

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

January 1, 2018

To All Our Valued Clients,

The 2017 tax filing season is upon us. We would like to thank you for allowing us to prepare your income tax returns last year and thank you for your continued confidence in us by continually referring your friends and family. We wish a Happy and Healthy New Year to you and your family.

Individual filing season will begin accepting electronic and paper returns is around January 22, 2018 (not set in stone yet by IRS). Generally, refunds electronically deposited will be available in 10 to 14 days from processing. The IRS expects the earliest Earned Income Tax Credit and Additional Child Tax Credit to be available in taxpayer bank accounts starting on Feb. 27, 2018, if direct deposit was used and there are no other issues with the tax return.

Filing deadline is April 17th, 2018 for all 2017 calendar year tax returns for individuals. We ask that you do not wait until the last minute. If anyone comes after April 10th, we cannot guarantee that we will complete your tax return on time and we will make the determination if an extension is necessary.

Much of the news has surrounded big changes for the 2018 tax year. We have enclosed a summary of changes. Please contact us with any questions.

However, there are a few tax provisions that expired at the end of 2016 and are not available on the 2017 tax return. These deductions will not be allowed:

Tax-free Treatment for Forgiven Principal Residence Mortgage Debt: For federal income tax purposes, a forgiven debt generally counts as taxable Cancellation of Debt (COD) income. However, a temporary exception applied to COD income from cancelled mortgage debt that was used to acquire a principal residence. This is no longer an exception.

Mortgage Insurance Premium Deduction: Premiums for qualified mortgage insurance on debt to acquire, construct, or improve a first or second residence will not be deductible.

Qualified Tuition and Fees Deduction: Above-the-line (for AGI) deduction for qualified tuition and related expenses for the taxpayer has been eliminated. American Opportunity and Lifetime Learning credits are still available.

\$500 Energy-Efficient Home Improvement Credit: In past years, taxpayers could claim up to \$500 for certain energy-saving improvements to a principal residence. The credit generally equaled 10% of eligible costs for energy efficient insulation, windows, doors and roofs, plus 100% of eligible costs for energy efficient heating and cooling equipment, subject to the \$500 life-time cap (with no more than \$200 from windows and skylights). This tax break expired at the end of 2016.

Medical Expenses – 10% threshold was removed. Medical expenditures in excess of 7.5% of AGI will be deductible.

Tax Year 2017 -What's NEW

Standard Mileage Rate

The standard mileage rate for the cost of operating your car for business is **53.5 cents a mile (Please note that in addition to mileage you are also allowed to deduct tolls, parking, property taxes and interest).** The standard mileage rate allowed for the use of your car for **medical** purposes is **17 cents a mile** and the standard mileage rate for the use of your car for **volunteer services for a charity** is **14 cents a mile for the entire year of 2017.**

IRA and Retirement Account Contributions to Roth and Traditional IRA's remain at \$5,500 (\$1,000 additional if age 50 or older) for 2017 and 2018. Contributions to 401(k) and similar retirement plans remain at \$18,000 (\$6,000 additional if age 50 or older) for 2017 and will increase to \$18,500 for 2018 with the same catch up amount. Self-Employment Pension Plan (SEP) maximum contributions remain at \$54,000 for 2017 and 2018.

Health Savings Accounts (HSAs) TAX Savings TIP

The maximum HSA contribution increases to \$3,400 (\$6,750 for family coverage). (\$1,000 additional if age 55 or older) ***Please note that you have until April 17, 2018 to contribute to your HSA for a 2017 deduction.***

How to obtain tax transcripts, past tax returns

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

Charitable Deductions

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

Housekeeping

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

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

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

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

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

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

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

IMPORTANT

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

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

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

HIGHLIGHT OF 2018 TAX CHANGES

- Child Tax Credit – This increases from \$1,000 per qualifying child to \$2,000. In order to take advantage of the Child Tax Credit, the qualifying child must have a Social Security number which is issued no later than the due date for filing the tax return. The phase out will begin at \$200,000 (\$400,000 for MFJ)
- Additional Child Tax Credit – The amount of the Child Tax Credit that can be refundable cannot exceed \$1,400 per qualifying child (up from \$1,000). The earned income test for the refundable credit is \$2,500 (down from the prior \$3,000).
- Family Tax Credit – A new nonrefundable family credit of \$500 is created. This is allowed for every dependent who is NOT eligible for the Child Tax Credit. A Social Security number is not required for this credit.
- Wagering losses will include wagering expenses. This means taxpayers with wagering (i.e., gambling) income can use their losses AND their expenses to offset the income. This means a nonprofessional gambler will have more losses to offset the income. This also means a professional gambler will no longer be able to claim a loss on the Schedule C.
- Although the deduction for exemptions is gone, for purposes of a qualified disability trust, the exemption amount remains \$4,150 (as indexed for inflation).
- The individual income tax rates were changed. IRS has indicated it expects to issue new withholding tables in mid-February 2018. Of course, such a change means taxpayers will have different withholding amounts during the year and the refund/balance due amounts shown on the tax return will be adjusted as well.
- Alimony paid is no longer deductible and alimony received is no longer taxable, effective for instruments executed December 31, 2018. This also applies to instruments modified after December 31, 2018, only if the modification expressly provides that this change applies to the modification.
- Student loans forgiven as a result of death or disability are nontaxable.
- Affordable Care Act – The penalty for not having insurance for the year is reduced to \$0 (zero) effective for taxable years beginning after December 31, 2018.
- Retirement plan loans – A loan that has not been fully repaid as of the date the employee terminates the employment has been taxable as a “distribution”, subject to taxation and penalty (unless an exception applies). Now the taxpayer has the opportunity to roll over the deemed distribution as late as the due date (plus extensions) of the return for the year of the deemed distribution.
- ABLE Accounts – There are increases in contributions amounts. Contributions are also eligible for the Savers Credit (IRC Section 25B).
- Tax exempt bonds – The interest on private activity bonds is now fully taxable.

2017 Tax Preparation Checklist

Personal Information

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

Dependent(s) Information

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

SOURCES OF INCOME

Employed

	Form W-2(s)
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Unemployed

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

	Form 1099-G
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Self-Employed

	Forms 1099-MISC, 1099K , income records to verify amounts not reported on 1099s
	Records of all expenses — check registers or credit card statements, and receipts
	Office in home information, if applicable

Rental Income

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

Retirement Income

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

Savings & Investments or Dividends

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

Other Income & Losses

	Gambling income (Form W-2G or records showing income, as well as expense records)
	Cancellation of Debt, Abandonment of Secured Property - Form 1099-C, 1099-A
	Prizes and Awards
	Trusts Form K-1
	Royalty Income - 1099-MISC

Health Savings Accounts

	Health Savings Account and long-term care reimbursements Form 1099-SA or 1099-LTC
	Form 5498-SA showing HSA contributions
	Record of alimony paid/received with Ex-spouse's name and SSN

TYPES OF DEDUCTIONS

Home Ownership

	Form(s) 1098 or other mortgage interest statements
	Real estate and personal property tax records - Obtain information from city/town website.

Charitable Donations

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

Medical Expenses

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

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

Childcare Expenses (Under Age 13 or Disabled)

	Fees paid to a licensed day care center or family day care for care of an infant or preschooler.
	Fees paid to a qualified day camp.
	Don't include expenses paid through a flexible spending account at work.

Educational Expenses

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

Miscellaneous, Job Expenses & Tax Prep Fees

	Employment related vehicle expenses (tolls, mileage, gas, maintenance, license, property tax, interest expense, parking)
	Receipts for classroom expenses (for educators in grades K-12)
	Employment-related expenses (dues, publications, tools, uniform cost and cleaning, travel)
	Job-hunting expenses
	Record of moving expenses not reimbursed by employer
	Investment related expenses (Investment Advisor Fees, Newsletters, etc)
	Amount paid for preparation of last year's tax return

State & Local Taxes or Sales Tax

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

Retirement & Other Savings

	Form 5498 showing IRA contributions
	Distributions from Educational Savings Plans Form 1099-Q

Miscellaneous

	Estimated Taxes Paid
	CHET Contributions and Account Number

**NonCash Contributions - Substantiation
Donation of Clothing and Household Items**

Taxpayer _____

Tax Year _____

Name of Organization (Donee) _____

Date and Place of Contribution _____

Description of Property Given	Date Acquired and How (1)	Cost or Other Basis (2)	Fair Market Value (3)	Condition of Item- Must Be in "Good Used or Better Condition"		Tested Appliances - Is Appliance in Good Working Condition? (5)
				Yes	(4) No	
						Yes <input type="checkbox"/> No <input type="checkbox"/>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
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						Yes <input type="checkbox"/> No <input type="checkbox"/>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
Totals:						

Signature: _____ Date: _____
Official of Donee Organization

- (1) Date acquired and cost not necessary unless the amount is greater than \$250 (Columns 1 and 2). If more than \$500, need Form 8283.
- (2) How was the Fair Market Value established (Column 3) - Some organizations, such as Goodwill and the Salvation Army, provide a standard "value list" to assist taxpayers in determining the value of the clothing and household items donated.
- (3) Under the Pension Protection Act of 2006, the clothing and household items must be in "good used condition or better" (Columns 4 and 5). Have Donee **test household items** as to working condition, and have **snapshots** (camera) of clothing and household items to **illustrate condition**.

Comment: Neither the statute nor the technical explanation of it – other than Congress' broad policy statements (footnote 8) – provides any guidance on when clothing and household items won't be considered to be in "good used condition or better" so as to bar a deduction under the rules.

◆ Fair Market Value Guide ◆

Men's Clothing

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

Women's Clothing

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

Children's Clothing

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

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

Infants

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

Electrical Items

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

Computers

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

Kitchen Items

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

Sporting Goods

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

Furniture

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

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

Textiles

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

Books, Records, Etc.

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

Toys, Games

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

Appliances

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

Miscellaneous

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

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

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