

# Support Connection

## Looking Ahead

The 2018 tax season will most likely be one of the most challenging years the IRS and the tax preparation industry will experience. The Tax Cuts and Jobs Act which was passed last December will cause changes that the industry has not experienced since 1986.

Throughout the summer at the IRS Nationwide Tax Forum and on regular conference calls and meetings with the IRS, we have seen glimmers of the coming changes. Yet, the many forms, instructions, regulations and critically important schemas, which are necessary to implement these changes in the 2018 TaxSlayer Pro software, are slowly forthcoming from the IRS.

The task that is ahead for the IRS and the tax preparation industry is daunting, but it will also be an opportunity for tax professionals to demonstrate their value. As difficult as incorporating these changes will be for tax professionals, it will be equally, if not more, challenging for the individual taxpayers.

This year many taxpayers will be surprised, both good and bad when they complete their tax returns. For many their tax obligation will be lower, but so were their withholdings. For other taxpayers, tax obligations will rise based on the loss of personal exemptions or the ability to itemize deductions.

To help with these challenges, we will continue to update tax professionals through the Pro Support Blog and the **Support Connection** newsletter as the IRS releases more information. We also encourage tax professionals to attend one of the nationwide IRS Conferences and TaxSlayer Pro's Annual User Seminar in Augusta, Georgia. (see page 5 for additional information)

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## Special points of interest

- Electronic Filing Stats
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## Percentage of Returns E-Filed

### 2015 Actual Rate

77.8%

### 2016 Actual Rate

79.3%

### 2017 Estimated Rate

79.9%

### 2018 Projected Rate

81.2%

## Understanding the Mortgage Interest Deduction

The new tax law has altered the rules for deducting mortgage interest in many ways and it will require an analysis of the amount of the loan, when it was acquired and how the proceeds are being used. These factors will now impact whether the interest deduction can be taken.

The first major change is the interest deduction on mortgages obtained in 2018 is now subject to a \$750,000 limit, down from the previous \$1,000,000. Any mortgages obtained prior to December 31, 2017 remain subject to the previous \$1,000,000 limitation as well as any mortgage where the taxpayer had a written commitment obtained prior to December 15, 2017, if the loan closed by April 1, 2018. It is anticipated that the new Form 1098 will contain this information, but the IRS has not yet released the new 2018 form.

The next major change impacts home equity loans. Under prior law, a taxpayer could deduct the interest on equity loans if the total loan did not exceed \$100,000. Now the interest on a home equity loan is only deductible if the proceeds of the loan were used to buy, build or improve the residence. If the proceeds were used for any other purpose, it is not deductible. This applies to existing home equity loans and there is no relief for taxpayers that have existing loans if they used the proceeds of those loans for other reasons such as education expenses, a car purchase, vacations or to pay off credit cards.

Any mortgage that is refinanced after December 31, 2017 is also subject to the new rules. Accordingly, a refinanced loan cannot exceed the new \$750,000 limit and if the taxpayer refinances more than the existing balance on the old mortgage, any proceeds obtained must be used to “substantially improve the home.” Any portion of a mortgage that exceeds the \$750,000 limit or otherwise is not used to purchase or improve the home, will no longer be deductible.

## Growing Your Business—Tactical Tips for Referrals

Everyone knows the power of a personal referral. You likely reach out to your colleagues, friends, relatives and clients when you are looking to make a purchase choice. So what can you do, tactically, to make referrals work for your own businesses? Before you even get started, do a quick evaluation of your current state.

**Do you know the clients you want to attract?** Be clear on the types of clients you want to build your business around. If you’d like to shift your practice in a certain direction, be intentional on where you obtain your referrals.

**Are you referable?** Ensure you are always conducting your business in a referable manner. Deliver on what you promise when you promise. Add value for your clients by going the extra mile, whether that’s preparing them now with a mid-year check up, or offering value added products like TaxSlayer’s SecurelyID or Audit Maintenance Pro the next time you prepare their return – set yourself apart as the tax preparer with the most value in your market.

Then set your plan to get referrals into action!

1. **Ask for referrals.** Period. Every time.
2. **Give a referral.** As a financial professional, you interact with likeminded colleagues. Whether it’s a realtor, insurance provider, or mortgage lender. Grow your professional network organically and your business will flourish.

## Growing Your Business—Tactical Tips

(Continued from page 2)

3. **Social Media.** If you haven't already, create a professional Facebook page and update your LinkedIn account.
4. **Offer a referral commission.** Whether it's a dollar amount off your service or a gift card for a coffee, incentives can work if managed well.
5. **Add a link to your email signature line or on your website.** However you get in front of your existing clients, make it easy for them to provide referrals.
6. **Acknowledge referral sources.** It can be a quick call, email or better yet, a handwritten note. Be sure to thank those who have provided referrals. They'll be more likely to refer again. Referrals can be tracked in the program—visit the TaxSlayer Pro Knowledgebase to learn how.
7. **Join Business Network International (BNI) or other professional organization.** BNI is specifically organized for networking, but your local Chamber of Commerce, or any local civic or private organization will drive more locals to know your business.

Remember, referrals grow over time, so choose one or two tips and start there. Start today, and mark your calendar for three, six and twelve months from now. Evaluate your progress and layer in new tactics.

Of course, we believe in the power of referral and would be remiss if we didn't ask... **who do you know who might benefit from using TaxSlayer Pro?**

## The New Child Tax Credit

Although the Tax Cuts and Jobs Act eliminated the deduction for personal exemptions, the concepts of a qualifying child and qualifying relative will remain relevant on the 2018 tax return. Specifically, a qualifying child will still be used in the determination of Head of Household status, Earned Income Credit, Education Credits and the new Child Tax Credit. Claiming a qualifying **relative** on the tax return will also be relevant for the new Child Tax Credit.

Under prior tax provisions a taxpayer could receive a Child Tax Credit of up to \$1,000 for each qualifying child, age 16 or under, that was claimed as a dependent on their tax return. The old Child Tax Credit was first applied against any a tax liability that existed on the return and then (subject to certain limits) any unused Child Tax Credit could be refunded to the taxpayer as the refundable Additional Child Tax Credit.

The amount of the allowed Child Tax Credit was based on the income of the taxpayer. For taxpayers whose income was above specified amounts (\$75,000 for Single,

## Obtaining Your IRS Tracking Number

To update your TaxSlayer Pro account and electronically file tax returns for 2018, you must provide your IRS issued Tracking Number located in your IRS e-Services Application Summary. The tracking number must be entered in your TaxSlayer Pro Account Hub (formerly My Account) and will be used by the IRS to verify that transmissions received from your EFIN are legitimate.

It is extremely important that you [log in](#) to your e-Services account and obtain your tracking number before the start of electronic filing. The IRS has transitioned all e-Services accounts to a secure access login process. This means you must be able to verify your identity through multiple sources in order to access your account.

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 will take several days and could delay your ability to electronically file 2018 tax returns. 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.

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## The New Child Tax Credit

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HOH & Qualifying Widow(er); \$55,000 for MFS and \$110,000 for MFJ), the pre-TCJA Child Tax Credit was phased out and was not available to any taxpayer whose income was above the limits.

The new Child Tax Credit has many differences from the previous credit:

1. The maximum amount of the credit has doubled from **\$1,000 to \$2,000** for each qualifying child, age 16 or under claimed on the tax return. To receive any part of this credit a taxpayer must have at least \$2,500 in earned income (it was \$3,000 previously).
2. To be eligible for the \$2,000 Child Tax Credit, each qualifying child, age 16 or under, **must have a valid Social Security Number**. A child with an ITIN or ATIN will no longer qualify for this portion of the Child Tax Credit.
3. The new Child Tax Credit will phase out when the taxpayers' AGI exceeds \$400,000 for MFJ and \$200,000 for all other filing statuses. The new phase out limits **are significantly higher** than the previous limits and will greatly expand the number of taxpayers eligible for the Child Tax Credit.
4. The refundable portion of the Child Tax Credit has been increased to a maximum of **\$1,400**/per qualifying child, age 16 or under. The actual amount of the credit that a taxpayer can receive is based on 15% of taxable income above \$2,500.
5. A new provision to the Child Tax Credit allows taxpayers to receive a **non-refundable \$500 credit** for a dependent who does not otherwise qualify as a qualifying child. This \$500 credit will also be available to taxpayers who have a qualifying child that is age 17, 18, or a full-time student age 19 to 24. To receive this non-refundable \$500 credit, the qualifying relative or child does not need a valid social security number, but may use an ITIN or ATIN if they are a **resident** of the United States.
6. The \$1,400 refundable amount will be adjusted in future years in increments of \$100.

For many taxpayers, the new Child Tax Credit will be a significant benefit and will more than offset the impact of the loss of the deduction for the personal exemption. Additional information about the new Child Tax Credit will be found on the Pro Support Blog, as the IRS issues the revised instructions.

## The Safeguards Rule—Understanding Your Responsibility

The Federal Trade Commission's (FTC) Safeguards Rule mandates that financial institutions must protect the consumer information they collect. The FTC's definition of a financial institution includes professional tax preparers. Under the Safeguards Rule, companies are required to have measures in place to keep customer information secure and develop a written information security plan that describes their program to protect customer information.

In their 2018 Annual Report to Congress, the Electronic Tax Administration Advisory Committee's (ETAAC) primary focus is Cybersecurity and Identity Theft Tax Refund Fraud. The ETAAC stated in the report that they believe far fewer than half of tax professionals are aware of their responsibilities under the Safeguards Rule and that even fewer have implemented the required security practices.

In order to protect your clients and comply with the Safeguards Rule, you must:

# The Safeguards Rule—Understanding Your Responsibility

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- designate one or more employees to coordinate an information security program;
- identify and assess the risks to customer information in each relevant area of the company's operation, and evaluate the effectiveness of the current safeguards for controlling these risks;
- design and implement a safeguards program, and regularly monitor and test it;
- select service providers that can maintain appropriate safeguards, make sure your contract requires them to maintain safeguards, and oversee their handling of customer information; and
- evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business or operations, or the results of security testing and monitoring.

In an effort to assist tax professionals implement a security program that is appropriate to their own company's size and complexity, the IRS has issued guidance in [Publication 4557, Safeguarding Taxpayer Data – A Guide for Your Business](#). The publication discusses best practices in building a secure office environment, and provides an in-depth Safeguards Rule Checklist for tax professionals.

## Windows Updates—Your First Line of Defense

Everyone realizes that in order to protect your computer system from known threats, you must run some type of security software. There is however something even more important to the protection of your system than security software; running your Windows updates.

Microsoft frequently releases security updates for its supported products, including Windows 7, Windows 8, and Windows 10 operating systems. These updates fix newly discovered security problems and are classified into categories. The updates you should be looking for are the Critical, Recommended, and any Optional updates related to Microsoft .NET.

If your office computers are idle, or turned off during the off season, it is imperative that they stay updated. TaxSlayer Pro Support recommends turning these systems on and manually checking for Windows updates. While you are at it, check for new Windows updates on all of your computers. Reboot each computer and then check once more for updates. Don't be surprised if there are more updates to install. Repeat this process of rebooting and manually checking for Windows updates until the computer reports that there are no more updates available.

Click [here](#) for instructions on updating Windows 7, 8 and 10

Following the above steps will help immensely in protecting your data and your business. After Microsoft updates are current, it is good practice to back up your TaxSlayer programs and data to an external drive and store the drive away from your computer in a safe location. Contact TaxSlayer Pro Technical Support for assistance with this process.

## TaxSlayer Pro Annual User Seminar

The 2018 TaxSlayer Pro Annual User Seminar will be held on Monday, November 12th and Tuesday November 13th at the Marriot Convention Center in Augusta, Georgia. This year's program will include the latest updates on the implementation of the Tax Cuts and Jobs Act and a General Session with a top industry representative.

The second day will feature breakout sessions on a variety of topics that will impact the coming tax season. You can register early through your MyAccount or by calling your sales representative at 888-420-1040.

## The New Postcard-Sized Form 1040

With numerous tax law changes coming for the 2019 filing season, perhaps the most significant changes are to Form 1040 and the increase in the standard deduction which is nearly doubled for all filing statuses. The new 1040 is the size of a postcard, and the IRS is promoting its ease of use. The condensed version of the standard 1040 replaces both Forms 1040-A and 1040-EZ but will require a series of schedules to be attached for any taxpayer needing to complete anything other than the former 1040-EZ. The release of the final 1040 form is widely anticipated by tax professionals everywhere, and the draft form released by the IRS on June 29<sup>th</sup> raised a lot of questions from tax industry partners as to whether the new 1040 will make tax reporting easier or more efficient.

The layout of the new 1040 is vastly different than in previous years. The first page of the form contains personal information such as filing status, dependents, and the signatures of both the taxpayer and the paid preparer. The second page of the form is where very limited income, deduction and credit items will be reported. There is a total of 6 new schedules that will be attached to the return as needed, including Additions to Income, Other Taxes, Refundable and Nonrefundable Credits. Essentially, each section of the old 1040 has been replaced with a short schedule.

The image shows a draft of the 2018 U.S. Individual Income Tax Return Form 1040. The form is titled "Form 1040 Simplified U.S. Individual Income Tax Return 2018" and includes fields for taxpayer information, filing status, dependents, and preparer information. A large watermark "DRAFT AS OF JUNE 29, 2018 DO NOT FILE" is overlaid on the form.

Posted on the IRS.gov on June 29, 2018

Tax Professionals are encouraged to analyze their current fee structure and determine how to charge for tax preparation going forward. The increase in the standard deduction will cause many taxpayers who have itemized deductions in the past to take the new, higher standard deduction, eliminating their ability to file Schedule A. At the same time, new due diligence requirements for head of household filers and the new Qualified Business Income Deduction for taxpayers with pass through income (including Schedule C income) will require considerably more effort than in prior years. The draft version of the new postcard 1040 and the six accompanying schedules can be found on the [draft forms page](#) of IRS.gov.

## 2018 Long Term Capital Gain Rates

The Tax Cuts and Jobs Act did not change the treatment given to gains on capital assets. Short-Term Capital Gains will continue to be treated as ordinary income and Long-Term Capital Gains will still be given a more favorable tax treatment. The Long-Term Capital Gain tax rates remain 0%, 15% and 20%, which is applied to the gain based on specified income levels.

Since 1998, the capital gains tax rates have been keyed to follow the taxpayer's tax brackets for ordinary income. Under previous law, the 0% capital gains tax rate corresponded to taxpayer's two lowest ordinary income tax brackets (the 10% & 15% brackets), the 15% rate was applied to the next four ordinary income tax brackets (the 25%, 28%, 33% & 35% brackets) and the 20% capital gain rate matched the highest ordinary income tax bracket (the 39.8% bracket).

Under TCJA, the Long-Term Capital Gain tax brackets will no longer correspond to the ordinary income tax brackets.

## 2018 Long Term Capital Gain Rates

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Instead, Long-Term Capital Gain tax brackets will remain more closely aligned with the pre-TCJA ordinary income tax brackets. Going forward these brackets will be adjusted annually. Whether this was intentional or simply an oversight by the drafters of the TCJA it has created a disconnect between the tax rates for long-term capital gains and ordinary income. The Capital Gain Tax Brackets for 2018 are:

Long Term Capital Gain Rate	Single	Married Filing Jointly	Head of Household	Married Filing Separately
0%	Up to \$38,600	Up to \$77,200	Up to \$51,700	Up to \$38,600
15%	\$38,601-\$425,800	\$77,200-\$479,000	\$51,700-\$452,400	\$38,601-\$239,500
20%	Over \$425,800	Over \$479,000	Over \$452,400	Over \$239,500

## Introducing Account Hub—the New MyAccount

The next time you log into your TaxSlayer Pro My Account, you'll notice some major changes. We are excited to announce the release of Account Hub, your new account portal for TaxSlayer Pro. Formerly referred to as My Account, Account Hub has been designed to increase efficiency and deliver a new, more modern dashboard feel.

What's new? Account Hub has an entirely new look. Each section of Account Hub has its own tile containing unique action items. The new interface allows you to arrange the tiles in any order on your page, so you can easily access the sections you use most.

Account Hub also gives you the ability to grant your employees access to areas of the portal as you see fit. A built-in security management system allows you to create employee accounts and assign templates based on what areas of Account Hub you want each employee to access.

[Web Reporting](#) has been added in Account Hub, giving you access to real time office productivity and customer reports from wherever you have internet access. The new web reporting feature offers a variety of reports that can be customized to include the information you want to see.

What's next? The initial release of Account Hub is just the beginning of delivering a modern, interactive way for our customers to get the most out of all the features TaxSlayer Pro has to offer. Planned updates to the initial release include upgraded customization options and a web based client status utility. We look forward to hearing your feedback as well as your ideas for the future growth of Account Hub.

## Due Dates for Returns on Extension

### September 17, 2018

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

**Form 1120-S**— S Corporations

### October 1, 2018

**Form 1041**—Estates & Trusts

### October 15, 2018

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

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

### November 15, 2018

**Form 990**—Non-Profit Organizations

[Preview of the next Support Connection Newsletter](#)

[Getting ready for the New Tax Season](#)

[Update on implementing the Tax Cuts and Jobs Act](#)

[Annual User Seminar Updates](#)

[Tax Calendar/Filing Deadlines](#)

[New Knowledgebase for 2018](#)

## Are You Prepared for the 2018 Tax Season?

The Tax Cuts and Jobs Act that was passed last December contains 119 new tax provisions that will be administered by the IRS. These provisions affect individuals, businesses and tax-exempt entities and according to the Joint Committee on Taxation will produce a net reduction in tax of almost \$1.5 trillion through Fiscal Year 2027.

The IRS estimates that **over 400 forms and publications** will be revised and that hundreds of pages of new regulations will be issued before the start of the next tax season. At this time most of the new forms, instructions and regulations are either still in draft form or not yet released. The IRS has created a multifaceted oversight structure to coordinate implementation of all of these activities. This includes the hiring of an estimated 1,734 full time equivalent positions over the next two years. Also, the schema that is used by tax software providers to update their software each year has not been fully developed or released by the IRS.

All of these factors point towards a more challenging tax season when compared to recent years. As a result, it is imperative to be prepared. TaxSlayer Pro Support will be ready to assist you. We recommend that you familiarize yourself with all of the upcoming changes to ensure a smooth start in 2019.

### Support Hours of Operation

All Eastern Time

**Apr 18 to Dec 31, 2018**

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

Monday October 15  
8:00 AM to 8:00 PM

#### Fall Holiday Schedule

Support will be closed on the following Fall Holidays.

#### **Labor Day**

**Monday September 3, 2018**

#### **Thanksgiving**

**Wednesday November 21, 2018 (at Noon)**

**Thursday November 22**

**Friday November 23**

#### 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
Email	prosUPPORT@taxslayer.com

#### 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