

MESSAGE from the PRESIDENT

AS I BEGIN THIS MY SECOND YEAR AS THE PRESIDENT OF THE NEW JERSEY CHAPTER, I would like to thank all the members of the **Board of Directors** as well as the members of the **Executive Board** who have helped make our Chapter so successful. We accomplished many of our goals and look forward to setting new goals with the vision of educating our members as we build our community.



One new way that we tried to reach more of our members was through evening mini-seminars. I don't know if you were able to make either of the two sessions but the one that I attended in Toms River was very successful. We hoped to give those who couldn't make the daytime seminars a chance to pick up a few pointers before starting our busy season. **Marilyn Ayers** and **Sherry Diamond** conducted the sessions which were only two hours long, by applying different aspects of the new **Tax Law (aka TCJA)** to case studies. The mini-seminars were held in two locations for ease of travel. I hope you enjoyed the one that you attended. Let us know if there are small topics that we can offer in the future in this format. If you weren't able to be with us, give it a try next time.

This year we will celebrate our **Thirtieth Anniversary** as a chapter and while I personally wasn't a part of the early history, many of our members who were are still active and guiding us. We will be celebrating our anniversary with a cruise on "*The Anthem of the Seas*" leaving Cape Liberty and traveling to Kings Wharf, Bermuda. **Kathryn Keane** will be our "entertainment" on board as she will teach eight hours of classes during our two days at sea. I hope many of you have signed up to join us. One quick note to those who are signed up for the cruise, you must register for the classes separately through National.

Seminars are a wonderful avenue toward enhancing our knowledge but recently I have seen our members helping each other through posts and responses on our Facebook page. Some of the posts are humorous but many are requests for help in getting "our head" around an issue. TCJA has left many of us puzzled on how to apply the material that we learned in classes to the clients that we now have in our offices. Sometimes in stating our question, we begin the process of working out the answer. Just remember, that in many cases there are probably a number of other NJ practitioners out there with the same question who haven't asked it yet. Without this NATP family, many of us would be struggling in a vacuum. I hope all of you take advantage of the great resource that we have. Our Facebook page is NJNATP. You can ask for membership by going to the page if you are not already a participant.

Every year as I face the long hours of the Tax Season, I need to have a "carrot" to keep me going. This year I look forward to our anniversary cruise and to a trip to Chicago for the National Conference. While it isn't all that close, it is just a short plane ride away and for those who don't fly, you can do a "road trip". The educational opportunities that are offered and the comradery during the Conference keep many of us going back year after year. I hope you will consider joining us in Chicago for fun and friendship as well as education.

Thanks for your time and have a great Tax Season.

Mary Rose Martino

Mary Rose Martino, EA, has been an NATP member for 8 years and is the owner of Martino Associates, LLC, a bookkeeping, payroll and tax preparation company. Located in Cherry Hill, NJ, she can be reached at: maryrose@martinoassociatesllc.com.

save the DATES

MAY 9, 2019

Hotel ML in Mt Laurel Full day seminar
NJ Updates and changes for 2019, PA
(Berkheimer issues), Schedule E and the 199-A

MAY 18-23, 2019

Cruise to celebrate NJNATP's 30th Anniversary
Kathryn Keane, instructor

JUNE 13, 2019

North Jersey
Topics and location TBA

JULY 22-25, 2019

NATP National Conference
Chicago Hilton, Chicago, IL

OCTOBER 3, 2019

NJNATP Annual Conference
APA Woodbridge, Iselin
Flyer and details to follow

Flyers and registration will be posted on the NJNATP Website, on the NATP Facebook page and in the biweekly Chapter News from NATP.

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From the Editor

BY JEAN MILLERCHIP, EA



HERE WE ARE INTO THE TAX SEASON, each day bringing another challenge!! I find myself speaking to my fellow tax professionals more often, commiserating about the changes and their effects.

Our *Famous NJ State Tax Seminar* on January 12, 2019 was a big success; we are so fortunate to have a special rapport with the NJ Division of Taxation, and can always count on them to present at this seminar, bringing the updates from the state on gross income tax, property tax relief, while making themselves available for questions on an individual basis. For some who missed this seminar, Alexis Reid will be coming to the NJNATP seminar on May 9th in Mt. Laurel to bring us up to date with some of the 2019 changes for NJ.

Kathryn Keane was “our closer”, and keeps everyone in their seats at the end of the day, with her NY updates and last minute federal changes.

We tried 2 mini evening seminars this past January, taught by Sherry Diamond and Marilyn Ayers – one in Toms River and the other in Totowa, with the same subject matter in each location. I attended the Toms River seminar, but both of them were well attended and this concept will probably be in the planning for future years. It's a great benefit for those who can't attend a seminar during the day.

I know it's difficult to find any free time during tax season, but please try to take some, even if it's brief. When I need a little break, I can walk a block and a half up my street, and see the ocean. It may be cold, and VERY windy, but I can feel myself relaxing. There's nothing quite like the Jersey shore. *We all need a little time away from those 1040's!*

Jean Millerchip, EA has been in the tax business for 42 years and is in private practice in Lavallette, NJ. She earned her EA license in 1985. Jean has been a member of NATP for 30 years, and served on the NJ Board of Directors from 1991 until 2009, in various positions, including Treasurer, Secretary, Vice President and President. In 2008, Jean was elected to the National Board, and served a full 9 year term, during which she served as the National Vice President for 5 years and National President for 2 years. Jean can be reached at jean.millerchip@gmail.com

NJ 1099-R DISABILITY PENSION

ACCORDING TO THE NEW JERSEY TAX INSTRUCTION BOOKLET, if you are under age 65 your disability pension is exempt from tax. If you are 65 or older, your disability pension is treated as an ordinary pension and is considered taxable income. We, as tax preparers, all know that, except for the State of New Jersey's computers.

Form 1099-R contains a very important box – box 7, “distribution code”. That box notifies the taxpayer, and us, the tax preparer, what type of tax treatment the distribution should receive. The code for disability is code 3 and the code for a normal distribution is code 7.

The State of New Jersey knows the age of the taxpayer. Try taking a retirement exclusion for someone who is not age 62 or older. You will receive a notice. I recently had to explain to a taxpayer how age affects the taxability of disability pensions in New Jersey. He had turned 65 in 2015. He had received a notice on January 18, 2018 (after the amnesty period) saying he owed NJ tax on his disability pension. The 1099-R for tax year 2015 he received from the State of New Jersey reported code 3 in box 7. Okay, so does that mean New Jersey is saying that the pension is still treated as disability, not subject to tax? No. New Jersey expects the taxpayer and the tax preparer to recognize that, even though New Jersey reported the distribution as non-taxable, the distribution is taxable. What we have is New Jersey Pension reporting the distribution as nontaxable and New Jersey Taxation saying it's taxable. What made the matter worse, is that the taxpayer received the notice after the amnesty period had already passed.

For the record, the 1099-R for year 2016 and 2017 and I suspect for 2018 as well, reported the pension distribution with code 3.

Please be aware when you are dealing with a 1099-R from the State of New Jersey for a disability pension. There's a very good chance that Box 7 may be incorrect.

A PROJECT FOR THE OFF SEASON!

*This is for anyone who knits
or crochets or both!*

Referencing the article in this newsletter about the **Angels of God** charity (see page 3), the NJ Chapter plans to continue to donate warm items of clothing again this year. If you knit or crochet, and would like to contribute some handmade items, we need hats, scarves, mittens – for adults and children. Even afghans are very welcome.

We will be collecting at future seminars this year. It is so rewarding to know that you are helping those in need.

GIVING YOUR RMD'S TO CHARITY.....

WE ALL KNOW WHAT RMD'S ARE - the mandatory, minimum annual withdrawals that you must make from tax-deferred retirement accounts when reaching age 70 ½. Congress has permanently extended the provision which allowed people over age 70 ½ to donate up to \$100,000 from their IRA's directly to charities.

What benefit does this have to you?

- The distribution is not added to your income
- You get the tax savings, even without itemizing
- The distribution has no effect on your AGI, for the purpose of calculating things such as medical deductions

What are the steps?

- **It must be a direct donation:** The funds must go directly to the charity, not to the individual. The IRA administrator must be told that you are making a transfer to charity directly. The charity needs to know

that you are making this distribution and that you require confirmation.

- **It must be an IRA:** Required distributions from other accounts do not count. If you have a 401-K, the funds must be rolled over into an IRA first, before the distribution can be made to the charity.
- **You must be 70½:** You must wait until you actually turn 70½ before making the direct distribution to the charity.

DO THIS TIMELY: Don't wait until the last minute - forms take time to be filled out.

Make sure they tell us: we need to use "QCD" on their tax return, so this is a question that we need to ask.

A good planning tip for those taxpayers who do not need the RMD funds from their IRA's – a tax saving for them, and a win for the charity.

ANGELS OF GOD...

THIS WONDERFUL 501C3 NON-PROFIT ORGANIZATION

was started in July, 2009 by a 12 year old girl. The Angels Community Outreach is located in Pitman, NJ, with the mission of providing clothing, food, pet food, toiletries and more to those in need.

The Angels outreach is set up in a storefront in Pitman, NJ, where referred clients can shop at no cost. The charity works with social services, homeless shelters and community leaders who refer clients to Angels of God. The clients are then invited to come into the clothing closet and go "shopping" at no cost. A dressing room is available!

This remarkable young lady was raised by a single mother, and had a most difficult childhood, but always remembered how many people helped her family during their hardships. For her, being able to give back is her way of paying it forward, and being able to put a smile on someone's face is her reward.

NJNATP was very proud to have been able to help this charity by providing warm clothing during the winter months, and we will continue to do so in the future.



PICTURED ABOVE is Joe Wisniewski, NJNATP Treasurer, delivering several large boxes of warm clothing (hats, scarves, mittens, socks, etc), which were collected at the NJNATP State Tax Seminar on January 12, 2019. They went to Angels of God in Pitman, NJ. Thank you, Joe, and special thanks to the generosity of our NJ members! An article about Angels of God, and how it was started follows.

What Do Your Clients **NOT UNDERSTAND** About The New Tax Law????

BY JEAN MILLERCHIP, EA

How much education and additional reading did we have to do to prepare for this tax season? I am finding that clients **THINK** they understand what deductions have been eliminated and what changes will affect them, but are then shocked!

I preface each meeting with a client by telling them that this year is very different than past years; this was my mantra from last tax season too, when I was trying to prepare them for changes. Many of them remember the warning, but figured all would be “ok.” HMM, maybe not! Sure, they knew they were receiving more in their weekly/biweekly paychecks, but did they make any adjustment during the year? Of course not – even after we had the discussion, I guess they figured their deductions would take care of it, so no adjustments were made.

There was all the talk about the “\$10,000 cap” on taxes, but what did they hear?? They heard real estate taxes, and thought that was it. The clients who owe 2 homes thought it was \$10,000 for each home, and “assumed” they were fine. But, they had no idea that all taxes were involved, and when I explain that it is their state withholding, last year’s balance due to the state, all other state taxes, etc., the expression on their faces is blank- they had no idea. Did they not listen? Did they not read the information that I sent to them? I’m sure that many of you are also seeing the result of the \$10,000 cap; we live in a state with very high real estate taxes, and this is hurting many. I had many clients who prepaid the first 2 quarters of 2018 real estate taxes in 2017 (following the proper rules of assessment), and they remembered that they could not deduct those same taxes on their 2018 federal return. Sometimes, clients listen.

My software has a SALT worksheet, which breaks down in 2 columns the amounts and those which are allowed, and I have often forced the use of the sales tax instead of the income taxes, if they have already reached the cap, if they will be receiving a state refund this year.

One of the other big things that NO ONE understood was the fact that exemptions have been eliminated – when I remind them of that fact, they are incensed that they are not allowed the exemptions for themselves and their dependents! Yes,

the child tax credit has been increased, and yes, there is the other dependent credit, but I have seen cases in which taking away the exemptions and giving the credit has not made much of a difference.



The loss of the 2% miscellaneous deductions has had an impact on many of my clients, as I have a lot of union workers, who pay not only their dues but a percentage of their gross for assessments. They also have out of pocket expenses for buying tools, their travel between job sites, etc. These are the refunds that are substantially reduced. There are clients who do not have an office to go to, and must have an office in their home, but this is denied to employees.

And, how are we all doing with QBI? Has it affected many of your clients? We will have plenty more to learn during our education seminars this year.

I’m sure you have found, as I have, that this tax season is a constant repetition of the changes, with each client that we see. Don’t you feel as if you have a sore throat by the end of the day?? I know I do! It is a season with more tax planning- can they contribute more to their 401-K, can they and will they make some adjustments in their withholding? Can we sit down after the tax season and look forward, make adjustments?

Please share some of the things you encountered during this tax season on our own NJNATP facebook page. Also, I welcome you to write a short article about your experiences during this tax season and email to me for our next newsletter: jean.millerchip@gmail.com

Jean Millerchip, EA has been in the tax business for 42 years and is in private practice in Lavallete, NJ. She earned her EA license in 1985. Jean has been a member of NATP for 30 years, and served on the NJ Board of Directors from 1991 until 2009, in various positions, including Treasurer, Secretary, Vice President and President. In 2008, Jean was elected to the National Board, and served a full 9 year term, during which she served as the National Vice President for 5 years and National President for 2 years. Jean can be reached at jean.millerchip@gmail.com

NEW JERSEY FACTS & TRIVIA

- **"I'm From New Jersey"** is the only state song that is adaptable to any municipality with a two or three syllable name.
- New Jersey has the highest population density in the U.S. An average 1,030 people per sq. mi., which is 13 times the national average.
- New Jersey has the highest percent urban population in the U.S. with about 90% of the people living in an urban area.
- In November of 1914, the New York Tribune, cooperating with Mr. Bertram Chapman Mayo (founder of Beachwood) issued an "Extra" announcing:

"Subscribe to the New York Tribune and secure a lot at Beautiful Beachwood. Act at once, secure your lot in this Summer Paradise now!" This was the greatest premium offered by a newspaper - nothing equal to it was ever attempted in the United States.

- New Jersey is the only state where all its counties are classified as metropolitan areas.
- North Jersey is the car theft capital of the world, with more cars stolen in Newark than any other city. Even the 2 largest cities, NYC and LA put together.
- New Jersey has the most dense system of highways and railroads in the U.S.

important REMINDERS

Our Chapter has its own website where you can find information on the New Jersey Chapter such as Chapter Announcements, upcoming seminars and helpful resources such as prior newsletters, state links and much more.

Our Chapter also has its own closed Facebook group where members can throw out questions and share information on events and other information that is helpful in our tax preparation field. Join now if you haven't done so already. You can find us as NJ NATP on Facebook.

Would you like to see your ad
HERE
for all of the
NJ NATP MEMBERS
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Contact Tom Watkins at 973-423-0043

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For practitioners with POA on file to call about a specific client problem:
866-860-4259
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