



# Support Connection

## Tax Season Review

The 2019 filing season marked the first year that American taxpayers filed their tax returns under the new tax regulations brought on by the Tax Cuts and Jobs Act. The most drastic tax law changes we have seen in decades affected nearly all taxpayers and caused a buzz throughout the industry on how the changes would affect our clients. Tax season started on time despite a government shutdown, the late release of final forms and instructions and other changes in the industry such as increased cyber security and the introduction of pre-ack loans by industry banking partners.

Many believed that lower tax brackets and a significantly higher standard deduction would be to their benefit. The numbers are in and while more taxpayers got a refund this year, the average dollar amount of refunds actually decreased compared to 2018. The IRS continues to encourage tax professionals to assist their clients in checking their tax withholdings and urges taxpayers to review their 2018 tax returns to get their 2019 withholdings right.

TaxSlayer Pro Support launched our Tax Pros group to assist with more complex tax questions. We also split support for our Desktop and ProWeb products to better serve our customers. What did you think of the changes? The off-season will be used to analyze the numbers in each area and make next tax season even more efficient.

What changes will next tax season bring? We already know that the shared responsibility payment is going away and that there will be new and revised forms for next year. One thing we know for certain is that at TaxSlayer we have already started to get ready for the next tax season.

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### Special points of interest

- Summer Tax Forums
- Items That May Trigger an Audit
- User Conference Date Change
- TaxSlayer Pro Knowledgebase
- Upcoming Important Dates

## 2019 User Conference Date Change

The 2019 TaxSlayer Pro Annual User Conference has had a **date change** to **November 18—19, 2019**.

As in previous years, it will be held at the Marriott Conference Center in Augusta, Georgia.

## Windows 7—Microsoft Is Ending Support

On January 14, 2020, Microsoft will end all support for Windows 7. This means that improvements and most importantly, security updates for Windows 7 will no longer be released. TaxSlayer Pro does not support the use of our products on operating systems that no longer receive security updates from Microsoft.

Currently TaxSlayer Pro is encouraging all customers still using Windows 7 to either upgrade their equipment and operating systems to be within TaxSlayer Pro's recommended system requirements or you can contact Pro Support and one of our technical representatives can help determine if your existing Windows 7 computer can be upgraded to Windows 10 or if it should be replaced with a new Windows 10 machine.

Before any upgrade or computer replacement is attempted, be sure to backup TaxSlayer Pro using the Backup Utility provided in the program to ensure all programs and data can be successfully migrated to Windows 10 or to a new computer. Again, our support staff will be happy to help with that task.

The 2019 version of TaxSlayer Pro desktop **will not be designed, tested, or supported for use on computers running Windows 7**. As a result, Pro Support will not be able to provide technical support on a system attempting to run the 2019 TaxSlayer program with Windows 7. **However, Pro Support will assist you with moving supported versions of TaxSlayer to an upgraded operating system or new computer.**

Migrating all supported versions of TaxSlayer to a new Windows 10 upgrade or to a new computer can take some time and making these arrangements sooner than later is strongly recommended. June through October, during the off season, is the best time to upgrade or replace computers. In addition to Windows 7, all versions of Windows 8 Server will no longer receive security updates from Microsoft. Accordingly, all versions of Windows 8 Server will also no longer be supported by TaxSlayer Pro beginning with the release of the 2019 desktop program.

Please refer to the Microsoft web site to determine the 'End of Life' dates for other Microsoft operating systems (ie. Windows 8 and other versions of Windows Server).

## Recordkeeping for the QBID Rental Property Safe Harbor

The QBI deduction was created in the Tax Cuts and Jobs Act (TCJA) and it allows many owners of pass-through businesses (primarily sole proprietorships, partnerships, and S corporations) to deduct up to 20 percent of the qualified business income from their taxable income. The QBI deduction is generally available to most taxpayers with pass-through business income whose 2018 taxable income is at or below \$315,000 for joint returns and \$157,500 for other filers. Taxpayers with incomes above these levels may still be eligible for the deduction but may be subject to limitations based on the type of trade or business, the amount of W-2 wages paid in the trade or business, and the unadjusted basis immediately after acquisition of qualified property.

When Congress created this deduction, it stated that to claim the Section 199A deduction on rental real estate the activity must be deemed to be a trade or business. This indicates that some rental activity such as activities engaged in by a real estate professional (as that term is defined under the passive activity rules) would qualify for the deduction, and that certain real estate activity held by passive investors would not qualify. This lack of definition created uncertainty for taxpayers with real estate rental activities seeking the QBI deduction, but whose level of involvement did not meet the tests for a real estate professional.

# Recordkeeping for the QBID Rental Property Safe Harbor

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On January 18, 2019, the Treasury Department issued final regulations on Section 199A. At the same time, the IRS issued a proposed revenue procedure that provides a safe harbor under which a rental real estate enterprise can be treated as a trade or business solely for purposes of the section 199A deduction. This safe harbor requires the following:

First, the taxpayer must maintain separate books and records that reflect the income and expenses for each rental real estate enterprise. For the application of this safe harbor, a rental real estate enterprise is defined as **any interest in real property held for the production of rent** and it may consist of **an interest in a single property or in multiple properties**. The taxpayer may treat each rental property held as a separate rental real estate enterprise or the taxpayer may treat all real property as a single rental real estate enterprise for Section 199A deduction purposes. However, **commercial and residential real estate may not be part of the same rental real estate enterprise**. Once the taxpayer makes this determination regarding the treatment of the rental property, he/she cannot change it from year to year unless a significant change in facts and circumstances can be demonstrated.

Second, starting with the 2018 tax year, 250 hours of rental services must be performed with respect to each rental real estate enterprise. Rental services can be performed by the taxpayer or by others hired by the taxpayer. For the purpose of this safe harbor, rental services will consist of (i) advertising to rent or lease the real estate; (ii) negotiating and executing leases; (iii) verifying information contained in prospective tenant applications; (iv) collection of rent; (v) daily operation, maintenance, and repair of the property; (vi) management of the real estate; (vii) purchase of materials; and (viii) supervision of employees and independent contractors.

Third, starting in 2019, the taxpayer will be required to maintain contemporaneous records, including time reports, logs, or similar documents, regarding the following: (i) hours of all services performed; (ii) description of all services performed; (iii) dates on which such services were performed; and (iv) who performed the services. For the 2018 tax year this record-keeping provision was not in effect, but going forward taxpayers will be required to maintain these records. Also, the IRS stated it can request these records.

Finally, to utilize this safe harbor the taxpayer must attach a statement to the tax return that the requirements of this safe harbor provision have been met. This statement must be signed by the taxpayer and state under penalties of perjury that the taxpayer satisfies all of the requirements (including recordkeeping) to claim the safe harbor.

## New Tax Forms for 2019

Unless Congress enacts new tax legislation this year, the 2019 tax season will not have the same level of changes that occurred in 2018. Yet, the impact of the recently passed Tax Cuts and Jobs Act and Bipartisan Budget Act of 2018 will still be felt in 2019. Certain provisions in these tax laws did not become effective until 2019, which will continue to generate new and changing forms and new requirements. Moreover, some tax forms will be revised before the next filing season and taxpayers will have new reporting requirements. Some of the new items that tax professionals should expect to see next tax season are set forth below:

**Form 1040-SR**—With the passage of the TCJA, the Treasury Department determined that the old 1040A and 1040-EZ would be eliminated and that taxpayers would file on the new “postcard” 1040. Thereafter, Congress passed the Bipartisan Budget Act of 2018 which required that the IRS create and publish Form 1040-SR which is to be a simplified tax form for individuals age 65 and older.

(Continued on page 4)

## 2019—Standard Deduction Amounts

Married Filing Joint and Surviving Spouses  
\$24,400

Head of Household  
\$18,350

Single and Married Filing Separate  
\$12,200

## W-4 Tax Withholding

This past tax season, many taxpayers were surprised when filing their returns because they received a smaller refund than in previous years, or had a balance due, when previously they had received refunds. In many of these situations the taxpayer actually had a smaller tax liability due to the lower tax rates and other changes that were part of the Tax Cuts and Jobs Act. For some taxpayers the cause of the unexpected bill or smaller refund was the amount of tax withholdings and how taxpayers completed their W-4 with their employer.

The current structure of Form W-4 is based on the number of exemptions a person claims for withholdings. Yet with the elimination of the personal exemptions as a factor in the tax liability an individual may ultimately incur, there is a disconnect between the methodology used for the W-4 and the tax return.

The IRS had planned on remedying this situation by having a new W-4 for use in 2019 that would not rely on claiming exemptions. However, this revised W-4 has been pushed to 2020. Hence, taxpayers that were under-withheld on their 2018 return could have the same problem in 2019.

## New Tax Forms for 2019

*(Continued from page 3)*

At this time, the IRS has not released any drafts of Form 1040-SR but when released it is expected to allow seniors to include Social Security benefits, retirement distributions, interest, dividends, and capital gains (losses) on such returns. There is not expected to be any upper limit on taxable income when determining the filing eligibility for the new form.

There are many uncertainties regarding what will ultimately be included on the 1040-SR. It is not yet known if seniors will have the option to itemize on the new form or be required to file a regular 1040 to itemize deductions. Also, will both the taxpayer and spouse have to satisfy the age 65 requirement on a Married Filing Joint return or will the 1040-SR be available to a married couple if one party satisfies the age requirement and the taxpayer and spouse would otherwise be eligible to file the 1040-SR?

**Form 8995 and Form 8995-A**—Starting in 2018, taxpayers with a pass-through business were able to claim a **Qualified Business Income Deduction**. This deduction was entered on Form 1040, Line 9, and it was calculated on one of two worksheets that **were not filed** with the return. The worksheet that was used to calculate QBID was dependent on the taxable income reported on the 1040 before any QBID was considered. Next tax season, QBID will be calculated on a tax form which then must be submitted with the tax return. The form used will be dependent on the taxpayer's income.

**Form 8995**—Taxpayers claiming QBID whose income is **below** the income thresholds (the 2019 limits will be \$321,400 for married filing jointly, \$160,725 for married filing separate and \$160,700 for all other filing statuses ) will use Form 8995 to claim QBID. Form 8995 will replace the Simplified Worksheet that was found in the 2018 Instructions for Form 1040 and it is similar to that worksheet.

**Form 8995-A**—Taxpayers claiming QBID whose income **exceeds** the income thresholds (2019 limits will be \$321,400 for married filing jointly, \$160,725 for married filing separate and \$160,700 for all other filing statuses ) will use Form 8995-A to claim any QBID. Form 8995-A is a six-page tax form that incorporates all of the previous schedules and worksheets found in Publication 535, Chapter 12 that were used in 2018 to calculate QBID. The 8995-A will also be used by Specified Service Businesses above the income threshold to calculate the phase out of their deduction. It will be on the new 8995-A where taxpayers with income above the threshold amounts will determine any adjustment to qualified business income based on the W-2 Wages paid and the Unadjusted Basis of Qualified Assets. When reviewing the new 8995-A, it may appear to make the reporting of QBID more difficult, but it does provide structure that becomes part of the return and may provide the taxpayer with a better understanding of the calculation.

On the new QBID forms, the biggest change as compared to 2018 is taxpayers will be required to reduce their QBI by any 2018 carryforward qualified business loss or PTP loss. In other words, any loss that occurred prior to 2018 is not a carryforward loss because it predates the enactment of the deduction. However, any pass-through loss that was claimed on the 2018 tax return not offset by pass-through income will carryforward on Form 8995 and reduce Qualified Business Income.

## Security Summit Marks Major Progress in Fight Against Identity Theft Refund Fraud

Since its first meetings were held in 2015, the Security Summit has implemented major changes in its initiative to combat identity theft tax refund fraud. The summit, a working group consisting of members from the IRS, state tax agencies and other industry partners formed six working groups, each tasked with addressing a specific area in need of improvement.

***People need to be more aware and educated about identity theft. You need to be a little bit wiser, a little bit smarter, and there's nothing wrong with being skeptical. We live in a time when if you make it easy for someone to steal from you, someone will.*** – Frank Abegnale

Key indicators announced earlier this month show that major progress has been made in the fight to protect American taxpayers from falling victim to tax-related identity theft. Highlights from calendar year 2018 compared to the 2015 base year show a significant improvement in several important metrics.

- Between 2015 and 2018, the number of taxpayers reporting they were identity theft victims fell 71 percent.
- Between 2015 and 2018, the number of confirmed identity theft returns stopped by the IRS declined by 54 percent.
- Between 2015 and 2018, the IRS protected a combined \$24 billion in fraudulent refunds by stopping the confirmed identity theft returns.
- Between 2015 and 2018, financial industry partners recovered an additional \$1.4 billion in fraudulent refunds.

The focus of the Security Summit thus far has been on protecting individual taxpayers from cyber criminals; however, the group has acknowledged two new areas of concern as identity thieves evolve and change tactics. Business identity theft and data theft from tax professionals have become increasingly higher targets for criminals as the Security Summit initiative has made it more difficult to breach individual taxpayer data. According to the IRS, reports of business tax related identity theft increased by 10% in 2018.

State tax agencies and software developers have implemented changes requiring driver's license information, multi-factor authentication (MFA), and the strengthening of password requirements to help protect the tax preparation community and their clients. Despite these changes, theft of taxpayer information held by tax professionals is still a major issue. Thieves may breach a tax professional's computer system and access client data, practitioner information such as EFIN and PTIN numbers, and file fraudulent returns before the preparer realizes he/she has been compromised.

What can you do to protect yourself, your clients, and your business? Education and planning are key to thwarting off would be criminals. The IRS has compiled a wealth of information to assist tax professionals secure taxpayer data as required by law. Information and guidance are available on the Identity Protection: Prevention, Detection and Victim Assistance page of the IRS website.

### Items that May Trigger an Audit

According to the IRS Data Book, any given taxpayer's chance of being audited is very small. In fact, the IRS audited about 1.1 million tax returns of the 196 million tax returns that were filed for 2016, which is approximately 0.5% of all returns filed. The majority of the audits performed by the IRS were done by correspondence (70.8 percent), and the remaining audits (29.2 percent) were field audits. Here are some common items that **may** trigger an audit:

- Claiming a Home Office Deduction
- Not reporting any or unusually low taxable income
- Submitting a Schedule C with some of these items:
  1. Miscellaneous as the Business Classification Code
  2. No reported or verified Income
  3. No or excessive expenses
  4. Estimated numbers used for income or expenses
  5. 100% business use of vehicles
  6. Unusual travel/meal expenses
- S-Corporation owners not receiving W-2 wages
- Have a return submitted by preparers that the IRS suspects is submitting fraudulent or false returns

## 2019 Filing Statistics—When Do Tax Returns Actually Get Filed?

The primary tax filing season runs each year from early January to mid April, but even though Tax Day has passed there are still millions of 2018 tax returns yet to be filed. The IRS projects that for the 2018 tax year about 153 million individual tax returns will eventually be filed. It is projected that 56.9% of these returns (approximately 87 million) will ultimately be filed by tax professionals, either electronically or by paper.

According to the IRS Filing Season Statistics, through April 19, 2019 the IRS has received 137,233,000 tax returns, 92% of which have been e-filed. The IRS estimates that about 15.8 million taxpayers have yet to file a 2018 tax return. The IRS also estimates that 14.6

*“When it comes to taxes, there are two types of people. There are those that get it done early, also known as psychopaths, and then the rest of us.” – Jimmy Kimmel*

million of these taxpayers have filed an extension (either electronically or mailed) and that most of these returns on extension will be filed over the six months ending on October 15, 2019. The vast majority of these returns on extension will be prepared by Tax Professionals. However, as many tax professionals have experienced in the past, some of these later returns will not be filed this year, but instead be filed in some future years.

Set forth below are the 2019 weekly filing season statistics for the e-filing of tax returns obtained from the IRS Filing Season Weekly Statistics. This information is broken down by tax returns e-filed by tax professionals and returns self-prepared and e-filed by individual taxpayers. Paper filings are not broken down weekly by whether they were filed by a tax professional or self-prepared. For most of the tax season until April, the weekly returns filed by tax professionals remain fairly constant and fluctuate in a weekly range of between 4.9 million and 5.6 million returns. In the same time period, self-prepared returns have a significant range from a weekly high of almost 9.8 million to a low of 2.4 million. For self prepared filers over half of all returns (52.7%) are clustered around the first two weeks of e-file (through February 8) and the last week before April 15.

Week Ending	Weekly Returns E-filed by Tax Professionals	Season to Date Tax Professional Totals	Self-Prepared Weekly Returns E-filed	Season to Date Self-Prepared Totals	Total Number of Returns E-filed during the Week
Feb 1, 2019	5,440,000	5,440,000	<b>9,782,000</b>	9,782,000	15,222,000
Feb 8, 2019	5,561,000	11,001,000	6,819,000	16,601,000	12,380,000
Feb 15, 2019	5,582,000	16,583,000	5,173,000	21,774,000	10,755,000
Feb 22, 2019	5,286,000	21,869,000	4,223,000	25,997,000	9,509,000
March 1, 2019	5,148,000	27,017,000	3,480,000	29,477,000	8,628,000
March 8, 2019	4,925,000	31,942,000	2,880,000	32,357,000	7,805,000
March 15, 2019	4,926,000	36,868,000	2,590,000	34,947,000	7,516,000
March 22, 2019	5,043,000	41,911,000	2,378,000	37,325,000	7,421,000
March 29, 2019	5,519,000	47,430,000	2,533,000	39,858,000	8,052,000
April 5, 2019	6,409,000	53,839,000	3,147,000	43,005,000	9,556,000
April 12, 2019	<b>9,409,000</b>	63,248,000	5,115,000	48,120,000	14,524,000
April 19, 2019	7,228,000	70,476,000	7,668,000	55,788,000	14,896,000

## Summer Tax Forums—Visit the TaxSlayer Pro Sales Team

During the upcoming summer months, the IRS and industry parties will attend nationwide tax forums sponsored by the IRS, the National Association of Tax Preparers (NATP), and the Latino Tax Preparers Association (LTPA).

Tax forums give tax professionals an opportunity to attend the latest tax information seminars, earn CE credits and network with other partners in the tax community. This year the IRS Tax Forum will include seminars related to Section 199A QBI, taxation issues of LLC's, cybersecurity, and the continuing impact of the Tax Cuts and Jobs Act. At the NATP Tax Forum you can earn CPE credits and attend seminars on a wide range of subjects such as depreciation, clergy tax rules, and tax basis and at-risk loss limitations. The Latino Tax Fest is the only tax forum that includes seminars in both English and Spanish, and you can earn CTEC CE and IRS AFSP credits.

Tax forums also provide us the opportunity to meet you and talk about our software, how it works for you, what worked well during the tax season, and especially what can be improved. Our goal is to provide tools to help your business grow, and we value the opportunity to interact one-on-one with those who use our products.

The TaxSlayer Pro team will be attending the IRS Tax Forums in DC, Chicago, New Orleans, Orlando, and San Diego; the NATP Tax Forum in Las Vegas; and the LTPA Latino Tax Fest in Las Vegas. If you attend a tax forum, stop by the TaxSlayer Pro booth and meet with us. We would love a moment of your time.

## End of Tax Season Housekeeping

As tax season ends, several items need your attention before you close your office or take a break.

**First**, print the **Returns Not Accepted Report**. This report shows what returns have either not been transmitted or have not been accepted by the IRS. Also print the **State Returns Not Accepted Report** showing the same information but for state returns.

To access these reports from the main menu of the desktop version of TaxSlayer Pro, go to the Reports menu and choose **Returns/States/Extensions Not Accepted**.

To access these reports from the main menu in the Pro Web software, select Reports, then click Transmission Reports, and then click Federal or State.

**Second**, TaxSlayer Pro desktop users should make a backup of all returns. We recommend an external storage device that can be removed from your computer and stored in a safe place. Backups are essential to recovering your work in case your computer becomes inoperable due to theft, computer viruses and malware, hard drive failure, and natural disaster. There are two backup utilities in TaxSlayer Pro, one that backs up just the returns for the current year, and the other that backs up the entire TaxSlayer folder including all years. If you need assistance backing up your data, see our online Knowledgebase for more information or give our Support team a call.

**Finally**, consider whether or not it is time to upgrade your computer. Upgrading during the Summer or early Fall gives you plenty of time to be ready for the 2020 tax season. This is especially important for Windows 7 computers (see the article on page 2 of this newsletter). Our Technical Support Group is ready to assist with migrating TaxSlayer Pro to the new computer.

## Due Dates for Returns on Extension

**September 16, 2019**

**Form 1065**—U.S Return of Partnership Income

**Form 1120-S**— S Corporations

**September 30, 2019**

**Form 1041**—Estates & Trusts

**October 15, 2019**

**Form 1040/1040NR**— Individual Tax Returns

**Form 1120**—U.S. Corporate Tax Return

**November 15, 2019**

**Form 990**—Non-Profit Organizations

[Preview of the Next Edition of Support Connection—Summer Issue](#)

[Tax Forum and Education Updates](#)

[User Conference Breakout Topics](#)

[Windows 7 and the Need to Back-up and Migrate Data](#)

[Tips to Maximize the Qualified Business Income Deduction](#)

## New TaxSlayer Pro Support Knowledgebase

A new TaxSlayer Pro Support Knowledgebase will be released in June. The Knowledgebase is being updated and it will have both a new look and updated content. All of the articles that were in the old Knowledgebase are being checked for relevance. In the process of moving the TaxSlayer Pro Support Knowledgebase to a new platform, we are attempting to update the content of any article to reflect changes that have occurred in either the tax code or in the program.

Over the years, many users have come to rely upon the Knowledgebase and we want to keep that trust. The new Knowledgebase will give you a better experience by providing improved key word search capabilities, new categories and program links and more relevant content. You will also be able to rate each article as helpful or not. Your input will help us improve the articles to better suit you needs.

The new Knowledgebase has been in the works for over a year. Pro Support postponed the transition in order to focus on all of the changes in the tax code that occurred with the Tax Cuts and Jobs Act. We are releasing the new Knowledgebase this summer to allow everyone time to perfect everything before we jump into another tax season. As always, we are committed to constantly improve our support and the tools you use to be the best tax professionals in the business.

## Support Hours of Operation

All Eastern Time

**Apr 16 to Dec 31, 2019**

Monday - Friday  
8:00 AM to 5:00 PM

### Summer Holiday Schedule

Support will be closed on the following summer holidays.

**Memorial Day**  
**Monday May 27, 2019**

**Independence Day**  
**Thursday July 4, 2019**

**Labor Day**  
**Friday September 2, 2019**

All hours are  
subject to change

### TaxSlayer Pro Contact Information

Sales	888-420-1040
Sales Fax	706-868-1955
Email	sales@taxslayer.com
Pro Support	706-868-0985
Pro Support Fax	706-868-0263

### Important Phone Numbers

E-file Help Desk	866-255-0654
PTIN Registration/Information	877-613-7846
Refund Status	800-829-1954
Tax Fraud	800-829-0433
FTC Identity Theft Hotline	877-438-4338
Identity Theft (Form 14039)	800-908-4490
Practitioner Assistance	866-860-4259
Business Assistance	800-829-4933
Social Security Administration	800-772-1213
Taxpayer Assistance	800-829-1040
Financial Management Services	800-304-3107
E-services Secure Access Registration Assistance	888-841-4648
Healthcare.gov	800-318-2596