the WATSON CPA GROUP
certified public accountants • business consultants

tel 719.387.9800
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# Tax Preparation Process (2017 Flight Crew Tax Returns)

## Timelines and Considerations

Here are some important dates and considerations for us to help manage expectations-

- **Monday, April 2 2018**

  All tax documentation must be received for us to guarantee an on-time filing (we routinely receive documentation well into April and still complete the tax returns on time- we just can't promise it).

- **Friday, April 13 2018**

  All eFile authorizations and fee payments must be received.

**April 2018**

| Su | Mo | Tu | We | Th | Fr | Sa |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | | | | | |



- **Tuesday, April 17 2018**

  The filing deadline since April 15 is a Saturday and Monday is a holiday. **Tax payments are also due** regardless of an extension (see below).

- Our normal turn-around **time after receiving everything we need** is 7-10 days. We will update you with email and text alerts along the way.

- We have a **soft-close at 3:01PM** on Fridays to enjoy a beer, chips and salsa, and to unwind a bit. Apparently having fun before 3:00 is frowned upon in our establishment. Back at it on Saturday!

If you miss our cutoff **(green circle above)** and still want your tax returns filed on time, we might be able to but we cannot guarantee it. However, we are willing to stay late, order takeout and pay some over-time to get your tax returns pushed through. Our fee for this is $250. Please note- we are not saying you must pay this rush fee if you miss a cutoff; we only charge it if you want a guaranteed timely filing once we are past the **April 2 cutoff.** Having said all this, nothing good happens when people are rushed at the last minute. We will accept the rush arrangement on a case by case basis.

## Extensions

If you want to extend your tax returns, a few things to keep in mind. First, we must get explicit approval from you to extend your tax returns. We cannot legally file an extension without permission. So, if we don't hear from you an extension will not be filed. Failure to file is a huge penalty (5% per month based on tax due).

Second, an extension to file is NOT an extension to pay. Taxes are due April 17 **(red circle above)**. If you want us to help determine your general tax liability so you may send a payment with the extension, please let us know by the eFile Authorization deadline above. Failure to pay is a smaller penalty (0.5% per month based on tax due).

9475 Briar Village Point, Suite 325 ▪ Colorado Springs, Colorado ▪ 80920
support@watsoncpagroup.com

Here is the link to extend your tax returns-

**www.watsoncpagroup.com/extend**

Failure to file and failure to pay penalties do not apply when you are receiving a tax refund.

## If You Owe Taxes

If money is tight, our recommendation is to file your tax returns and then work out a payment plan with the IRS. For any amount under $50,000 the process is done via phone and the terms are generally 6% for 60 months. There are other devils in the details such set up fees, automatic ACH, accruing penalty and interest, etc. However, the installment agreement with the IRS does not show on your credit report and is a quick way to get out of a bad situation.

Under no circumstances should you not file your tax returns. As mentioned before, the failure to file penalty is huge.

## Client Engagement Agreement

The IRS, American Institute of Certified Public Accountants (AICPA), ethical guidelines and our professional liability insurance require client engagement agreements. They can be demanding that way. Please click on the link below to electronically review and sign this agreement.

**www.watsoncpagroup.com/engagement**

It is easy and painless, and needs to be submitted prior to the preparation of your tax returns.

## Security and Privacy Procedures

Your security and privacy are very important to everyone at the Watson CPA Group. Please review the various policies and procedures which are implemented to protect your confidential information.

**www.watsoncpagroup.com/safe**

## Update Your Contact Information

Even if you are a returning client, please confirm your phone numbers and email addresses. Also, most states are requiring that a **government issued drivers' license be electronically submitted** with your tax returns to curb identify theft. We cannot use passports, military IDs or library cards, sorry. Use the link below to securely provide this information to us. We cannot electronically file tax returns without it.

**www.watsoncpagroup.com/contact-info**

## Online Submit Forms, Tax Questionnaire

If you are an existing client, your pre-filled tax organizer was emailed to you a while ago- please let us know if you need it resent via email, printed and mailed, or uploaded to the client portal.

In the meantime, we have online submit forms where you can enter things like dependents, charity, rental property information, small biz expenses, etc. through our website. This information is securely sent to us and will eventually be loaded into your client portal. Please review our online submit forms and tax questionnaire at-

**www.watsoncpagroup.com/taxes**

You will find our forms very short and concise, and in general they will help ensure that your tax returns are comprehensive. Our past experience has shown that errors and misunderstandings come from scribbled notes and the like. While you are telling us about your favorite food, we hear green is your favorite color. So, everyone wins if we can efficiently and accurately process your tax information during the preparation of your tax returns.

Having said that, if you want us to tally or summarize notes and receipts into our forms, we must charge $90 per hour for this preparation (a little bit here and there is always expected- but the bag of receipts, not so much).

Please don't overlook the **2017 Tax Questionnaire** and the **Miscellaneous Questionnaire**- both are great ways to ensure we are preparing the best possible tax return for you.

## ACA Compliance

The Affordable Care Act aka ACA aka Obamacare has unique tax consequences that we must address. Please don't shoot the messenger. Form 1095 is being used to report your health insurance coverage, and it has three sources-

1095-A Marketplace
1095-B Private Insurance
1095-C Company Sponsored (B and C might be combined on one form depending on your employer)

Regardless of your situation, these forms should be mailed to you in February of 2018 for the 2017 tax year. However, according to the IRS you do not need the 1095-B or 1095-C forms to file your tax returns (but we will need a 1095-A if that applies to you). In addition, **everyone must complete** the super simple ACA Questionnaire at-

**www.watsoncpagroup.com/aca**

The Tax Cuts & Jobs Act of 2017 changes the ACA penalty, but it applies to 2019 tax returns and beyond. **2017 tax returns remain under the old penalty rules**. We cannot entertain removing the penalty based on conjecture or philosophical concerns- please don't ask.

## Business, Rentals and Other Worksheets

Along with our online submit forms we have also created worksheets for your small business, home offices, vehicle expenses, rental property and 1099-MISC tax form. Please review our online worksheets under Section 6 Supplemental Worksheets at-

**www.watsoncpagroup.com/taxes**

Using the worksheets will help you organize your various expenses so they can be accurately processed on your tax return. There might be expenses you are overlooking or forgetting- we believe a lot of clients are leaving money on the table by not using our worksheets. If the table was ours, we wouldn't care as much- we'd just send a check to you. But the IRS is not as thoughtful.

## Sending Us Your Documents

We provide worldwide tax preparation service and your ability to communicate with us is critical to everyone's success. And your comfort level in sending sensitive and personal information is our top priority so we have implemented three ways to safely and securely send your tax documents to us:

## Client Portal

Since 2007 we have used ShareFile to administer our Client Portal which provides secure, online document exchange. The Client Portal will allow you to securely upload your tax documents to our office. As more companies electronically provide year-end tax statements and forms, and as scanners become more user friendly, uploading these files will save you time and resources. In addition, the Client Portal can be used to retrieve and review your tax return prior to eFiling.

> **Note on Scanning:** Our preference is for you to create one ginormous PDF file of all your paper tax documents. We understand that some of your tax statements will be separate PDFs since you received them electronically. No worries- do what you can, but know that submitting one PDF is our preference.

Most operating systems have a PDF printer already installed- if not, please do an internet search for free PDF printers (we use Cute PDF ourselves). This is a very handy tool which installs a **PDF printer** allowing you to print anything to a PDF file. Screen shots, online activity, Excel spreadsheets; anything you normally print to paper can be saved as a PDF. This is especially useful for bank website or other dynamic websites where you cannot directly save the information.

And there is a cool site called **www.pdfmerge.com** which will securely merge PDFs into one big PDF file for free! There are limitations of course- nothing free is really that cool.

We understand not everyone will be comfortable using the Client Portal and therefore we will accommodate all requests for alternative ways of sending your tax documents to us. Otherwise, you can access the Client Portal at-

**www.watsoncpagroup.com/portal**

## Secure Fax

If you decide to fax your tax documents our toll-free fax number is 855-345-9700. We will email you and send a text message alerting you that your fax was received. We will also upload your faxed documents to your Client Portal should you need this information again in the future.

> **Note:** Please provide a cover letter with all faxes. If you want to be a superstar and have our tax admins think you are the best client ever, you should **initial and number each page**. But that is not required.

## Mail, Road Trip

If you do not have access to a fax machine or scanner, you may also mail your information to us. We encourage the use of FedEx or UPS. Our address is:

Watson CPA Group
9475 Briar Village Point Suite 325
Colorado Springs CO 80920

> **Note:** The ability to maintain our competitive fees relies on receiving soft copies (faxes, scans, emails) or hard copies of your originals. If you send us original documents and do not want them returned to you we will maintain them in our office for three years. If you want originals sent back to you, we must charge a **$45 fee** for the costs of copying and mailing. We do not have extra resources during tax season for this activity- **we can only return originals in May**.

All tax documents and work papers that you provide as hard copies will be scanned and uploaded to your client portal.

If making a road trip to our office, tax preparation seems to improve dramatically with donuts.

## Let Us Know

Lastly, you can use any combination of these methods- if you want to upload some documents and fax others, we are flexible. However, **it is difficult to know when clients are done sending their tax documents**. So, please send an email to **support@watsoncpagroup.com** or give us a shout at 719-387-9800 to let us know you are done. We love phone calls from our clients- voices, stories, weather updates, the latest disaster your kid created, random tax questions- all good stuff!

Also, if you are waiting on one last tax document such as a rogue K-1 or 1099, please send what you have. We will prepare a preliminary tax return and simply drop in the late document at the last minute.

## Directions, Appointment

Over 65% of our tax clients live outside of Colorado, therefore we are proficient in preparing your tax return without an appointment. However, if Colorado Springs is convenient for you or if you would like to Skype, please call or email us to schedule. If an appointment is inconvenient, remember you can always mail, fax or scan your tax documents to us.

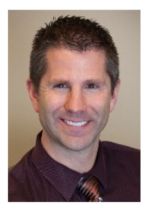
View directions at **www.watsoncpagroup.com/Directions.pdf**

## Contact Info

The tax team consists of four managers, including several seasoned tax professionals and admins. Here is the contact information for your Tax Pod-

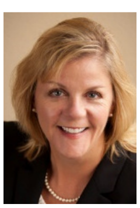
**Pod A – Tina Watson, CPA, CFP®, MBA**
Senior Partner
719-428-3257 direct
poda@watsoncpagroup.com

Pod members: Lana Rollins, Owen Zaiger, Nathan Hunt



**Pod B – Jason Watson, EA**
Managing Member
719-428-3261 direct
podb@watsoncpagroup.com

Pod members: Jon Neilson, CPA, Theresa Eggen, CPA, Marchyll Jones



**Pod C – Sally Rhoades, CPA, CFP®**
Tax Manager
719-428-3269 direct
podc@watsoncpagroup.com

Pod members: Dija Meddah, CPA, Stephanie Huston, Rachel Berry

**Pod D – Michelle Day, EA**
Tax Manager
719-428-3248 direct
podd@watsoncpagroup.com

Pod members: Brian Baum, Kelli O'Shea, Cassandra Jackson

## Tax Pods

We work in teams (or as we say, pods) and each person above is a pod leader. Each pod has two to three tax professionals- several return each year, but we also pay back to our accounting community by training new CPA students from the University of Colorado at Colorado Springs (UCCS). This pod arrangement provides better ownership of each tax client's unique situation and allows us to learn as much as we can about you so that we can comprehensively prepare your tax returns.

## Tax Admins

We have four wonderful tax admins who support each tax pod as a collective pool. Karen, Shelby and Julie are full-time admins for the Watson CPA Group, plus two seasonal admins. Amanda takes breaks from Business Development and pitches in during the crazy moments. Collectively, they are the gatekeepers and ensure all the trains run on time throughout our office. Each Tax Manager and all our tax return preparers rely heavily on and sincerely appreciate our tax admins.

## Growing Pains

We are a growing company and every year we retool our procedures. The unfortunate thing about our business is that we don't know our process is broken or needs improvement until about March 26, and the devil we created is the devil we live with until April 17. Each year we attempt to improve our process for you- the feedback you provide is tremendous, and we appreciate all the comments and suggestions.

Rest assured that anytime you feel your needs are not being met, please contact Jason Watson or Tina Watson. If we stink at something, we want to know. And you should know that we'll make it right, right away.

## The Process

Here is a timeline of what to expect. Life is all about managing expectations and we attempt to do that here-

- You send us your tax stuff and we alert you through an email and a text message that it is received.

- A tax admin reviews it for obvious missing information or items, and contacts you if necessary.

- Your file is assigned to a tax pod based on legacy for returning clients or type and complexity for new clients. We also alert you with an email and a text message.

- Your tax return preparer and Tax Manager prepare your tax returns. Fun!

- If there are questions or clarifications needed, the Tax Manager contacts you via email or telephone call. You are also alerted with a text message.

- If your tax returns are ready for review, we send a secure and redacted PDF copy via email, upload the same to your client portal and alert you with a text message.

- If you have questions or comments, you can email those directly by replying to the email containing your tax return or contact your Tax Manager directly. We **always** want you to understand your tax returns and feel comfortable about the information being filed. For a scheduled tax return review, we typically allocate about 15-20 minutes for individual tax returns, and 30-40 minutes for partnership and corporate tax returns.

- Once you review and approve your tax returns, you need to do two things-

    1. Give us permission to eFile your tax returns on your behalf, AND

    2. Pay your tax preparation fee. No tax returns are filed until payment is made. Do both here-

       **www.watsoncpagroup.com/efile**

- About 2-3 days after eFiling you will receive emails from our tax software (UltraTax) letting you know that your tax returns have been received. It is common for states to accept your tax returns before the IRS.

We get the same notifications CCd to us and alert you with a text message. We monitor the acceptance of your tax returns, and follow up with the taxing agencies after 72 hours if an acceptance notification is not received.

- About 4-6 weeks after receiving acceptance notifications, refunds (if applicable) are directly deposited into your account. States are routinely flagging random tax returns for manual processing which adds about 8-12 weeks to the refund and at times they will also mail a paper refund check (to curb tax return fraud).

- Boom! That's it (at least until next year). Enjoy your spring and summer!

## August and November Financial Tune-Ups

For those clients who have a tax-only engagement with us, we offer a lot more than just a tax return. Tax returns are boring. Tax planning including projections and end of year tax moves is way more valuable to you than 100 pages of gobbly-goo in some dust-catching PDF aimed at IRS compliance. Wow, that is a long sentence… anyway, in August we offer a tax planning tune-up and later on in November we offer an end of year tax consultation. These are complimentary consultations. Sure, you're paying for it in some fashion with your tax preparation fees but then again, this is a valuable service that most tax professionals don't offer. Click the links below for more information. Riveting!

**www.watsoncpagroup.com/TaxModel.pdf**

And…

**www.watsoncpagroup.com/eoy**

## In Closing

If you have any questions, please feel free to call us at 719-387-9800 or email at **support@watsoncpagroup.com**. Thanks again for your time- We look forward to working with you!!

Warm Regards,

The Watson CPA Group
9475 Briar Village Point Suite 325
Colorado Springs CO 80920

719-387-9800 office
855-345-9700 fax

www.watsoncpagroup.com

# Gathering Your Tax Documents

The quality of your tax return and the timeliness of its preparation depend strongly on obtaining all your tax documents and information. Therefore we have created the following checklist for our online submit forms and tax related documents. As more companies move to electronic delivery of their tax documents and statements, this checklist will help ensure you are not missing important tax documentation.

## Submit Forms

- Contact Information
- Dependents
- Child, Dependent Care
- Education, Tuition, Student Loans
- Moving Expenses
- Medical Expenses, HSA Contributions
- Mortgage, Property / Real Estate Taxes
- Charitable Contributions
- Partner Expenses
- Job-Related Expenses
- Retirement and 529 Accounts
- Personal Property, Sales Tax
- Miscellaneous Questionnaire
- ACA and 2017 Tax Questionnaires

## Income

- W-2s from Employers
- K-1s from Partnerships, S-Corps, Trusts, Estates
- 1099s from Banks, Investment Brokers, Government Agencies, Contract Employers, etc.
- Cost Basis, Purchase History for Stock Sales (if you received a 1099-B)

## Home Deductions

- 1098s from Mortgage Lenders (the form is now required, not just the figures)
- Home Purchase / Refinance Documents, Closing Disclosure / HUD Statements
- Private Mortgage Insurance (PMI) Premiums, Year-End Loan Statements
- Property / Real Estate Taxes Paid

## Small Businesses

- Small Business Online Submit Form
- Vehicle and Mileage Online Submit Form
- Home Office Deduction Online Submit Form
- List of equipment, service dates, values, if depreciated in earlier years

## Rental Properties

- Rental Property Online Submit Form
- Vehicle and Mileage Online Submit Form
- HUDs or Closing Statements for purchases, refinances and/or sales
- Prior year depreciation schedules showing cost basis and service dates
- List of improvements, completion dates, values, if depreciated in earlier years
- Form 8542 or similar detailing any disallowed passive losses on your rental properties

## Tax Questionnaire, Miscellaneous Questionnaire

Please visit our website to complete the 2017 Tax Questionnaire. These are simple Yes or No questions which will prompt us to probe further with more questions if necessary. This will ensure a comprehensive tax return.

**www.watsoncpagroup.com/TQ**

There is also a Miscellaneous Questionnaire that should be reviewed at-

**www.watsoncpagroup.com/MQ**

## Additional Checklist for New Tax Clients

- Last Year's Federal **and** State Tax Returns

  At the very minimum we need your Form 1040 (pages 1 and 2) and all lettered schedules (A, B, C, D and E). Information such as last year's itemized deductions, carry-forward losses from investment sales, accumulated depreciation, disallowed passive losses, etc. Some of these things might not pertain to you, but providing this information is important.

  If you were subjected to AMT in the past, we will need the past four years (sorry).

  **A soft copy such as a PDF of your entire tax return is helpful (and actually preferred).**

- Last Year's Tax Prep Fees (they might be deductible)
- Dates of Birth and Social Security Numbers (you, spouse, children, etc.)
- Routing and Account Numbers for Direct Deposit

The above items are bare bones. We strongly encourage all new tax clients to go through each online submit form to ensure all information is being gathered. Our secure online submit forms are available at-

**www.watsoncpagroup.com/taxes**

## Flight Crew Supplemental Checklist for Pilots and Flight Attendants

- Flight Crew Expense Report

  This is where you detail expenses such as uniforms, cell phone, internet, iPad, flight physical, union dues, etc. You can submit this information on our website under the Flight Crew tab or the following link-

  **www.watsoncpagroup.com/FCER**

- Last paystub for 2017 for per diem calculations, union dues, uniform figures, etc. This is important- so much information is on your paystub. And this is the last paystub **dated in 2017** (such as 12/22 or 12/31).

- Summary of your 2017 Flight Schedule

  You can print pay sheets, activity sheets, payroll reports, CrewTime reports, CrewTrac reports, logbooks, etc. to give us your schedule. Simply listing the overnights for the month or year does not provide proper credit for the first and last day of your trip. So, a complete breakdown of your flight schedule with dates for each overnight is preferred.

  **FLICA, FlightLine, Sabre Report**- if you have a report detailing the per diem allowances for your flying, you may submit that in lieu of your flight schedule. For domestic flying, we will reduce our fee by $10 for using this report. For international flying, we will reduce our fee by $25.

  **SWAPA**- Southwest Airlines has a logbook from SWAPA that you can send us. The PDF or Excel version is fine. Flight attendants are not so lucky. Last year SWAPA's cover was contrary to tax court law and IRS code in the reference to van driver tips. These are already included at $5 per night in your per diem calcs! No double dipping unless the salsa is really good and you are low on chips.

  **United**- The airline formerly known as United used to provide a nice per diem report. It was spotty last year, and we are hopeful that this benefit will return to its pilots and flight attendants.

  **Logbook Pro, Etc**- If you have your logbook in some software such as Logbook Pro you can always send us the CSV or Excel output of your flight schedule. We can then apply our template to determine your overnights.

  **Overnights Worksheet**- You can use our Overnights Worksheet to provide us your flight schedule if you kept a logbook or some other journal. You can download it at-

  **www.watsoncpagroup.com/Overnights.pdf**

## SWOL, ExpressJet Login

In the past we were able to log into your SkedPlus+ directly and obtain your flight schedules. SkyWest Inc. has kindly asked us to stop doing this for privacy concerns. No worries, we are often faced with rules getting in the way of good customer service. You can download directions with screen shots showing you how to obtain this information yourself-

**www.watsoncpagroup.com/SWOL**