

This letter has been prepared to assist you in gathering your tax data for your 2019 Corporation return.

2019 ENGAGEMENT LETTER

The 2019 tax engagement letters were sent out in January 2020. This letter spells out the nature of the work we will be doing for you. **Our insurer requires that we obtain a signed Engagement Letter for every tax return that we prepare. Please return your signed Engagement Letter to our office along with your supporting tax information. Without a signed Engagement Letter, we will not be able to prepare your income tax return.**

SUPPORTING DOCUMENTS NEEDED

Please provide us with the following information:

- Schedule(s) K-1 (income/loss from entities that the company has an interest in); Form(s) 1098 (mortgage interest) and property tax statements; brokerage statements from stock, bond or other investment transactions; closing statements pertaining to real estate transactions either purchased or sold
- If you use QuickBooks accounting software, please provide a complete **"back up" copy of QuickBooks** to us, with the **username & password**. This can be uploaded to our website, on your portal account (if applicable), or delivered to our office on a flash/thumb drive.
- If you use some other type of accounting software, please provide a copy of your balance sheet, income statement and general ledger **preferably** in Microsoft Excel format (pdf or paper form is acceptable).
- Copies of W-3 and W-2s filed with IRS
- For each loan the entity has – the loan history for the tax year indicating payments made with interest and principal portions shown
- Any tax notices received from the IRS or other taxing authorities
- We may request additional documentation during the tax preparation process

FORM 1099 PENALTIES

Also, be aware that there are increased penalties for the late filing of 1099's. You must issue a 1099-MISC if, in the course of doing business, you paid any unincorporated entity or individual (other than employees) over \$600 for services (or any amount in the case of payments made to attorneys). The penalty also applies to all other 1099's (1099-Int, 1099-DIV, etc.). The penalty may be as high as \$1,060 per 1099. Please refer to our engagement letter for more details.

CHANGE IN CAPITALIZATION THRESHOLD OF FIXED ASSETS

Beginning January 1, 2016, the IRS is allowing you to expense individual items less than \$2,500. Thus any purchases of tangible assets greater than \$2,500 with a useful life of greater than 12 months must be capitalized and depreciated by all businesses. The new regulations provide that this capitalization amount is reduced to \$200 per item unless the business has:

- a) An accounting policy (in place at the beginning of 2016) to expense the amount paid for a tangible asset if the amount is under \$2,500 per item/invoice or any amounts paid for tangible property with an economic useful life of 12 months or less, and
- b) Accounted for the amount paid for the property as an expense on its books and records in accordance with the written accounting procedures.

Unless informed otherwise, based on the above discussion of the new IRS regulations regarding business capitalization it is our understanding you will have adopted the above capitalization policy.

Please note, if you have your business financial statements audited by a certified public accountant, you are able to increase the capitalization threshold in your accounting capitalization policy and expense all items under \$5,000.

LA PLATA COUNTY

If your business resides in La Plata County, please note that for personal property declarations for La Plata County the capitalization threshold is still only \$350. Therefore, separate personal property lists must be kept for tangible asset purchases greater than \$350 for the La Plata County Personal Property Declaration Schedule. Please also note that the due date for this schedule **was** April 15, 2020. If the total actual value of your personal property per county is less than \$7,400, you are not required to file this form. If you would like FredrickZink & Associates to prepare this form for you, please contact us and provide us with the original forms provided to you by La Plata County, as well as supporting documentation to prepare the declaration on your behalf.

OUR WEBSITE – www.durangocpas.com

There are a variety of forms available on our website including a consent to release tax information to third parties, an FSA reimbursement request, an affirmation of legal work status form for employers and others. Be sure to check out our newsletter and our tax update summary on-line!

DEADLINES

If you want your return completed by **October 15, 2020**, **please provide your tax information to us by September 11, 2020**. We encourage you to bring in your tax information as soon as possible, even if you are missing some items.

Please contact us if you need further assistance.

Sincerely,
FredrickZink & Associates, PC