



ACCOUNTING UNLIMITED INC

JENNIFER A. JONES
Certified Public Accountant

FRANK DIMEGLIO JR
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Dear Tax Client,

Is it really 2019?

As I write watching my 16-year-old sons walk out the door with their driving instructor, I'm taken back to the early days in our Greenbelt office before they were born. It seems like yesterday to me but even more unbelievable than the swift passage of time is the fact that many of you have been with us since that time. You have seen our founding partner Richard Jones retire, a move to our Crofton office, the addition of three new staff members, an office remodel and the move toward a paperless environment. Ironically, what hasn't changed throughout is the tax code. We have been operating under the Tax Reform Act of 1986: An act that originated when Ronald Reagan was president and I was a freshman in college back in Ohio. That all changed on December 20, 2017 when Congress finally got back to governing and passed sweeping tax reform known as the *Tax Cuts and Jobs Act* officially amending the Internal Revenue Code of 1986. As noted in my letter last year, since the 1986 act presidents and successive Congresses have eroded most of the benefits. Scores of special interest and targeted tax breaks have been passed and the top individual tax bracket has crept back up to 39.6%. The current bill is about going back to the future. Like all other changes, we will work through them together and it is with Bob Dole's words forefront in our minds that we will navigate such comprehensive reforms: "The purpose of tax cut is to leave more money where it belongs: in the hands of the working men and working women who earned it in the first place."

Yes, page one of the new Form 1040 looks like a postcard; however, it hardly denotes simplification. In fact, the recurring theme in all of our continuing education classes so far has been the 20% increase in time we can expect to properly complete your return. Following is a summary of the major changes that have occurred:

- *Lower individual rates*
- *Nearly double the standard deduction*
- *Eliminates personal exemptions*
- *Eliminates 2% Miscellaneous Itemized Deductions*
- *Caps state and local tax deductions*
- *Expands child credits*
- *Creates temporary credit for non-child dependent whom taxpayer supports, such as a child over 17 or elderly parent*
- *Lowers cap on mortgage interest deduction*
- *Curbs who is hit by Alternative Minimum Tax*
- *Exempts almost everybody from the estate tax*

Please refer to the attached **2017 Tax Cuts and Jobs Act** memo for much further detail.

The extent to which states conform to federal income tax law has a significant impact over how tax code changes affect state revenues. Maryland not only has a broad-based individual income tax system which ties tax calculations to federal adjusted gross income, it is also one of the rolling conformity states that automatically follows the latest version of the internal revenue code. When undesirable impacts from federal legislation arise, states can look for ways to reform their tax code. Maryland legislators did just that on May 15th when they delivered a bill in response to the new federal tax act. The comptroller's office estimated that while 71 percent of Maryland taxpayers would pay less in taxes under the new rules, about 23 percent would see an increase without changes in rules and regulations. Per Governor Larry Hogan, the following tweaks to Maryland's tax system will save residents nearly \$3 billion in state taxes over the next five years:

- Taxpayers may take a personal exemption for state purposes even though repealed at the federal level.
- The standard deduction increases to \$2,500 for single taxpayers and \$5,000 for couples filing jointly.
- The *Earned Income Tax Credit* expands to individuals between the ages of 18 and 24 years without qualifying children.

Along with this letter you will find a tax preparation checklist designed to aid you in gathering the information necessary to file a complete and accurate return. If you would like us to provide you with a tax organizer for completion, please let us know. They are only provided upon request. A separate e-mail will be sent to you through our scheduling platform informing you of the date and time for your appointment. Please respond back to Kim via e-mail at kbrady@accountingunlimited.net to confirm. If another date and time better suits you, let us know. Dropping off or mailing in your tax information is always an option; however, any documents received after April 1st will require an extension. Remember, extensions extend the time to file, not to pay. If you think you might owe taxes, you will need to make payment with your extension request.

We will continue to keep you abreast of the latest developments by sending monthly newsletters, weekly tax tips, and other informative pieces via our cloud-based e-mail system throughout the year. Be sure to look for those and checkout our website at www.accountingunlimited.net anytime to determine the status of refunds or make use of the many other research and planning tools available.

Per William Arthur Ward, "Feeling gratitude and not expressing it is like wrapping a present and not giving it." Thank you for your loyalty through the years and your continued desire to have our firm be your partner in navigating a rapidly changing, ever complex tax system. Coming together is the beginning; keeping together is progress; working together is success. —Henry Ford

See you soon,

A handwritten signature in black ink that reads "Jennifer A. Jones, CPA". The signature is written in a cursive, flowing style.

Jennifer A. Jones
Certified Public Accountant