



# UPDATE

Margaret McDeed, Editor

Spring Issue 2019

## Dwight Darby & Company

Certified Public Accountants

### SPECIAL REPORT TO OUR DWIGHT DARBY CLIENTS

*(PLEASE ALSO SEE FINAL NOTE AT END)*

#### In This Issue

- SSA Notifies Employers Regarding Mismatched W-2 Information pg. 2
- Work Expense and Mileage Itemized Deductions Eliminated pg. 2
- Hail and Farwell pg. 3
- Ten (Inspirational) Tax Quotes pg. 3
- Continued from cover pg. 4 & pg. 5
- Overseeing Financial Accounting Standards Board (FASB) Standard Adoptions pg. 4
- Closing Entries & Just For Fun pg. 6

Brad Tushaus  
Senior Partner

Dawn Lopez  
Audit Partner

Wayne Bond  
Senior Member

611 S. Magnolia Ave.  
Tampa, FL 33606  
813.251.2411

[www.dwightdarby.com](http://www.dwightdarby.com)

Find Us On:



#### **Tax Reform Implementation Takes Center Stage in 2018; The IRS Shutdown Added to Uncertainties in the New Year**

In review of the most significant tax-related developments of 2018, most notable is the year-long and ongoing effort toward tax reform implementation. The Tax Cuts and Jobs Act (TCJA), enacted in late December 2017, was the most sweeping overhaul of the tax code in over thirty years. Nearly every taxpayer is impacted by the new tax law, and practitioners are working to understand its varying impact on both their own professional planning as well as client-specific tax planning and return preparation. Although a large volume of TCJA-related guidance was released by the IRS in 2018, additional tax reform guidance is expected to be unveiled and finalized throughout 2019.

#### **COMMENT:**

*The partial government shutdown, which included much of the IRS, is expected to likely cause significant setbacks during the 2019 tax filing season. While IRS operations related to TCJA implementation continued amidst the shutdown, according to the Washington Post/Bloomberg, the IRS will need at least a year to recover from the shutdown and return to normal operations assuming it doesn't shutdown again. They are currently buried in millions of unanswered taxpayer letters, weeks behind schedule on training for workers and in need of hiring thousands of new employees for this tax season, according to two House aides.*

#### **IRS SHUTDOWN AND ITS EFFECTS**

During the shutdown, the IRS operated under a specific TCJA authorization which allowed it to continue working on TCJA-related guidance. However, other filing season related preparations, many of

which are interdependent and must ultimately integrate with TCJA-base changes, are behind schedule due to the shutdown. Mike Dolan, national director of IRS policies and dispute resolution in the Washington National Tax practice of KPMG LLP, told Wolters Kluwer "...less than final' guidance creates uncertainty for taxpayers and their advisors and could cause some to push return preparation to later in the filing season...." Dolan, a former IRS deputy commissioner, provided Wolters Kluwer direct insight into procedural steps that must be completed by the IRS to prepare for a tax filing season that involves a new tax law—such as the one at hand. Additionally, Dolan conveyed to Wolters Kluwer some particular hurdles that may further complicate this year's filing season.

#### **COMMENT:**

*The IRS announced on January 7, 2019, that the filing season for the 2018 tax year would begin on January 28, 2019.*

*"Under normal circumstances, any filing season that involves new tax law requires the IRS to determine what new data must be captured on a tax return and how that data must interact with other return data or processing protocols. Typically, a new provision may require the addition or revision of one or more line items on a return or the creation or revision of a schedule and/or information report," Dolan outlined.*



Continued on page 4

## SSA NOTIFIES EMPLOYERS REGARDING MISMATCHED W-2 INFORMATION

*Kathy Tushaus*

The Social Security Administration (SSA) has announced that it is sending notices to businesses and employers who submit Forms W-2 (Wage and Tax Statement) that contain name and Social Security number (SSN) combinations that do not match SSA records. The SSA refers to these notices as Educational Correspondence (EDCOR).



The SSA explains that the reasons why reported names and SSNs may not agree with SSA records may include typographical errors, unreported name changes, and inaccurate or incomplete employer records.

If the SSA cannot match the name and SSN reported on a Form W-2 with their records, it cannot reconcile employer wage reports and credit earnings to the record of a worker. When earnings are missing, the worker may not qualify for the Social Security benefits they are due, or the benefit amount may be incorrect. The EDCOR notice requests employers to review their records and correct errors.

The SSA webpage contains links to samples of three letters: the EDCOR Announcement, the Employer Correction Request letter, and the Third-Party Provider Notification.

The EDCOR Announcement asks recipients to help the SSA ensure the accuracy of wage reporting for their employees by registering for Business Services Online, which includes such services as the Social Security Number Verification Service and AccuWage.

The SSA webpage for Employer Correction Request Notices provides that, beginning in the spring of 2019, the SSA will notify each employer with at least one W-2 form where the name and SSN do not match SSA records, that corrections are needed.

According to the sample Third-Party Provider Notification, employers with one or more name and SSN combinations submitted within the last several months that the SSA could not process will receive an announcement letter regarding the discrepancies. The Third-Party Provider Notification sample also says that the announcement letter to employers will inform them that they will receive an EDCOR notice in 2019 and requests employers review and correct their records.

## Work Expense and Mileage Itemized Deductions Eliminated

*Pam Mattox*

The Tax Cuts and Job Acts (TCJA) eliminated the Schedule A deduction for miscellaneous expenses. Prior to the TCJA, a deduction was allowed for miscellaneous expenses exceeding 2% of adjusted gross income. Employees were able to include job related work expenses and mileage paid out of their own pocket as a miscellaneous expense on the Schedule A along with other qualified expenses.

If you were one of the individuals who benefited from these deductions, what can you do to avoid the additional tax liability? Try negotiating a couple of different options with your

employer. Have your employer reimburse you for your expenses under an "accountable plan" established by the employer. This means your employer reimburses you when you provide detailed records supported by contemporaneous documentary evidence. Without this evidence, the reimbursement is fully taxable to you. If your employer does not want to set up the "accountable plan," try negotiating a raise to cover your additional tax liability.

[www.DwightDarby.com](http://www.DwightDarby.com)

## Hail and Farewell



Dwight Darby and Company would like to welcome Leslie Hamilton to the firm as our new Office Administrator. She recently relocated to Dunedin, Florida from Highlands Ranch, Colorado. She is a career operations administrator with over 30 years of experience in the financial and real estate industries. She enjoys time on the beach and with her family. Leslie has a daughter Kaitlin who majored in Marine Biology at Hawaii Pacific University. Her son Grant has performed with Up With People, Disney World and now resides in Michigan where he attends college and works. Her youngest daughter, Olivia resides in New York City, where she attends college and models full time.

The partners and staff bid farewell to our Office Administrator Tara Nichols. She has been with the firm over 6 years and we appreciate all her hard work and dedication. Tara has taken a position with the Greater Seminole Area Chamber of Commerce as their new Executive Director. We wish her the best of luck! The good news is that she will be back in the office, on occasion, to help out during this years tax season.



## Ten (Inspirational?) Tax Quotes

*Rick Vernal*

- ◆ A fine is a tax for doing wrong. A tax is a fine for doing well.
- ◆ Of life's two certainties, there is only one for which you can get an automatic extension.
- ◆ The hardest thing in the world to understand is the income tax.
- ◆ The nation should have a tax system that looks like someone designed it on purpose.
- ◆ It is a good thing that we do not get as much government as we pay for.
- ◆ Next to being shot at and missed, nothing is quite as satisfying as an income tax refund.
- ◆ What at first was plunder assumed the softer name of revenue.
- ◆ The best things in life are tax free.
- ◆ Isn't it appropriate that the month of tax begins with April Fool's Day and ends with cries of "May Day!"
- ◆ There's nothing wrong with the younger generation that becoming taxpayers won't cure.



## Continued from cover

Additionally, related instructions must be created or revised, and IRS return-processing software requirements must be defined, he added. Further, IRS systems and databases must be programed in order to capture and organize correct data, according to Dolan. Moreover, internal IRS training and instruction on the new tax law must be developed to prepare employees to properly respond to taxpayer and practitioner questions, he noted.

### IMPACT:

Now that filing season is beginning, "any delays in processing and/or continuing uncertainty will likely create abnormal demands on telephone and other assistance sites, which will result in increased wait times and lower overall levels of service. The IRS will likely be required to increase its real-time communication within the entire return processing ecosystem—including, among others: taxpayers, tax professionals, software vendors, the Congress, states, and IRS employees," Dolan told Wolters Kluwer.

### TAX REFORM IMPLEMENTATION

Implementation of the TCJA was a primary IRS focus throughout 2018. Originally, the IRS predicted it would have all tax reform-related proposed guidance released before the 2019 filing season. However, Assistant Treasury Secretary David Kautter, while serving as Acting IRS Commissioner, told Congress last year that it could take years to finish the job. "It will take us a couple of years, at least, to get guidance out on the entire bill [TCJA]," Kautter said.

Practitioners have voiced concern with several pieces of TCJA guidance, sometimes criticizing either the interpretation of the law or lack thereof. Indeed, an IRS spokesperson, while speaking to Wolters Kluwer, previously anticipated that the TCJA guidance released on [Code Section 199A](#) would not answer every practitioner question regarding the new law. In line with that prediction, many practitioners have expressed the need for additional guidance

### COMMENT:

*Several key proposed regulations related to TCJA provisions are anticipated to be released in the coming weeks. Generally, additional guidance on certain TCJA provisions, including but not limited to the Section 199A pass-through deduction and the State and Local Tax (SALT) deduction, are expected early this year.*

### NEW IRS COMMISSIONER

Adding to an eventful year at the IRS, the Service's 49th commissioner was officially sworn in on October 1 by Treasury Secretary Steven Mnuchin. IRS Commissioner Charles "Chuck" P. Rettig is currently leading the implementation of tax reform. Rettig is a former tax attorney from California. While speaking at a recent tax conference in Washington, D.C., Rettig stated that tax reform implementation is at the top of his priority list as head of the IRS. In addition to tax reform-related guidance, the IRS has been working to update new taxpayer forms and instructions for the 2019 tax filing season. To that end, last month the IRS released the final 2018 Form 1040, Individual Tax Return. For the 2019 tax filing season, taxpayers, practitioners, and return preparers will have to become familiar with the newly organized form, along with six separate schedules.

Additionally, the new, "simplified" Form 1040 eliminates the need for previous Forms 1040A and 1040EZ.

The new Form 1040 is roughly a half-page in length and double-sided. For taxpayers who need them, the following six schedules are available as an attachment to the form:

- Schedule 1 – Additional Income and Adjustments to Income
- Schedule 2 – Tax
- Schedule 3 – Non-refundable Credits
- Schedule 4 – Other Taxes
- Schedule 5 – Other Payments and Refundable Credit
- Schedule 6 – Foreign Address and Third-Party Designee

### TAX REFORM EVALUATION AND IMPERMANENCE

Throughout 2018, many individuals and businesses, both on the corporate and individual side of the tax code, have voiced frustration over continuing uncertainty concerning the new tax law's application as well as its longevity. Additionally, taxpayers and small businesses have expressed concern that corporate tax provisions under the TCJA were enacted long-term (although Democrats want to scale back corporate tax cuts), while individual and small business related provisions were enacted temporarily to allow the Act to satisfy Senate budget rules.

### COMMENT

*The TCJA's 20 percent deduction of qualified business income was enacted only temporarily through 2025. Although the House in 2018 passed a GOP-led bill that would make permanent the TCJA's "pass-through deduction," the Senate never took up the measure before the 115th Congress adjourned. Currently, several Democratic lawmakers are floating proposals to increase the corporate tax rate from 21 percent. Increasing the corporate tax rate to help offset expenses for other Democratic priorities was a common talking point among lawmakers last year.*

Now that Democrats have regained control of the House in the 116<sup>th</sup> Congress, it is expected on Capitol Hill that many bills will begin to surface proposing repeal of, or at least amendments to, various TCJA provisions. To that end, Neal has stated that the House Ways and Means Committee will hold hearings on the TCJA to examine various provisions and examine the Republican tax law's effectiveness. However, with Republicans still holding the majority in the Senate, any such repeal legislation would be unlikely to make it to the President's desk, where there it, too, would almost certainly fall flat. Additionally, predominantly Republican tax initiatives, such as making permanent certain TCJA provisions, like individual tax rates and the pass-through deduction, are unlikely to garner enough requisite Democratic support in the House.



Continued on page 5

**COMMENT:**

A technical corrections bill for the TCJA has already been released this year by former Ways and Means Chair Kevin Brady, R-Tex. However, a senior Democratic staffer has said that Neal intends to hold committee hearings to evaluate Republicans' proposed corrections to the law.

**UNFINISHED BUSINESS**

Several bipartisan tax bills cleared the House at the end of 2018, and it is expected on Capitol Hill that those measures will resurface in the new Congress. These bills address IRS administrative reform, disaster tax relief, and retirement savings, among other things.

Also left untouched by the 115<sup>th</sup> Congress are the so-called "tax extenders." These tax breaks, which typically get extended by Congress annually or bi-annually, are temporary by nature but are generally expected to be renewed. There are close to 30 tax extenders that expired at the end of the 2017 tax year. Some of these expired tax breaks included the following:

- the deduction for tuition and fees
- the deduction for mortgage insurance premiums

- the exclusion of discharged debt on a principal residence, and
- many energy credits.

**COMMENT:**

*It is expected on Capitol Hill that many of these tax extenders will be addressed by Congress early this year. However, some taxpayers may need to file an amended return to receive the tax benefit depending on if and when Congress addresses tax extenders.* ©2019 Wolters Kluwer. All Rights Reserved.

**FINAL NOTE: THOUGH WE ARE DEALING WITH DELAYS DUE TO THE IRS/GOVERNMENT SHUTDOWN WE ARE STILL REQUESTING THAT YOU SEND IN YOUR 2018 TAX INFORMATION TO US NO LATER THAN MARCH 22 --- WE WILL SEND OUT A SEPARATE NOTE CONCERNING THIS REQUEST WITH YOUR ORGANIZERS. THANK YOU.**

**Overseeing Financial Accounting Standards Board (FASB) Standard Adoptions**

*Sharon Sibilia*

The Journal of Accountancy has compiled the following tips which may help management and audit committees perform their duties with respect to implementation of key accounting standards.

**Revenue recognition**

- Private companies are due to implement the revenue recognition standard beginning in 2019, but are not required to apply the standard in interim periods in the year of adoption
- Stay engaged with management and auditors on implementation
- Continue to provide a tone at the top that creates an environment which supports high-quality financial reporting
- Evaluate any control deficiencies identified by management or the auditor and whether they rise to the level of a significant deficiency or material weakness
- Continually improve the company's process and controls over revenue beyond the year of adoption
- Focused on key areas of judgment; including identifying performance obligations, determining the timing of satisfaction of performance obligations, and determining the categories to present as disaggregated revenue
- Learn from the experience of public companies

**Lease accounting**

- FASB's new lease accounting standard takes effect for private companies in 2020
- If management uses Excel to calculate the transition adjustments, consider the risks related to information produced by the entity and make sure it has effective controls related to the entry of data into the spreadsheet, the setup of the spreadsheet, and the modifications to formulas or data in the spreadsheet
- Monitor the status of management's implementation of the lease accounting standard with regard to:
  - Completeness of the lease contract population. Locate and gather all leases that exist throughout an organization. The company may need to implement new controls to identify arrangements that contain embedded leases such as power purchase arrangements and multiple-element service arrangements.
  - Completeness and accuracy of the data used to calculate the transition adjustments
  - Calculation of the transition adjustments
  - Prospective accounting policies. Develop new policies, processes, and controls to comply with the standard after adoption

# Closing Entries

## ANNIVERSARIES

The following Dwight Darby & Company employment anniversaries will be occurring this spring.

**Wayne Bond** – 52 years in May

**Brad Tushaus** – 43 years in June

**Ann Orand** – 4 years in May

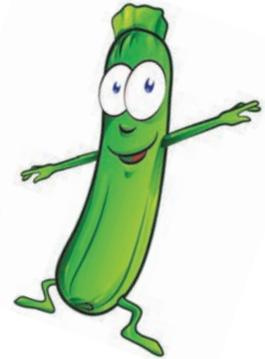
## Just for fun....and food! BILL'S Zucchini Bread Recipe

11 Ingredients  
Vegetarian – makes 3 loaves  
Grease bread loaf pans  
Bake @ 375 for 40-50 minutes

### Ingredients

4 cups fresh zucchini  
3 eggs  
½ tsp baking powder

1 tsp baking soda  
1 ½ tsp cinnamon  
3 3/16 cups flour  
1 tsp salt  
2 cups sugar  
2 tsp vanilla extract  
1 cup canola or vegetable oil  
1 cup chopped walnuts (optional)



**Note:** All Dwight Darby personnel are available for tastings at our office, especially during tax season.

---

**This newsletter is published for our clients and other interested persons. Since this information may be of a technical nature, no final decision should be made without first consulting our office.**

---

**Dwight Darby & Company**  
**611 S. Magnolia Ave.**  
**Tampa, FL 33606-2744**

To receive this newsletter in electronic format, please send an email to [cpa@dwightdarby.com](mailto:cpa@dwightdarby.com) with the words "mailing list" in the subject line. Please also let us know if you are a business, individual, or both.