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RE: Preparation of 2017 Personal Income Tax Returns

Dear Tax Client:

Happy New Year, and wishing you God's blessings in 2018. To those clients who are returning to us once again for tax preparation, we sincerely thank you for your past patronage and ask that you spread the word to your friends and family of our tax preparation services. To our new clients, we thank you in advance for your business and pledge to serve you with quality and professional customer service.

The cutoff to file your 2017 personal income tax return is **Tuesday, April 17, 2018**. The due date is April 17 instead of April 15 because April 15 is a Sunday and April 16 is the Emancipation Day holiday in the district of Columbia. Please contact our office for preparation of your 2017 tax return at your earliest convenience, after you have received all necessary supporting documentation to prepare your return.

Note that all federal and state tax returns prepared by our company will be electronically filed to the federal and state governments. Your returns will be prepared solely on the basis of information submitted to us by you, the tax client.

All clients and their spouses/partners are now required to provide their driver's **license or state photo ID details** to us every year. Some states are now requiring this information for identity verification when income an income tax return is e-filed. This information needs to be provided to us in the **Personal Data** form noted below.

Important "Due Diligence" Requirements by the IRS

The IRS has expanded the "**Due Diligence**" requirements and responsibilities of tax preparers to ensure that the information being provided by the taxpayer to calculate the following tax credits is complete and accurate:

- a.) EITC (Earned Income Tax Credit)
- b.) AOTC (American Opportunity Tax Credit – Education Credit)
- c.) CTC / ACTC (Child Tax Credit and Additional Child Tax Credit)

As such, we will expand our interview with clients who claim any of the credits above to provide our office with adequate information to comply with this IRS mandate. Clients who are eligible for the Earned Income Tax Credit, American Opportunity Tax Credit and/or Child Tax Credits will be required to complete an expanded list of **Due Diligence** forms as noted below, including a requirement to provide documentation to us as noted in the forms to support the credit deductions.

New Veterans Exemption for NJ Tax Returns Starting 2017

For those clients who are filing a New Jersey income tax return, you are eligible for a \$3,000 exemption on your Income Tax return if you are a military veteran who was honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States on or any time before the last day of the tax year. Your spouse (or civil union partner) is also eligible for an exemption if he/she is a veteran who was honorably discharged or released under honorable circumstances and you are filing a joint return. This exemption is in addition to any other exemptions you are entitled to claim and is available on both the resident and nonresident returns. You cannot claim this exemption for a domestic partner or for your dependents.

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In order to claim the new Veteran's exemption:

- (a) Enter "YES" on the **2017 Personal Data Form** (noted below) indicating you are claiming the exemption
- (b) At the bottom of the **2017 Personal Data Form**, complete and return the **Veterans Income Tax Exemption Submission Form**
- (c) Provide us with a copy of your **official discharge document** to certify your eligibility for the Veterans Exemption. Any documentation submitted must list your characteristic of service (discharge). We only need a copy of your records the first time you claim the exemption. **You do not need to provide documentation each year.** Examples of official discharge documents are as follows:

DD 214	Certificate of Release or Discharge from Active Duty
DD Form 256	Discharge Certificate
WD AGO 53	Enlisted Record and Report of Separation Honorable Discharge
WD AGO 53-98	Military Record and Report of Separation Certificate of Service
WD AGO 55	Honorable Discharge from the Army of the United States
NA Form 13038	Certificate of Military Service
NAVCG 553	Notice of Separation from U.S. Coast Guard
NAVMC 78PD	U.S. Marine Corps Report of Separation
NAVPERS 553	Certificate of Separation/Discharge from U.S. Navy
County Veteran ID Card	Veteran identification card issued by any of the New Jersey counties
Federal Veteran ID Card	Veteran identification card issued under the Veterans Identification Card Act

Requirements for Filing

Please refer to our website at www.jptfinancial.com and open the tab labeled "**Documents**" to obtain a list of specific information and forms that are required to prepare your 2017 income tax return. If you do not have access to the web please contact our office and we will mail you a set of forms to be completed as needed.

1.) Client Data Form

ALL CLIENTS (both new and existing) are asked to complete the **Client Data Form** to ensure that we have complete up to date information for all our clients.

NEW clients are also required to provide our office with a copy of the following:

- (a) Your 2016 prior year income tax return (federal and states as applicable)
- (b) A driver's license or state photo ID for the taxpayer and spouse
- (c) Social security cards for the taxpayer, spouse and dependents for identify verification.

2.) Personal Tax Preparation Resources – Select "2017 Tax Season" for each:

- (a) **Tax Checklist for Preparing Personal Tax Returns** - A general recap of information and supporting documentation that is needed for tax preparation. Please provide our office with all relevant forms and information noted in this checklist to prepare your tax return.
- (b) **Engagement Contract** - Required from **ALL** clients **PRIOR** to the preparation of your income tax return. Please review the contract, sign and date, and return the acknowledged copy to our office.

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- (c) **Personal Data** – Required from **ALL** clients every year. Complete this form to include filing status, taxpayer and spouse social security numbers, drivers license or state photo ID details, NJ Veterans exemption information (noted above) and any estimated tax payment information for 2017 if applicable.
- (d) **Dependents** – Complete this form to include relevant information for all dependents that you claim on your tax return. New clients are required to supply our office with the social security card for all dependents.
- (e) **Direct Deposit & Electronic Funds Withdrawal Information** – Required from **ALL** clients every year (including a copy of a voided check), to set up a direct deposit of your tax refund and/or electronic funds withdrawal from your bank account or credit card for the payment of any income tax liability if desired.
- (f) **Health Insurance Coverage** – **ALL** clients are required to complete these forms for all members of your “tax family”, defined as individuals for whom you are claiming a personal exemption on your tax return (generally you, your spouse with whom you are filing a joint return, and your dependents). Residents must maintain minimum essential health coverage or pay a penalty. Minimum essential coverage includes government sponsored programs (Medicare, Medicaid), eligible employer-sponsored plans, plans in the individual market, certain grandfathered group health plans and other coverage as recognized by the Department of Health and Human Services.
- (g) **Due Diligence Forms** – **ALL** clients who are eligible for the **EITC** (Earned Income Tax Credit), **AOTC** (American Opportunity Tax Credit) for education and/or **CTC/ACTC** (Child Tax Credit/Additional Child Tax Credit) will be required to complete these individual due diligence forms, including a requirement to provide documentation to us as noted in the forms, to support these credit deductions.

The IRS continues to significantly increase the responsibility of tax preparers to ensure that information being provided by the taxpayer to calculate these credits is complete and correct. As such, we will interview all clients who claim these credits to provide our office with adequate information to comply with this IRS mandate.

- (h) **Child & Dependent Care** – Complete this form if you had any child or dependent care expenses in 2017.
- (i) **Profit or Loss from Business** – Complete this form if you operated a business as a sole proprietor in 2017.
- (j) **Small Employer Health Insurance Credit** - Complete this form to provide information for the calculation of the small business health insurance credit if applicable for your sole proprietorship in 2017.
- (k) **Auto Expense Worksheet** - Complete this form to deduct expenses of your automobile for business in 2017.
- (l) **Expenses for Business Use of Your Home** – Complete this form if a portion of your home was used for a sole proprietor business in 2017.
- (m) **Employee Business Expenses** – Complete this form to identify any non-reimbursed employee business expenses that you incurred in 2017.
- (n) **Sale of Capital Assets** – Complete this form for any sale of stocks, bonds, etc. in 2017. As an alternative, you can provide copies of statements that you may have which provide information that is stated on the forms.
- (o) **Sale of Home** – Complete this form if you sold your home in 2017. As an alternative, you can provide copies of statements that you may have which provide information that is stated on the forms.
- (p) **Energy Credits** – Complete these forms if you have incurred expenses related to special energy related deductions in 2017.
- (q) **Casualty and Theft Losses** – Complete this form if you had any casualty or theft loss in 2017.
- (r) **Rental Real Estate & Royalties** – Complete this form if you had a rental income or loss activity in 2017.

(s) Issuing 1099-MISC Forms for Real Estate Property

Form 1099-MISC needs to be issued by you as the owner of a rental property or business enterprise for certain types of payments made in 2018 which are more than \$600 to an individual recipient. This form needs to be issued to each recipient by January 31, 2018 when reporting nonemployee compensation payments in box 7. The due date to recipients is extended to February 15, 2018, if you are reporting payments in boxes 8 (substitute payments in lieu of dividends or interest) or 14 (gross proceeds paid to an attorney). File Copy A of this form with the IRS by January 31, 2018, if you are reporting payments in box 7. Otherwise, file by February 28, 2018, if you file on paper, or by April 2, 2018, if you file electronically. Review this document for further details and information to complete this requirement.

(t) Installment Sales – Complete this form if you had an activity related to a sale set up on an installment basis in 2017.

(u) Non-Cash Charitable Contributions – Complete this form if you had non-cash related charitable contributions in 2017.

(v) Household Employment Taxes – Complete this form if you had any household employees in 2017.

(w) Request to File an Extension – Complete this form if you wish to file an extension for filing your 2017 income tax return.

IMPORTANT

In order for our firm to satisfy IRS requirements to sign-off and electronically file your return as a “paid preparer”, it is **required** that clients remit payment for services prior to electronic transmission of your tax return. As such, payment to JPT Financial Solutions for your tax return **is due upon receipt or notification of the completed tax return**. A 1.5% monthly interest late fee will be reflected on all past due accounts over 30 days. Note that we now accept credit cards for payment of your tax return preparation.

Thank you in advance for your kind assistance and for letting us be of service to you. If you have any questions please don't hesitate to contact us.

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