All escrow statements and instructions for any property purchased or sold during the year
- All confirmation statements from brokers reflecting purchases and sales of securities
- Any notices received from the Internal Revenue Service or Franchise Tax Board during the last year
- Any other items that you feel may affect your Income Tax Return.

As always, careful preparation of the enclosed Income Tax Data Organizer will assist us in preparing your income tax returns as quickly and efficiently as possible. Due to changes in the tax law related to the Tax Cuts and Jobs Act (TCJA), and California nonconformity, returns may take longer to prepare and more clients may be put on extension. For clients bringing in their tax information after March 1, or any clients that may be eligible for the new IRC 199A deduction, it may be necessary to request an Automatic Extension of Time to File.

If you have any questions, please do not hesitate to call.

Very truly yours,

Blum & Tripp
Certified Public Accountants

There have been many federal and state tax law changes over the past few years. Some of the more important ones are noted below.

- On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (TCJA). With a few exceptions, the provisions of the TCJA are effective starting January 1, 2018. The TCJA is major tax legislation and will likely have an impact on all business and individual returns. Some of the more significant changes are summarized below, but this the list is far from complete. If you would like more information on the items below, or to discuss other aspects of the new law, please give us a call at (650) 329-0520.

Tax rate changes: Both individual and corporate rates have changed. The maximum individual rate is reduced to 37% and the corporate rate is now a flat 21%. The rate change could benefit you — or in some cases cause your tax liability to go up.

Standard deduction increases: However, there are no more personal exemption deductions allowed, so the changes may help you — or hurt you.

Increased Child Tax Credit and new Dependent Credit: The credit is increased for each child to $2,000 (up to $1,400 of which is refundable for each child) and each non-child dependent can now receive a new credit of $500. But you will have no exemption credit or deduction for yourself, your spouse, or your dependents.

The phaseout thresholds for these credits are significantly increased. Married taxpayers filing a joint return can claim the full credits if their adjusted gross income is $400,000 or less ($200,000 for all others). The credits are fully phased out for married taxpayers filing a joint return when their adjusted gross income reaches $440,000 ($240,000 for all others). This means that many more taxpayers will be able to claim these credits in 2018 and beyond.

Disappearing deductions: Beginning with the 2018 tax year, you will no longer be able to deduct:

- State income tax and property taxes above $10,000 per year in total;
- Moving expenses (with an exception for certain military);
- Employee business expenses such as mileage, travel and entertainment.
- Other miscellaneous itemized deductions such as home office expenses, union dues, tax preparation fees, and investment fees, among others;
- Mortgage interest beyond interest on $750,000 of acquisition debt for homes purchased after December 14, 2017; and
- Mortgage interest paid on equity debt (this is no longer deductible for any taxpayers).

Some new benefits for individuals: These new benefits include:

- The medical expense AGI threshold will temporarily drop to 7.5% of AGI;
- The AMT threshold is increased, so fewer middle-income taxpayers will be subject to AMT;
- The estate tax exclusion has nearly doubled, to $11.18 million for 2018 and $11.4 million for 2019 (adjusted for inflation); and
- The annual gift tax exclusion remains the same ($15,000 for 2018 and 2019).

Small business benefit: Beginning in 2018, there will be up to a 20% deduction from net business income for a sole proprietorship, LLC (excluding those taxed as a C corporation), partnership, S corporation, and rental activity. The rules are allowed under IRC 199A and are complex. For 2018, we may require more information from you regarding business expenses, and there are potential tax planning strategies we can help you take advantage of. However, as this is an entirely new code section, and the IRS has not issued the final regulations, it is likely that returns where 199A can be applied will need to be extended.

Note: At this time, California has not conformed to the aforementioned tax law changes.

- If you have any interest or signature authority over a foreign financial account, you may be required to file a special form (FinCEN Form 114) with the U.S. Treasury. The due date for the filing of these forms is April 15th , but can be extended. This form is filed separately from your federal income tax return. There are major penalties for failure to comply. Also, significant additional reporting in your income tax return may be required if foreign financial assets exceed $10,000. Please contact us if you have any financial accounts or investments held outside the U.S.

- Starting with the filing of the 2016 1099s, the due date for paper and electronic filing of the forms with the Internal Revenue Service has changed to January 31st. The due date for delivery of the forms to recipients has always been January 31st, and remains unchanged. The penalties for late filing are assessed at a graduated rate, so if you miss the January 31st due date, it is best to get the forms in as soon as possible.

- The State of California has made changes with respect to tax payments. If you make any payments to the Franchise Tax Board of $20,000 or more, or have filed a state return with a tax liability exceeding $80,000, you will have to begin making all subsequent tax payments electronically. There is a 1 % penalty for failure to comply.

The following represents suggested record retention guidelines for income tax and other financial records.

- **Income tax returns** should be kept indefinitely. Supporting documents such as cancelled checks, receipts and expense diaries should be kept for 7 years and then shredded. This would include all correspondence from the IRS and state tax agencies.

- **Confirmations** of stock, bond and mutual fund trades should be kept until 7 years after the asset is sold. Please keep all stock option and employer stock purchase plan reports.

- **Closing escrow statements** for all purchased real estate as well as receipts for all improvements should also be kept for 7 years after sale of the property. In the case of rental property, please keep all depreciation schedules for the same length of time.

- **Deposit records** for IRA and self-employed retirement plan contributions should be kept until 7 years after all accounts have been depleted.

- Due to potential identity theft, it is generally recommended that any financial documents for disposal be shredded.

- If you receive a check from the IRS or FTB, we suggest that you make a copy of the check for your records prior to deposit.

- Always safeguard **personal documents** such as birth certificates, divorce and property settlement agreements, military discharge papers, bonds, estate tax returns, partnership agreements, deeds, insurance policies, wills and trust documents.