



Support Connection

Season Message

Over the past several years we have seen our fair share of changes to the tax code; some minor, some major (Affordable Care Act ring a bell). As soon as we all became comfortable with these changes, Congress passed The Tax Cuts and Jobs Act (TCJA) and turned the tax preparation world upside down.

However, these changes have energized tax professionals across the country. The IRS Tax Forums saw record capacity and even sold out in some areas. Our own TaxSlayer Annual Conference is seeing record setting registration numbers and is guaranteed to sell out this year (sign up while you still can).

As you prepare for tax season, keep these items in mind: you may need to adjust your fees or fee schedules (see page 9), some taxpayers may see lower refunds or even a balance due for the first time (see page 4), know your login information to IRS e-services as you will need pertinent information such as your IRS Tracking Number to e-file this year (see page 5), and login to your Account Hub (formerly My Account) and get familiar with the changes.

I think we can all agree that this tax season will be different. It will be challenging, but also rewarding as you navigate your customers through these uncharted waters of the new tax code and ease their minds along the way. Many taxpayers will be confused and will most likely need your help this year more than ever before. For the tax professional, this is a win.

It's also a win for TaxSlayer Pro as we get the privilege of working with you this tax season. We consider ourselves fortunate to be able to work with some of the brightest and kindest professionals in the tax industry. How lucky we truly are for customers like you.

As the tax season approaches and we put the final touches on the software, rest assured that we are ready – ready to slay this tax season with you!

Inside this issue

Season Message.....	1
Schedule C—Additional IRS Scrutiny Coming in 2018	2
Schedule C—Due Diligence and Recordkeeping	2
Section 199A-Qualified Business Income Deduction	3
IRS Tracking Number.....	5
2018 User Seminar—Better than Ever	5
Protecting Client Information	5
S Corporation Owners— Reasonable Compensation	6
Flat Tax for Corporations	7
TCJA - Casualty Losses.....	8
Your Business Model and Fee Structure	9
Contact Information	10

Special points of interest

- Fewer Refunds Projected
- Pro Support Blog Update
- Upcoming Important Dates
- Pre-Season Tax Office Checklists

Schedule C—Additional IRS Scrutiny Coming

The Tax Gap

\$406 Billion Annual Tax Collections Shortfall

\$125 Billion Shortfall Due to Business Income Reporting on Form 1040

\$64 Billion Shortfall in Under Reported Self-Employment Taxes

The IRS periodically issues a [report](#) detailing the gap between the taxes collected each year and the amount that could be collected if the nation's taxpayers fully complied with all federal tax laws and then timely paid all taxes due. This difference or shortfall is known as the "Tax Gap".

According to the most recent estimate, the annual shortfall is \$406 billion after all enforcement activities and any late payments are ultimately received. Basically, the IRS believes that it only collects 83.7 percent of the taxes that are due.

The largest component of the Tax Gap consists of the erroneous reporting of business income by individuals on Form 1040, and this income primarily comes from Schedule C. The erroneous reporting of business income occurs when taxpayers either understate or overstate their income and/or expenses to (1) minimize their tax liability or (2) report an income amount either higher or lower than their actual income to maximize refundable credits such as EITC or Child Tax Credits. This erroneous reporting of business related income by individuals is estimated to contribute \$125 billion annually to the Tax Gap. The failure to also pay self-employment taxes on this under-reported business income is estimated to add another \$65 billion to the Tax Gap.

The size of these numbers has caught the attention of Congress and recent legislation, including the PATH Act and TCJA have contained provisions tightening the reporting requirements for income and expenses on business income reported by individuals. Congress has continued to impose new due diligence penalties aimed at paid preparers and are trying to place an increasing burden on tax preparers to accurately report their client's tax liabilities.

At this summer's nationwide IRS Tax Forums, this Tax Gap and its relationship to Schedule C filings was openly raised by IRS representatives and by industry professionals as **one of the top concerns for the IRS going forward**. It was stated that increased actions will be taken in upcoming tax seasons to help close the Tax Gap with respect to the erroneous reporting of business income by individual taxpayers. Specifically, tax returns that contain a Schedule C that are flagged as being possibly erroneous **may have any refund withheld** until additional information is provided to the IRS that supports the income and/or expenses claimed on Schedule C.

Schedule C—Due Diligence and Recordkeeping

All businesses **are required by law to maintain sufficient and adequate records** to verify their income and expenses. Basically, a business must be able to prove that the income it reports is correct and that the expenses claimed were actually incurred. When a taxpayer operating a business fails to maintain adequate business records it may prevent the taxpayer from properly reporting their tax obligations. When a paid preparer is completing such a return they have a duty to exercise reasonable care to verify the accuracy of the records before they report the income or expenses on the Schedule C.

A likely indicator that a taxpayer's return has possibly understated or overstated Schedule C income occurs when IRS models indicate that a return contains an estimate of an income or expense items. Most businesses do not normally have even or uniform amounts for many income and/or expense items. When returns are filed with such amounts, it may be inconsistent with what an actual business experiences, and may be viewed by the IRS as an estimate of the income or expense.

A second possible indicator occurs when certain income or expense items that would be expected for such a business are not been included on a return. Certain businesses almost always have certain expenses, and failing to report those expenses would be unusual. When these situations occur, the taxpayer may be sent [Form 11652—Questionnaire and Supporting Documentation Form 1040 Schedule C \(Profit or Loss from Business\)](#) which requires detailed supporting documentation of the income and/or expenses of the business.

Schedule C—Due Diligence and Recordkeeping

(Continued from page 2)

Returns that are more likely to be flagged for additional information depend on the type of business activity that is reported on the Schedule C and how the income and expenses on the return aligns with other similar returns. Based on the six-digit NAICS industry classification code that must be entered on Schedule C, the IRS has developed significant empirical data on the types of income and/or expenses that would typically be found on a business engaged in that activity. Returns that are not consistent with this historical data based on the NAICS industry classification code may be flagged for additional documentation. **It is very important to properly classify the Schedule C business activity.**

Many factors may trigger the additional document review by the IRS and returns with multiple factors are more likely to be flagged and sent a Form 11652 Questionnaire. The risk factors for flagging returns are believed to be as follows:

1. The Schedule C does not contain income from a reportable or reliable source (such as a Form 1099-MISC), but such a business would be expected to receive such documents.
2. The business does not file any source documents such as Form 1099-MISC or W-2's.
3. The income reported on the return corresponds to the income range needed to maximize EITC and/or refundable Child Tax Credits.
4. The income and/or expenses on the return appear to be estimates (such as round numbers), and do not appear to be an actual record of income received or expenses incurred.
5. The business fails to report expenses or cost of goods sold (or excessive expenses) that would be expected for the type of business. Based on the business classification code indicated on the Schedule C, it is normal for a specific type of business to also have certain expenses. A business that does not have such expenses may be overstating its income to maximize refundable credits.
6. Failing to report any expenses for a business. Very few legitimate business activities have no expenses and if a Schedule C is filed without expenses it is suspicious and very likely incorrect. A Schedule C that is used to report non-employee compensation and is linked to a 1099-MISC, would not trigger this factor.

Failure to adequately respond to a Form 11652 request may result in a reclassification of the income/expense items on the return and most likely change the tax obligation or refund on the return. It can also trigger due diligence audits and penalties for the tax preparer. Paid preparers must be diligent when preparing a return with a Schedule C and be confident that adequate information exists to comply with a Form 11652 request from the IRS.

Qualified Business Income Deduction

A new deduction for taxpayers with pass-through income was created with the passage of the Tax Cuts and Jobs Act. This deduction is known as the Qualified Business Income Deduction ("QBID") or Section 199A Deduction. It will permit most pass-through businesses (sole proprietorship, partnership, S Corporation or trust and estate) to deduct from their adjusted gross income up to 20% of the income that is derived from these pass-through business entities.

This deduction can be a significant tax benefit to non-C corporation businesses because it can effectively reduce the tax rates on the income generated by such businesses. It has also created a great deal of apprehension among tax preparers due to the complexity of the deduction. However, for many small business owners, particularly taxpayers reporting income on a Schedule C, the QBID will be pretty straightforward.

(Continued on page 5)

Individual Returns

Total Returns
150,690,787

E-filed Returns
131,641,943

Practitioner Filed
78,574,344

Source —IRS Data Book—
March 29, 2018

IRS Tracking Number

To update your TaxSlayer Pro account and electronically file tax returns for 2018, you must provide your IRS issued Tracking Number. This Tracking Number is located in your IRS e-Services Application Summary which can be accessed by going to your [e-services account](#) which is show below:



Safari users on iOS and macOS may experience problems when creating an account. If you encounter an error, please try a different browser.

Sign Up

Don't have an account? Create one now.

CREATE ACCOUNT >

Log In

Already have a username? Welcome back!

Username

LOG IN >

[Forgot Username](#)

PTIN and FIRE users need a separate account in this system

This tracking number must be entered in your TaxSlayer Pro Account Hub (formerly My Account) and will be used by the IRS to verify transmissions received from your EFIN are legitimate. If you are unable to complete the secure access login process, or if you forget your e-Services password, the IRS **will mail you the information** needed to access your e-services account. This takes several days and can delay your ability to electronically file 2018 tax returns.

Because of this new requirement, it is extremely important that you log in to your e-Services account and obtain your tracking number as soon as possible and before the start of electronic filing. Also, since the IRS has transitioned all e-Services accounts to a secure access login process, you must be able to verify your identity through multiple sources in order to access your account.

Instructions on how to locate your tracking number can be found in the TaxSlayer Pro Knowledgebase by searching for keywords **tracking number**. If you require assistance accessing your e-services account, contact the IRS at 888-841-4648.

TaxSlayer Pro User Seminar Better than Ever

Every year the TaxSlayer Pro Annual User Seminar proves to be an outstanding experience for those who attend. It is a chance to hear firsthand from the product creators what is new and exciting in the world of TaxSlayer Pro. Users meet other Users and swap ideas on how to grow their tax offices and better serve their tax clients. And last but not at all least, Users gain invaluable tax education to improve their personal tax knowledge.

Due to the changes in the tax code, we have record advance registration for the 2018 Annual User Seminar and we anticipate a capacity crowd. However, if you were not able to make it to event in person, you can still benefit from the wealth of information provided. Contact your sales rep today to pre-purchase the Seminar files – video and PDF – for \$99. These materials will post inside of your Account Hub once available for easy access at any time from your computer.

This year, TaxSlayer welcomed some special guests and instructors to the event.

(Continued on page 6)

Protecting Your Client's Information

Tax offices are a prime target for identity thieves. Basically, when tax software is breached a thief can obtain all of the data needed to create fraudulent returns or commit other illegal activities using the identity of your clients.

The federal "Safeguards Rule" requires a tax preparation business to take steps to ensure the security and confidentiality of customer information. To meet this obligation the IRS recommends that all tax offices have a **security plan** with the following items:

- A top-notch security software that includes:
 - * firewall
 - * anti-malware
 - * anti-virus
- An education program for all preparers and employees
- Strong passwords
- Secure wireless connections
- Frequent back up of taxpayer data
- Storing paper files in a secure location
- Accessing IRS e-services weekly during tax season to check the number of returns being filed under your EFIN

For more information on protecting your client data see [Publication 4557, Safeguarding Taxpayer Data](#).

2018—Fewer Refunds Projected

In late summer, the Government Accountability Office (GAO) released a report on the impact the new withholdings tables and the new W-4 would have on employees. GAO found that as a result of these changes more taxpayers will be under-withheld in 2018 than in previous years. It is estimated that when compared to 2017, over **three million additional taxpayers** will have a balance due when they file their 2018 tax returns.

In recent years, 76% of all tax returns filed received a refund while 18% of tax returns had a balance due. The remaining 6% of tax returns filed had no refund or balance due.

GAO found that due to the effect of the new tax code provisions and the corresponding changes to the W-4, **the percentage of tax returns having a balance due in 2018 will increase by 3% to 21%**. There will be a corresponding reduction of taxpayers getting refunds, dropping to 73%.

Even though taxpayers will have lower tax rates in 2018, many taxpayers are having less withheld from their paychecks and risk owing the IRS this tax season.

Qualified Business Income Deduction

(Continued from page 3)

The first step to understanding the Qualified Business Income Deduction is knowing what income is eligible for this treatment. “Qualified Business Income” is generally defined as income that relates to the conduct of an entity’s business and does not include investment income, guaranteed payments to partners for services rendered to the partnership, or the “reasonable compensation” paid to an owner for services rendered to the entity. For most taxpayers with a small business this will be the income that is reported on their Schedule C or income from a K-1 issued by a partnership or S-Corporation. It can also include rental income.

For taxpayers whose income is less than \$157,500 (\$315,000 for Married Filing Jointly) the Qualified Business Income Deduction is the lesser of (1) 20% of the net Qualified Business Income recognized on the tax return from all sources, or (2) 20% of the taxpayer’s taxable income minus any capital gains recognized on the return. For this group of taxpayers, the QBID will be calculated on a new Simplified Worksheet located in the 2018 Form 1040 Instructions and then entered on the 1040 as a below the line reduction to taxable income.

For taxpayers with Schedule C income that do not also have any capital gains on the return, the QBID calculation will simply be 20% of the income generated on the Schedule C if their adjusted gross income is below the threshold amounts. The QBID does not reduce the taxpayer’s earned income for earned income credit purpose or self-employment income for SE tax purpose. Many Schedule C filers have an adjusted gross income that is below the threshold amounts for their filing status. Thus, for most small businesses, this basic calculation of QBID will be used.

Income thresholds of \$157,500 for all filing statuses, (except MFJ which is \$315,000) will determine the calculation of the Qualified Business Income Deduction

For taxpayers that have income above \$315,000 for joint filers or \$157,500 for all other filing statuses, there are additional requirements for taking this deduction and it increases in complexity. For higher income taxpayers the calculation of the QBID will also be limited by a percentage of W-2 wages paid by the business and/or a percentage of the unadjusted basis immediately after acquisition (UBIA) of qualified property held by the business.

Finally, if the taxpayer operates a business which is classified as a “specified service business”, additional limitations are placed on their ability to take the QBID. Section 199A defines a Specified Service Business as a business providing services in the areas of health, legal, accounting, consulting, performing artists, and professional athletes. Under the Sec 199A proposed regulations, **a tax preparation business would most likely be classified as a Specified Service Business.**

Once the income of a business classified as a Specified Service Business exceeds the threshold amounts (\$315,000 for MFJ and \$157,500 for all other filing statuses), the deduction is limited and eventually phased out completely once the taxpayer’s income exceeds \$415,000 for MFJ and \$207,500 for all other filing statuses.

2018 TaxSlayer Pro User Seminar Better than Ever

(Continued from page 4)

Best Selling Author and national speaker, Mark J. Kohler will speak during the General Session and will instruct a break out class: The Impact of the TCJA on Pass-Through Business Entities and Their Owners. We are also pleased to have Antonio Martinez from the Latino Tax Professionals Organization teaching: ITIN Changes for 2018 and How to Serve Multicultural Clients.

Other break out topics this year included:

- The Tax Cuts and Jobs Act – What’s Changing on the 1040
- Security Initiatives and the Tax Office as a Target
- The Tax Cuts and Jobs Act – Adapting to the New Tax Provisions as a Preparer
- Practitioner Due Diligence and Record-Keeping Requirements for Schedule C’s
- Basic Understanding of the Qualified Business Income Deduction
- Marketing Strategies to Generate Revenue
- The Future of Tax Preparation: Getting to Know ProWeb

For anyone who missed out on this year’s seminar, mark your calendar for the 2019 Annual User Seminar which will again be held in Augusta, Georgia. Please note that next year’s event will be on **October 21-22, 2019**, which is a little earlier in the fall than our recent events.

S Corporation Owners—Reasonable Compensation

When preparing a tax return for an S Corporation and/or its owners, a difficult question can arise involving what the S Corporation should be paying to its owners in wages and what should be treated as investment income. Many S Corporations do not pay their owners compensation or they pay a minimal amount. Some S Corporations report all or most of the income from the S Corporation as pass-through ordinary income on a Schedule K-1 (Form 1120S). However, this strategy is problematic as the business becomes profitable and/or generates significant business activity, and it is inconsistent with tax law. So it may be time to have a conversation with such clients regarding “Reasonable Compensation”.

As a business grows, it is a long-held requirement that an S Corporation cannot avoid payroll tax liability by failing to pay “**reasonable compensation for services performed**” to its shareholder-employees. See: Rev. Rul. 74-44, 1974-1 C.B. 287. Many times, the owner of an S Corporation acts in the capacity of an employee of the business and is not solely acting as an investor in a business. Accordingly, an owner should receive a reasonable amount as compensation for the services rendered to the S Corporation in their capacity as an employee. By not providing an owner-employee wages, (1) the owner avoids paying **payroll taxes as an employee**, and (2) the S Corporation avoids any **employer payroll taxes**. The income from the S Corporation is then reported to the owner/taxpayer on a Schedule K-1, and it is considered investment income and not earned income. As a result, the taxpayer/owner also avoids paying **self-employment taxes** on their 1040 on all of the income received from the S Corporation.

The avoidance of payroll taxes by S Corporations and their owners has been found by the IRS to be a significant problem. According to published studies by the IRS, the un-reported payroll taxes from pass-through entities contributes \$65 billion annually to the Tax Gap. Due to the sheer size of this under-reporting, the compensation issue has come under increased scrutiny by the IRS and Congress, and the IRS announced at the IRS Tax Forums that “reasonable compensation” will be the subject of increased enforcement efforts by the IRS this year. Congress also has taken notice of the “reasonable compensation” issue and addressed it in the Tax Cuts and Jobs Act (TCJA).

(Continued on page 7)

S Corporation Owners—Reasonable Compensation

(Continued from page 6)

The TCJA created a Qualified Business Income Deduction (QBID) that is available to pass-through entities including S Corporations. This new deduction allows taxpayers to deduct 20% of the Qualified Business Income (QBI) that they receive from pass-through businesses. However, Congress stated QBI does not include the “reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business.” To clarify this provision, the [Proposed Section 199A Regulations](#) for the QBID state, that “even if an S corporation fails to pay a reasonable wage to its shareholder-employees, the shareholder-employees are nonetheless prevented from including an amount equal to reasonable compensation in QBI.”

As a result of this clear language from Congress, if a taxpayer files a tax return claiming the QBID from pass-through income from an S Corporation that does not include “reasonable compensation” to an owner, the QBID is most likely being overstated because QBI is likely overstated. This overstatement of the QBID then results in an understatement of tax liability on the return. Congress also included a provision in the TCJA to increase the penalty a taxpayer would pay if under reporting of income is caused by misstating the QBID.

Congress also amended the accuracy penalty in the tax code to include the treatment of QBID on a tax return. This amendment to the *Penalty for Substantial Understatements* provides that if a taxpayer inaccurately claims the QBID for example by failing to pay reasonable compensation which results in an understatement of tax liability by 5% , the taxpayer will then be penalized a 20% accuracy penalty on their total tax. As a result, a taxpayer/owner of an S Corporation that fails to pay reasonable compensation to its owners and then the taxpayer claims the QBID on all of the pass-through income risks being assessed an understatement penalty of 20% of their ultimate total tax bill.

With both the IRS and Congress seriously looking at “reasonable compensation” being paid to S Corporation owners, tax preparers need to be prepared to advise their S Corporation clients and owners. In addition to the Proposed Section 199A Regulations that address “reasonable compensation,” the IRS has issued a Technical Job Aid on [Reasonable Compensation](#) that provides information on the factors used by the IRS to ascertain when the payments made to owners are considered reasonable.

New Flat Tax Rate for Corporations

The Tax Cuts and Jobs Act contained a major change in the tax rate for Corporations filing Form 1120 - U.S. Corporation Income Tax Return. Previously, the tax rates for these entities was 15% on the first \$50,000 of taxable income; 25% on the next \$25,000 of taxable income, 34% on taxable income between \$75,000 and \$10,000,000 and 35% on all taxable income above \$10,000,000. Personal Service Corporations had a flat tax rate of 34%.

Starting January 1, 2018, a new flat rate of 21% on all taxable income went into effect for all corporations. Fiscal year corporations with tax years year beginning in 2017 and ending in 2018, pay a blended tax rate when they file their 2017 tax return. The blended tax rate is based on the number of days that the corporation’s fiscal year is in 2018.

For corporations that previously were paying taxes on large amounts of taxable income in the higher tax brackets, the replacement of previous graduated tax

Pro Support Blog

Last tax season Pro Support launched a blog that is dedicated to the needs of the professional tax preparer and specifically the users of TaxSlayer Pro. The focus of the blog is to inform our clients of timely items affecting the industry.

You can subscribe to the TaxSlayer Pro Blog at the TaxSlayer Pro Support site to get up to date information as we receive it from the IRS or the states. You will also receive timely tips and reminders of due dates and other happenings during the most hectic days of tax season.

(Continued on page 8)

New Flat Tax Rate for Corporations

(Continued from page 7)

rates with a 21% flat tax results in lower taxes. This tax reduction for corporations has been widely publicized and many owners of corporations are expecting to see a lower tax burden this year. However, not all corporations will see a lower tax bill in 2018, as smaller corporations have historically not paid the higher tax rates.

Specifically, a corporation that has taxable income of less than \$90,381 will experience a tax increase in 2018 by paying a flat tax of 21% on their taxable income as compared to the previous graduated tax rates. Previously the corporation would have paid 15% on the first \$50,000 of taxable income and now they will be paying the higher rate of 21% on that income. For the flat tax rate to be beneficial, a corporation would have to offset the higher taxes it pays on the first \$50,000 in income with lower taxes on income above \$50,000.

The table below shows the break-even point for comparing the 2017 graduated tax rates and the new 21% flat corporate rates. Tax professionals should be aware of this break-even analysis. Many owners of a corporation with income under the break-even point may not be aware that their corporation will actually have a higher tax burden in 2018 under the new flat tax rate.

Pre-TCJA Tax Rate	Taxable Income	Tax @ Pre-TCJA Rates	Tax @ 21%
15%	\$50,000.00	\$7,500.00	\$10,500.00
25%	\$25,000.00	\$6,250.00	\$5,250.00
34%	\$15,381.00	\$18,979.54	\$3,230.00
Total	\$90,381.00	\$18,979.54	\$18,980.01

TCJA—Casualty Loss Deductions

Recently Hurricane Florence and Hurricane Michael caused billions of dollars of damage and much of this destroyed or damaged property is not fully covered by insurance. Accordingly, many of these uninsured losses will ultimately be considered eligible to be claimed as a casualty loss on Form 4684 – Casualty and Thefts. Starting in 2018, the Tax Cuts and Jobs Act has placed a requirement that personal casualty and theft losses incurred by individuals are **only deductible** to the extent that they are considered a **Disaster Loss** that occurred in an area determined by the President to warrant federal disaster assistance and then is designated a federally declared disaster. Thus, the losses from Hurricanes Florence and Michael were designated as a federally declared disaster and will meet this requirement. However, in recent years the rules regarding casualty losses and what you can (and cannot) deduct on Form 4684 have changed.

A casualty loss deduction for a Disaster Loss (such as Hurricanes Florence or Michael) that occurred in 2018 will be subject to a **\$100** reduction and then be limited by **10%** of the taxpayer's adjusted gross income. Casualty loss will still be claimed on Form 4684, but the taxpayer will also be required to report the appropriate FEMA disaster declaration number for the ZIP Code for the property affected by the disaster. The list of federally declared disasters and the FEMA disaster designation numbers is available at [FEMA.gov/Disasters](https://www.fema.gov/disasters). Any allowed Disaster Loss deduction will then be reported on Schedule A, Line 15 as a Casualty Loss. A 2018 Disaster Loss **cannot be added to the Standard Deduction** amount for the taxpayer's filing status and will only be claimed on Schedule A as an itemized deduction.

Some of the confusion that surrounds casualty losses and federally declared disasters is the special treatment that was given to certain federal disasters in 2016 and 2017. Specifically, any federally declared disaster that occurred in 2016, as well as casualty losses sustained in 2017 from Hurricane Harvey or Tropical Storm Harvey, Hurricane Irma, Hurricane Maria, or the California Wildfires were all classified by Congress as being a **Qualified Disaster Losses**. Any other loss from a

TCJA—Casualty Loss Deductions

(Continued from page 8)

federally declared disaster in 2017 other than the specific disasters delineated by Congress or 2018, such as Hurricanes Florence or Michael, are classified as an ordinary Disaster Loss and not a Qualified Disaster Loss.

A Qualified Disaster Loss has been given **special treatment** starting with 2016 and 2017 tax returns. A casualty loss classified as a Qualified Disaster Loss is subject to a reduction of \$500 (not \$100) and no adjusted gross income limitation. In addition, a taxpayer can either claim the Qualified Disaster Loss on Schedule A as an itemized deduction or if it is more favorable the taxpayer can add any allowed Qualified Disaster Loss to their standard deduction.

The **special treatment** given to a Qualified Disaster Loss will remain for 2018 and future years, but it is limited to a casualty loss sustained in one of the 2016 federally declared disasters or Hurricane Harvey or Tropical Storm Harvey, Hurricane Irma, Hurricane Maria, or the California Wildfires. Such losses can still occur since the property could have been damaged or destroyed in one of the Qualifying Disasters, but an insurance or other claim was not settled until later. Such a loss would be deemed sustained in the later year, since that was when the amount of the loss was ascertained.

TCJA—Your Business Model and Fee Structure

The Tax Cuts and Jobs Act (TCJA) may directly impact a tax office's business model because it is anticipated that the tax changes will affect the type or mix of returns taxpayers will file in the future. Due to the sweeping changes in the TCJA, tax schedules and forms that preparers will use to complete the 2018 tax return for a client may be appreciably different than the forms and schedules used on the same taxpayer's 2017 return.

Many tax professionals base their fees on the complexity and time required to complete a return. Complex returns generally cost more for taxpayers because they require greater expertise and typically need more time to complete. Thus, preparers schedule their appointments based on the information that they expect to be reported on the tax return. However, the business model, time requirements for returns and the fee structure that was used last year may no longer apply.

For the 2018 tax year, the knowledge, effort and time needed by a preparer to complete a client's return may be appreciably more or less than last year depending on the TCJA's impact on the return. This change in the make-up of returns may affect your scheduling and your bottom line. For example:

1. Due to the elimination of many common deductions and the limitation imposed on other deductions such as the cap on state and local taxes, more taxpayers are expected to use the new higher standard deduction. As a result, significantly fewer taxpayers are expected to file a return with a Schedule A in 2018.
2. Taxpayers with pass through businesses such as Schedule C's, Partnerships and S Corporations will be eligible for the new Qualified Business Income Deduction (QBID), a much more complex return as compared to last year.
3. Taxpayers that previously did not received the Child Tax Credit due to their income may now be eligible for a \$2,000 credit. This will affect families with income that exceeds the old income threshold of \$110,000 and is intended to offset the loss of the personal exemption for the child.
4. Previously a qualifying child age 16 or under with an ITIN's could receive the Child Tax Credit, including the refundable portion of the credit. This year if a child lacks a valid social security number, they are not eligible for the Child Tax Credit. They

Upcoming Due Dates

March 15, 2019

Form 1065—U.S Return of Partnership Income

Form 1120-S— S Corporations

April 15, 2019

Form 1040/1040NR— Individual Tax Returns

Form 1041— Estates & Trusts

Form 1120—U.S. Corporate Tax Return

May 15, 2019

Form 990—Non-Profit Organizations

(Continued on page 10)

Preview of Next Edition
of Support Connection—
May Issue

New TaxSlayer Pro
Knowledgebase

Tax Season Wrap-up

Preparing for the Off-
Season

What to expect in 2019
from the Tax Cuts and
Jobs Act

TCJA—Your Business Model and Fee Structure

(Continued from page 9)

may be eligible for a non-refundable \$500 Other Dependent Credit.

5. Paid preparers are now required to do additional due diligence on Head of Household returns and returns claiming the Other Dependent Credit.

The TCJA is going to make some tax returns less complex and require less time to prepare. It will also make other returns more complex and require more time to complete. Tax returns that no longer require a Schedule A for itemizing deductions is an example of returns being simplified. On the other hand, any return containing pass-through business income has become more complex due to the QBID.

Most preparers business model, appointment scheduling and fee structure are based on the types of returns their office has previously done. Due to the impact of the TCJA, all tax professionals should review their current fee structures, business model and client mix to understand how the coming changes will affect their practice.

This tax season might also be the time for tax offices to consider providing additional products and services to their clients such as bank products, Audit Maintenance Pro, Securely Id, or tax planning. These items can provide a valuable service to clients and also provide added income to the tax practice.

Support Hours of Operation

All Eastern Time

Nov 19 to Dec 31, 2018

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

Tax Season Hours

Support will be open
extended hours and days
starting **January 2, 2019**

Holidays Support is Closed

Thanksgiving

November 21 at noon
November 22
November 23

Christmas/New Year's Day

December 24
December 25
January 1

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

IRS 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 Mgmt. Services	800-304-3107
E-services Secure Access Registration Assistance	888-841-4648
Healthcare.gov	800-318-2596



Pre-Season Tax Office Checklist

Computer Equipment & Network

Computer Equipment	Completed
Review Recommended System Requirements to run TaxSlayer Pro Software	
Perform routine maintenance on computers (should be done by an IT professional)	
Clean Registry	
Defragment all hard drives	
Remove old/unwanted programs	
Check operating system for damage or corruption	
Insure all Windows Updates have been installed	
Use Windows Disk Cleanup utility to remove other unneeded files	
Clean start up programs	
Upgrade and/or replace any hardware (computers, printers, scanners, etc.) as needed	
Test all printers for use with TaxSlayer Pro	
Update Adobe/Acrobat Reader	
Test document scanners, barcode scanners and signature pads for use with TaxSlayer	
Test internet connections on all systems (wireless connections are not recommended)	
Renew subscriptions to anti-virus/firewall software	
Exclusions for TaxSlayer Pro should be set in any anti-virus/firewall software	
Train employees on computer policies and equipment	
Train employees on office security	
IRS Program—Protect Your Clients—Protect Yourself	
Network Users	Completed
Network should be set up by an IT Professional prior to downloading the software	
Hardwire all network computers to ensure a stable and secure connection	
Contact TaxSlayer Support for assistance in installing the program on a network	



Pre-Season Tax Office Checklist

IRS/State Provisions, Banks, and Client Materials

IRS/Tax Provisions	Completed
Renew PTIN	
Review Federal Tax Law Changes	
Review Filing Thresholds/Changes	
Familiarize yourself with Due Diligence Requirements	
Apply for EFIN (if applicable)	
State Provisions	Completed
Familiarize yourself with your state's e-filing mandates	
Familiarize yourself with your state's requirements for bank products	
Familiarize yourself with your state's requirements for filing extensions and for filing business returns	
Bank Products	Completed
Fill out Bank Application (From your TaxSlayer Pro Account Hub)	
Order Check/Card Stock from the bank	
Determine bank fee structure and configure these fees in the Fee Setup Menu	
Set up your bank in TaxSlayer Pro	
Print a Test Check from your bank's website	
Complete required compliance training (varies by bank)	
Familiarize yourself with Bank Products and fees	
Client Materials	Completed
Prepare and mail Organizers for prior year clients	
Prepare letters/coupons	
Preseason scheduling	
Develop Marketing Strategy	