

Do you have questions about the draft 1040?

The IRS has a special email for those who have questions about the new draft form 1040. You can contact them at **WI.1040.Comments@IRS.gov**. They do warn however, that they cannot respond to all comments due to high volume.

Conclusion

As mentioned, it is expected that 90% of taxpayers will file their taxes electronically or use a tax preparer. Some people are speculating that the changes are merely aesthetic. "Is this a question of form over substance?" asked Bob Kerr, Executive Vice President of the National Association of Enrolled Agents. He also questioned individual states ability to adjust to the new forms, citing, "Are

states ready to adjust their programming as IRS iterates version of the new Form 1040?" The changes will be costly as it will require many state and local tax forms to conform to the changes. (Source: www.money.us.news.com 7/5/2018)

The main attempt was to streamline the tax recording process for most taxpayers. The final judgement will start after the forms are finalized and taxpayers begin to use and file them.

Our aim is to try to be proactive about tax planning. We are keeping an eye on the changes and how they may affect your investments. Our goal is to understand your specific needs and then create a plan to address those needs. We anticipate sending clients a year-end tax report that will offer ideas on tax planning.

We are here to help our clients! If you have any questions please call us.

1.

Has your current advisor reviewed the tax consequences of your investments?

2.

Has your current advisor discussed tax planning and your investments?

3.

Would you like a **COMPLIMENTARY** opinion of your situation?

If you answered **NO** to questions 1 or 2 and/or **YES** to question 3, call our office to schedule a complimentary financial check-up.

What you don't know could hurt!

Complimentary Financial Check Up

If you are currently not a client of Financial Pointe, we would like to offer you a **complimentary, one-hour, private consultation** with one of our professionals at absolutely no cost or obligation to you.

To schedule your financial check-up, please call Elad Goren or Steve Thomas at 805.499.3570.

Securities and investment advisory services offered through SagePoint Financial, Inc., member FINRA/SIPC and a registered investment advisor. Insurance products provided by Financial Pointe who is not affiliated with SagePoint Financial, Inc. or registered as a broker-dealer or investment advisor.

This article is for informational purposes only. This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice as individual situations will vary. For specific advice about your situation, please consult with a tax professional or financial professional. Source: irs.gov; forbes.com; money.usnews.com; journalofaccountancy.com. This article provided by the APFA © 2018.

The Draft 1040

Adjusted for the Tax Law Changes



Elad Goren
Principal and
Co-founder



Steve Thomas
Principal and
Co-founder

The ratification of the 16th Amendment allowed for the collection of income tax. Starting in 1913, American taxpayers used IRS Form 1040 to prepare and file their tax returns. The first tax return was three pages with only one page of instructions. Over the last 100+ years, the length of the instructions has changed numerous times.

In 2017, Congress passed the largest piece of tax reform legislation in over three decades. To conform to the changes that need to be implemented due to this new Tax Cuts and Jobs Act, the IRS released over 50 drafts or revised forms and schedules on its website in June.

The most anticipated one was the 1040, U.S. Individual Income Tax Return form. As promised, the "postcard" size was achieved, and Form 1040 was reduced to one double-sided half page, as compared to the previous two full pages. The objective was to simplify the tax reporting process for many taxpayers. The first page is primarily text data including contact information, social security number, filing status, dependents, signature, and of course, the option to donate to the presidential election campaign. The second page is dedicated to the actual monetary information needed to complete this tax form. This new 1040 also consolidates and replaces 1040A and 1040EZ, two forms that will no longer be necessary. This means that starting in 2019 (for 2018 tax returns), all 150 million taxpayers will be using the same form.

1040 U.S. Individual Income Tax Return **2018**
 Filing status: Single Married filing jointly Married filing separately Head of household Qualifying widow(er)
 Your first name and initial: _____ Last name: _____ Your social security number: _____
 Your standard deduction: Someone else claims you as a dependent You were born before January 2, 1954 You are blind
 If joint return, add spouse's first name and initial: _____ Last name: _____ Spouse's social security number: _____
 Spouse standard deduction: Someone else claims your spouse as a dependent Spouse was born before January 2, 1954 Tax-free health care coverage or exempt (see inst.)
 Spouse is blind Spouse (joint) is a separate return or you were dual status alien
 Home address (number and street): _____ Apt. no.: _____ Presidential Election Campaign (see inst.) Yes No
 City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule B: _____
 If more than four dependents, see inst. and "here" Yes No
 Dependents (see instructions):
 (b) First name Last name (c) Social security number (d) Relationship to you (e) If of age (f) Qualifies for (see inst.) Credit for other dependents
 Sign Here: Under penalty of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
 Your signature: _____ Date: _____ Your occupation: _____ If the IRS sent you an Identity Protection PIN, enter it: _____
 Spouse's signature: _____ Date: _____ Spouse's occupation: _____ If the IRS sent you an Identity Protection PIN, enter it: _____
 Paid Preparer: Print type preparer's name: _____ Preparer's signature: _____ PIN: _____ Check if: Self-employed
 See Schedule B Firm's name: _____ Firm's EIN: _____
 For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113009 Form **1040** 2018

Form 1040 (2018) Page 2
 1 Wages, salaries, tips, etc. Attach Form(s) W-2 1
 2a Tax-exempt interest 2b
 3a Qualified dividends 3b
 4a Taxable dividends 4b
 5a Total ordinary dividends 5b
 6 Total income. Add lines 1 through 5. Add any amount from Schedule 1 (line 2)
 7
 8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20a
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35
 36
 37
 38
 39
 40
 41
 42
 43
 44
 45
 46
 47
 48
 49
 50
 51
 52
 53
 54
 55
 56
 57
 58
 59
 60
 61
 62
 63
 64
 65
 66
 67
 68
 69
 70
 71
 72
 73
 74
 75
 76
 77
 78
 79
 80
 81
 82
 83
 84
 85
 86
 87
 88
 89
 90
 91
 92
 93
 94
 95
 96
 97
 98
 99
 100
 101
 102
 103
 104
 105
 106
 107
 108
 109
 110
 111
 112
 113
 114
 115
 116
 117
 118
 119
 120
 121
 122
 123
 124
 125
 126
 127
 128
 129
 130
 131
 132
 133
 134
 135
 136
 137
 138
 139
 140
 141
 142
 143
 144
 145
 146
 147
 148
 149
 150
 151
 152
 153
 154
 155
 156
 157
 158
 159
 160
 161
 162
 163
 164
 165
 166
 167
 168
 169
 170
 171
 172
 173
 174
 175
 176
 177
 178
 179
 180
 181
 182
 183
 184
 185
 186
 187
 188
 189
 190
 191
 192
 193
 194
 195
 196
 197
 198
 199
 200
 201
 202
 203
 204
 205
 206
 207
 208
 209
 210
 211
 212
 213
 214
 215
 216
 217
 218
 219
 220
 221
 222
 223
 224
 225
 226
 227
 228
 229
 230
 231
 232
 233
 234
 235
 236
 237
 238
 239
 240
 241
 242
 243
 244
 245
 246
 247
 248
 249
 250
 251
 252
 253
 254
 255
 256
 257
 258
 259
 260
 261
 262
 263
 264
 265
 266
 267
 268
 269
 270
 271
 272
 273
 274
 275
 276
 277
 278
 279
 280
 281
 282
 283
 284
 285
 286
 287
 288
 289
 290
 291
 292
 293
 294
 295
 296
 297
 298
 299
 300
 301
 302
 303
 304
 305
 306
 307
 308
 309
 310
 311
 312
 313
 314
 315
 316
 317
 318
 319
 320
 321
 322
 323
 324
 325
 326
 327
 328
 329
 330
 331
 332
 333
 334
 335
 336
 337
 338
 339
 340
 341
 342
 343
 344
 345
 346
 347
 348
 349
 350
 351
 352
 353
 354
 355
 356
 357
 358
 359
 360
 361
 362
 363
 364
 365
 366
 367
 368
 369
 370
 371
 372
 373
 374
 375
 376
 377
 378
 379
 380
 381
 382
 383
 384
 385
 386
 387
 388
 389
 390
 391
 392
 393
 394
 395
 396
 397
 398
 399
 400
 401
 402
 403
 404
 405
 406
 407
 408
 409
 410
 411
 412
 413
 414
 415
 416
 417
 418
 419
 420
 421
 422
 423
 424
 425
 426
 427
 428
 429
 430
 431
 432
 433
 434
 435
 436
 437
 438
 439
 440
 441
 442
 443
 444
 445
 446
 447
 448
 449
 450
 451
 452
 453
 454
 455
 456
 457
 458
 459
 460
 461
 462
 463
 464
 465
 466
 467
 468
 469
 470
 471
 472
 473
 474
 475
 476
 477
 478
 479
 480
 481
 482
 483
 484
 485
 486
 487
 488
 489
 490
 491
 492
 493
 494
 495
 496
 497
 498
 499
 500
 501
 502
 503
 504
 505
 506
 507
 508
 509
 510
 511
 512
 513
 514
 515
 516
 517
 518
 519
 520
 521
 522
 523
 524
 525
 526
 527
 528
 529
 530
 531
 532
 533
 534
 535
 536
 537
 538
 539
 540
 541
 542
 543
 544
 545
 546
 547
 548
 549
 550
 551
 552
 553
 554
 555
 556
 557
 558
 559
 560
 561
 562
 563
 564
 565
 566
 567
 568
 569
 570
 571
 572
 573
 574
 575
 576
 577
 578
 579
 580
 581
 582
 583
 584
 585
 586
 587
 588
 589
 590
 591
 592
 593
 594
 595
 596
 597
 598
 599
 600
 601
 602
 603
 604
 605
 606
 607
 608
 609
 610
 611
 612
 613
 614
 615
 616
 617
 618
 619
 620
 621
 622
 623
 624
 625
 626
 627
 628
 629
 630
 631
 632
 633
 634
 635
 636
 637
 638
 639
 640
 641
 642
 643
 644
 645
 646
 647
 648
 649
 650
 651
 652
 653
 654
 655
 656
 657
 658
 659
 660
 661
 662
 663
 664
 665
 666
 667
 668
 669
 670
 671
 672
 673
 674
 675
 676
 677
 678
 679
 680
 681
 682
 683
 684
 685
 686
 687
 688
 689
 690
 691
 692
 693
 694
 695
 696
 697
 698
 699
 700
 701
 702
 703
 704
 705
 706
 707
 708
 709
 710
 711
 712
 713
 714
 715
 716
 717
 718
 719
 720
 721
 722
 723
 724
 725
 726
 727
 728
 729
 730
 731
 732
 733
 734
 735
 736
 737
 738
 739
 740
 741
 742
 743
 744
 745
 746
 747
 748
 749
 750
 751
 752
 753
 754
 755
 756
 757
 758
 759
 760
 761
 762
 763
 764
 765
 766
 767
 768
 769
 770
 771
 772
 773
 774
 775
 776
 777
 778
 779
 780
 781
 782
 783
 784
 785
 786
 787
 788
 789
 790
 791
 792
 793
 794
 795
 796
 797
 798
 799
 800
 801
 802
 803
 804
 805
 806
 807
 808
 809
 810
 811
 812
 813
 814
 815
 816
 817
 818
 819
 820
 821
 822
 823
 824
 825
 826
 827
 828
 829
 830
 831
 832
 833
 834
 835
 836
 837
 838
 839
 840
 841
 842
 843
 844
 845
 846
 847
 848
 849
 850
 851
 852
 853
 854
 855
 856
 857
 858
 859
 860
 861
 862
 863
 864
 865
 866
 867
 868
 869
 870
 871
 872
 873
 874
 875
 876
 877
 878
 879
 880
 881
 882
 883
 884
 885
 886
 887
 888
 889
 890
 891
 892
 893
 894
 895
 896
 897
 898
 899
 900
 901
 902
 903
 904
 905
 906
 907
 908
 909
 910
 911
 912
 913
 914
 915
 916
 917
 918
 919
 920
 921
 922
 923
 924
 925
 926
 927
 928
 929
 930
 931
 932
 933
 934
 935
 936
 937
 938
 939
 940
 941
 942
 943
 944
 945
 946
 947
 948
 949
 950
 951
 952
 953
 954
 955
 956
 957
 958
 959
 960
 961
 962
 963
 964
 965
 966
 967
 968
 969
 970
 971
 972
 973
 974
 975
 976
 977
 978
 979
 980
 981
 982
 983
 984
 985
 986
 987
 988
 989
 990
 991
 992
 993
 994
 995
 996
 997
 998
 999
 1000
 1001
 1002
 1003
 1004
 1005
 1006
 1007
 1008
 1009
 1010
 1011
 1012
 1013
 1014
 1015
 1016
 1017
 1018
 1019
 1020
 1021
 1022
 1023
 1024
 1025
 1026
 1027
 1028
 1029
 1030
 1031
 1032
 1033
 1034
 1035
 1036
 1037
 1038
 1039
 1040
 1041
 1042
 1043
 1044
 1045
 1046
 1047
 1048
 1049
 1050
 1051
 1052
 1053
 1054
 1055
 1056
 1057
 1058
 1059
 1060
 1061
 1062
 1063
 1064
 1065
 1066
 1067
 1068
 1069
 1070
 1071
 1072
 1073
 1074
 1075
 1076
 1077
 1078
 1079
 1080
 1081
 1082
 1083
 1084
 1085
 1086
 1087
 1088
 1089
 1090
 1091
 1092
 1093
 1094
 1095
 1096
 1097
 1098
 1099
 1100
 1101
 1102
 1103
 1104
 1105
 1106
 1107
 1108
 1109
 1110
 1111
 1112
 1113
 1114
 1115
 1116
 1117
 1118
 1119
 1120
 1121
 1122
 1123
 1124
 1125
 1126
 1127
 1128
 1129
 1130
 1131
 1132
 1133
 1134
 1135
 1136
 1137
 1138
 1139
 1140
 1141
 1142
 1143
 1144
 1145
 1146
 1147
 1148
 1149
 1150
 1151
 1152
 1153
 1154
 1155
 1156
 1157
 1158
 1159
 1160
 1161
 1162
 1163
 1164
 1165
 1166
 1167
 1168
 1169
 1170
 1171
 1172
 1173
 1174
 1175
 1176
 1177
 1178
 1179
 1180
 1181
 1182
 1183
 1184
 1185
 1186
 1187
 1188
 1189
 1190
 1191
 1192
 1193
 1194
 1195
 1196
 1197
 1198
 1199
 1200
 1201
 1202
 1203
 1204
 1205
 1206
 1207
 1208
 1209
 1210
 1211
 1212
 1213
 1214
 1215
 1216
 1217
 1218
 1219
 1220
 1221
 1222
 1223
 1224
 1225
 1226
 1227
 1228
 1229
 1230
 1231
 1232
 1233
 1234
 1235
 1236
 1237
 1238
 1239
 1240
 1241
 1242
 1243
 1244
 1245
 1246
 1247
 1248
 1249
 1250
 1251
 1252
 1253
 1254
 1255
 1256
 1257
 1258
 1259
 1260
 1261
 1262
 1263
 1264
 1265
 1266
 1267
 1268
 1269
 1270
 1271
 1272
 1273
 1274
 1275
 1276
 1277
 1278
 1279
 1280
 1281
 1282
 1283
 1284
 1285
 1286
 1287
 1288
 1289
 1290
 1291
 1292
 1293
 1294
 1295
 1296
 1297
 1298
 1299
 1300
 1301
 1302
 1303
 1304
 1305
 1306
 1307
 1308
 1309
 1310
 1311
 1312

When looking at the proposed 1040, here are things to remember.

It's still a draft.

The IRS warns taxpayers not to file the recently released 1040 as it is still in draft form, stating, "This is an early release draft of the 2018 IRS Form 1040, U.S. Individual Income Tax Return, which the IRS is providing for your information, review, and comment... Do not file draft forms. Also, do not rely on draft forms, instructions, and publications for filing. We generally do not release drafts of forms until we believe we have incorporated all changes. However, in this case **we anticipate it is likely that this draft will change at least slightly before being released as final**. Whether this draft changes or not, we will post a new draft later this summer with our standard coversheet indicating we do not expect that draft to change."

As promised, it's smaller.

The new 1040 has only 23 numbered lines, as compared to the previous 79 on the old 1040 form. As previously stated, it should replace not only the 1040 but also forms 1040a and 1040EZ. Many lines have been consolidated or moved to schedules.

Does size really matter? The IRS expects that almost 90% of taxpayers will file their taxes electronically or use a tax preparer, making the length of tax forms inconsequential. The changes, additions and deletions of lines, which are supposed to make it easier to fill out and understand, are what matter the most.

Steve Mnuchin, Treasury Secretary, said, "Our objective is to make this simpler for taxpayers, whether they're doing it electronically or whether they're doing it on a physical form."

Some items were removed due to the new tax code.

As some items were taken out of tax code, they were consequently taken out of the 1040. For example, there are no personal exemptions available for 2018 – 2025, so these lines were removed. Additionally, there is no line for alimony income since it is no longer taxable.

The former area for adjusted income reporting was eliminated. Line items that were not eliminated from tax code can now be found combined on other lines or the new Schedule 1.

An item was added

due to the new tax code

Line 9 was created for the 20% deduction for income earned by pass-through businesses such as partnerships and S corporations.

Schedule 4 – "Other taxes"

Line 14, labeled as "Other Taxes" will refer you to a new Schedule 4. This schedule is for a collection of "other taxes" including self-employment tax, Medicare and Social Security tax, high-income household taxes, household employment tax, repayment of first time homebuyer credit, net investment income tax and the penalty for not having health care (2018 will be the last year this penalty is included).

It has six additional schedules.

The new 1040 has created a “building block” approach to tax reporting. Ideally, taxpayers with straightforward taxes will embrace this simplified form, however, those with more complex finances will have to be mindful of the schedules and what are included on them. For example, deductions and other items are now relegated to a schedule. Some individuals may become confused or overlook potential tax breaks due to them no longer being on Form 1040 and must be filled out on a separate schedule. For example, this includes student loan interest deductions, teaching supply deductions and taxes on household employees. While these schedules are mostly short in and of themselves, they could complicate the tax filing process for many taxpayers.

The schedules are:

Schedule 1:

Additional Income and Adjustments to Income. (37 lines)

Includes lines 10 through 37 from the 2017 1040 form. This schedule contains items such as capital gains and losses, student loan interest expense and business income.

Schedule 4:

Other Taxes (12 lines)

This includes the lines 57 through 63 previously on the 1040, including Medicare, Social Security, household employment and net investment income taxes.

Schedule 2:

Tax. (7 lines)

You’ll find the previous 1040 lines 44 through 47 on this schedule, including the Kiddie Tax, alternative minimum tax and excess premium tax credit refunds.

Schedule 5:

Other Payments and Refundable Credits. (14 lines)

This includes what was formerly on the 1040 as lines 65 through 74.

Schedule 3:

Nonrefundable Credits. (10 lines)

This includes information from the previous 1040 lines 48 through 55, including credit for child and dependent child care, education credit and energy credit.

Schedule 6:

Foreign Address and Third-Party Designee. (3 rows)

This simply provides taxpayers with a foreign address a line to list their country, province and postal code and provides a place to list a third-party designee who is authorized to discuss the return with the IRS.

These new schedules do not replace the current schedules such as Schedule C – which will be modified with any changes necessary to reflect the changes in the new tax law.