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## Chapter Chatter

### News for Arizona Tax Professionals

Arizona State Chapter of the National Association of Tax Professionals

## The President's Corner

It is hard to believe that in three short months from now that one of us could be completing a tax return. Are you ready for that? I know that I am not. I do have my chosen tax software ordered. I ordered my offices Quick Finders and Tax Books back in July. Why both you ask? Because we are all creatures of habit. Some of the tax pros in my office used the Quick Finder at their prior place of employment and shudder at the inconvenience of learning a new research tool. While those of us who have been at my office since the beginning love Tax Book and are happy with what we know.

I think we all get used to doing things a certain way and sometime change is difficult. In our chosen profession, though, change is constant. Last year we dealt with the biggest change to the tax code, in recent history, called The Tax Cut and Jobs Act. For the 2019 tax filing, it will be the state of Arizona with sweeping changes.

I am proud to be a member of NATP, as well as the President of this Arizona Chapter. The Education Committee, as well as the Board of Directors, spent several meetings discussing the topics that will be presented this December in three locations. Our seminar will provide an Arizona update from AZDOR to bring you the latest in the new tax bill. We heard from several members that their biggest challenge for 2018 taxes was when a basis worksheet was needed due to a K1. In answer to that, we will be presenting a seminar to make that task easier. Still in need of Ethics? If the answer is yes, then join me at 7:30am at all three locations for those two Credit Hours. If you have already done your Ethics, then sleep in and join us at 9:25am.

I hope to see all of you in December.

Lin

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## December 2019 Tax Update

Submitted by: **Sheryl McClure, EA**

As we close out the 2019 calendar year it's time to think ahead to make sure you are ready to prepare 2019 income tax returns for your clients. This year, Arizona NATP will once again offer tax updates at three locations and offer Spanish-speaking classes in two of the three.

Choose your date and location from:

December 3<sup>rd</sup>, 2019 – Tempe, English classes only

December 4<sup>th</sup>, 2019 – NW Phoenix, English and Spanish classes

December 6<sup>th</sup>, 2019 – Tucson, English and Spanish classes

English class offerings include Ethics, IRS Update, AZ DOR Update, Tax Issues for Seniors, and Basis Reconstruction- Be a Detective.

Spanish class offerings include Ethics, IRS Update, AZ DOR Update, Depreciation, 1099-Misc and Due Diligence, and an introduction to calculating Basis.

Remember, Arizona Department of Revenue has made significant changes in the state tax code, so you will not want to miss this update!

To register, go to [www.natptax.com/Chapters/Pages/ArizonaChapterEducation.aspx](http://www.natptax.com/Chapters/Pages/ArizonaChapterEducation.aspx).

More information is available on our website! [www.aznatp.com](http://www.aznatp.com).



**We will be hosting a 50/50 raffle at all three Update locations to benefit our Chapter Charity.**



## AZ HB2757 – Tax Provisions

**Submitted by: Katie Gudgel, EA, PhD**

On May 31, 2019, Governor Doug Ducey signed into law House Bill 2757 which made changes to the individual and corporate tax code, as well as the transaction privilege tax. Since HB2757 included a conformity provision retroactive to January 1, 2018 and the AZ DOR published tax forms assumed conformity, no Arizona amendments are necessary to comply with the tax law changes. Other than the conformity and TPT provisions, the changes to the tax code are retroactive to January 1, 2019. The Arizona tax law changes are estimated to bring in an additional \$155 million in state revenues for FY 2018, but \$52 and \$24 million less in FY 2020 and 2021, respectively.

In light of Wayfair, HB2757 requires entities, starting October 1, 2019, to collect and remit TPT if they are a marketplace facilitator with Arizona gross retail sales over \$100,000 or are a remote seller with annual Arizona gross retail sales exceeding \$200,000 in 2019, \$150,000 in 2020, or \$100,000 after 2020. This legislation also expanded the types of foreign source income to which the dividend received deduction applies for corporate tax filers.

On the individual side, the standard deduction amounts are now the same as the federal standard deductions and will automatically be inflation adjusted in the same manner. It is anticipated that fewer taxpayers will itemize on their Arizona return (despite retaining 100% deductibility of medical expenses as Arizona itemized deductions), but HB2757 allows taxpayers to deduct 25% of their charitable contributions in addition to the Arizona standard deduction.

And just like under TCJA, the personal and dependent exemptions were reduced to zero. Arizona created a new (non-refundable) dependent credit (43-1073.01), which is \$100 for dependents under 17, and \$25 for dependents 17 and over, which is phased out for high income taxpayers. However, the higher Arizona dependent credit does not have the social security (vs. ITIN) and U.S. residency restrictions that the federal child tax credit has.

Not all Arizona exemptions were eliminated. There are still exemptions for blind individuals or those 65 or older. However, taxpayers cannot claim both the \$10,000 exemption for qualifying parents and grandparents (43-1023(C)) and the dependent tax credit (43-1073.01) for the same individual. The Family income tax credit (43-1073), Increased Excise Tax Credit (43-1072.01), Property Tax Credit (43.1072), and credits on AZ Form 301 (i.e. Qualifying Charitable Organizations or Fees paid to Schools) were unaltered by HB2757.

Arizona did change how lottery winnings are taxed. Previously, lottery winnings under \$5000 were subtracted from Arizona income, but will now be fully taxed. Other Arizona adjustments to income (i.e. long-term capital gain treatment, certain government pensions, social security, etc) are not affected by AZ HB2757.

In addition, the tax brackets were reduced from five to four. The bottom two tax brackets were combined into one with a 2.59% tax rate. The income levels for the other tax brackets, other than being inflation adjusted, remain unchanged, but the tax rates decreased slightly (3.36%→3.34%, 4.24%→4.17%, and 4.54%→4.50%).

## What if someone is using your social security number to work? Control the use of your social security number (SSN). It's easy and free!

Submitted by: **Salvador Campos, EA**

Self-Lock is a unique feature that helps protect you in myE-Verify from employment-related identity fraud.

On October 6, 2014, U.S. Citizenship and Immigration Services (USCIS) developed myE-Verify in response to a request by Congress to offer services for U.S. workers to engage with USCIS and participate in the E-Verify process. E-Verify compares the information workers provide on Form I-9, Employment Eligibility Verification, with records available to the Department of Homeland Security (DHS) to verify that the worker is authorized to work in the United States. Arizona was one of the first five states to have access to myE-verify and Self-Lock.

Through the myE-Verify online platform, you can lock your social security number so that no one else in E-Verify can use it, which protects you from employment-related identity theft. The Self-Lock service allows you to lock and unlock your social security number at any time. The Self-Lock feature activates the lock for up to one year and can be renewed. It is a great tool if you are not actively looking for a job or job searching, or if you are employed or retired.

If someone is working under your identity and using your social security number, someone else's wages are being reported in your name to the Internal Revenue Service, the Social Security Administration, and other authorities. The tax authorities could then inform you that you owe additional taxes.

If your SSN is locked and a thief attempts to use your SSN to secure employment and make money illegally with a company enrolled in E-Verify, the company will receive a notice or an error called DHS Tentative Nonconfirmation (DHS TNC). The notice, called "*Further Action Notice*", will state the reason for the notice as: "*DHS TNC. The information entered for this employee did not match DHS records*". Your employer must promptly notify you, in private, of a Tentative Nonconfirmation (TNC). You will then have eight Federal Government working days to visit an SSA field office or to contact DHS to contest the TNC from the date the employer refers the case in E-Verify. If you do not take action within eight Federal Government working days, a Final Nonconfirmation will be issued and your employer may terminate your employment.

How do I know about this? A few years ago I applied for a job and intentionally left my SSN locked just to go through the DHS TNC process. Oh, I did get the job!

Visit [www.uscis.gov/myE-Verify](http://www.uscis.gov/myE-Verify) to learn about myE-verify.

## Tax Season is around the corner - Are you considering Seasonal Help?

Submitted by: Lily Davalos, AFSP, CAA

As our practices grow, we get caught in the hiring game. The hiring process is becoming a nightmare for some of us, because we need to find people who have the necessary skills to fulfill their duties correctly in order to avoid fines. Depending of the size of your practice, you can recruit full time, part time, and/or seasonal employees. Today we will emphasize the advantages of hiring seasonal employees.

Many of us find seasonal employees as a solution for our needs. However, finding the right person can be challenging. It is important to start several months ahead and not wait until a few weeks before the season to start your recruiting and hiring process. In my office, we follow the list below to find possible candidates:

- Retirees --- "They have the extra time"
- Customers --- "They have the curiosity"
- Referrals --- "They want to work"
- Social Media ---- "They are looking for the job"
- Job Fairs --- "They are looking for the job"
- Students --- "They need and want to learn"

We always give potential seasonal candidates an accurate description of the skills and experience needed, the working hours, and the job's duration. It is extremely important to explain that the job is seasonal work and has a finite end date. We always specify if overtime, evenings, or weekends are required. Creating an accurate job description will help avoid misunderstandings and possible sanctions.

For many, most seasonal jobs require weeks of training or waiting for employees to learn the job which might not be practical. In my office, we use all the resources available. For example, many of the colleges and universities in Maricopa County offer "Business Partnerships" which allow us to find candidates with desired skills.

I am a firm believer of these programs, because I participated in a program during my college years. It allowed me to find a place where my talents and skills were needed.

Although there are many advantages to hiring seasonal workers, we also find disadvantages. At the end of the day, we have to balance our business needs. If you find the right person and he or she enjoyed their job, they are more likely to return for more than one season. Keep in mind that the people we hire are a reflection of our company.

## Medios Sociales--Arma de Dos Filos

Submitted by: Lily Davalos, AFSP, CAA

A medida que la tecnología avanza, descubrimos nuevas formas de comunicarnos y vender nuestros servicios. Mucho de nosotros utilizamos Medios Sociales para poder influir, conectar e interactuar con nuestros clientes...y si ¡funciona!, pero en algunas situaciones esta forma de comunicarnos se convierte en una pesadilla.

Una reseña o evaluación hacia nuestro negocio sea positiva o negativa puede afectarnos casi instantáneamente --¡si! Así de rápido funcionan los medios sociales. Una buena evaluación hacia nuestros negocios puede atraer nuevos clientes; en cuanto a una mala evaluación puede provocar que algunos de nuestros clientes busquen otras opciones o que posibles clientes duden de las habilidades de nuestros negocios.

Hace unos años aprendí como los Medios Sociales afectan directa e indirectamente mi negocio y mi persona; basada en esa experiencia decidí utilizar los siguientes 7 pasos para evitar malas experiencias:

1. Mantenga su cuenta de negocio y personal separadas
2. Acepte y responda a cualquier evaluación, no importa si es positiva o negativa
3. No comparta asuntos personales en su cuenta de negocio y viceversa
4. No publique información de sus clientes (Podría estar violando provisiones del circular 230)
5. Publique información creíble que pueda ser compartida y citada
6. Siempre publique y de créditos al autor intelectual de su información
7. Sea honesto

No importa que plataforma de Medios Sociales utilizamos para conectarnos con nuestros clientes, lo que importa es la seguridad, veracidad y sobre todo credibilidad que estamos compartiendo. Al conectarnos con nuestros clientes debemos de tener en mente en siempre tener la seguridad, integridad e igualdad de que casa persona que nos siga por medios sociales podrá expresarse libremente independientemente de nuestras creencias.

Hay que recordad que todos estamos invitados a este mundo mágico y solo nosotros podemos determinar si en realidad los Medios Sociales son un Arma de Dos Filos.

## Do your clients feel the Love?

Submitted by: **Sheryl S. McClure, EA**

Why do your clients come to you year after year for tax prep, accounting services, or help with IRS issues? Probably because of the relationship that you have created and maintained over the years. Our business is one which is very relationship-based; how do you work to maintain and strengthen that relationship?

Doing a good job for the client is the first step toward building a good relationship, that goes without saying. But what do you do to make that client feel special and appreciated? I have found small ways that don't cost very much money but go a long way toward making my clients feel that I value their business. Here are a few of my ideas:

1. I track who has referred new clients to me and each year at Thanksgiving, I hand-write a note to thank them for their trust in me by referring one of their friends. I enclose a small gift card, such as one to Starbucks, Harkins Theatres, Chick Fil-A, or something similar. These are not expensive gifts, but every year I receive very heartfelt thank-you from the recipients of these small gestures.
2. At Christmas I send gift baskets to my "best" clients. These are the clients who help to really drive the revenue, and I want to make sure that they know I value their business. These are typically cheese and cracker trays, cookie collections, candy boxes, or popcorn tins. Fewer and fewer companies do this at the holidays, and I like to think this is one more way to stand out.
3. For the past three years I have mailed "Happy New Year" cards to all my clients. I can send a holiday message, wish them health and happiness in the new year, and they have one more piece of written material in their hands at the beginning of the year with my company's name on it, right as we're ready to launch into tax season!
4. Quarterly reminders of estimated tax due dates. These are particularly helpful for the new Schedule C client, who may be struggling to keep up with the requirements of their new business. Doing a quick estimate of what amount to pay also is very much appreciated.
5. I use my contact management software to make personal notes about each client to which I can refer before the next year's appointment. I note who is expecting a baby (or grandbaby), who is taking a fabulous much-anticipated vacation, whose son or daughter is getting married, whose new graduate will be attending which college. I can't possibly remember all the little details about each client even though I want to do so. By using these notes I let the client know that I value knowing what is going on in their lives.
6. Swag. You know, pens, note pads, and that type of little give-away. Clients love getting a good pen and little note pad with their copy of the tax return. Then they have more items handy with my company's name, address, and phone number. Makes referrals pretty easy for them!

You probably have many of your own ideas about how to keep clients coming back to you, and I would welcome hearing about them. Remember, clients will never feel the love from TurboTax like they do from us!

## Tax Preparer Retirement Planning - What Not To Do

Submitted by: **Gloria Mack and Sharon Lewis, EA**

A longtime friend of mine who I once shared a tax office with decided to retire in August 2018. His health began to fail. Sadly, he didn't really have a retirement plan in place. I am not talking about financially, but about what to do with his clients when it is time to stop preparing tax returns.

Since some people knew we shared an office they searched me out and asked where he was, what to do, etc. They were panicked and rightly so. For several weeks I wasn't able to answer their questions. Eventually between hospital visits, he returned my call and let me know the status of his health and that he was retired.

A week later I start getting an influx of telephone calls from his clients wanting to book appointments with me. After speaking to me, he decided to send out a letter to his clients stating his failing health and referring his clients to me and two other professionals. Surprise!

The good news was I was able to accommodate many of the early appointment setting clients and increase my practice. The bad news was he did them a disservice by not letting them know when he was transitioning or provide a more seamless process.

Here are several better options to retirement planning for tax preparers. They include:

- Selling your tax practice. There are companies out there to assist in this process.
- Letting your clients know that you are retiring either during tax season. Or, if it is after tax season by sending out a letter.
- Finding another tax preparer that is able to take on new clients and having them write the letters with you if your health has failed and you aren't able to take the job on yourself at that time.
- Bringing a new preparer into your office that will take over the taxes as you retire.

## Little Extras to Make Clients Love You

Submitted by: **Sandy Barrett, EA**

None of us want to start from scratch with all new clients every year, so the more we retain the better. Yes, it takes extra effort, but so does replacing what were good clients.

One thing I do, which may not work in a large city, but does in a small town, is to cut out any articles and pictures of my clients or their families when “they make the paper”. I always put a note on the article congratulating them and mail the article to them.

I also cut out and mail articles that I think pertain to their business and how it is taxed. If these clients are out of town, I scan the articles and email them to the client. One example of this is a client who owns a hair salon who is very concerned about independent contractors/employees. When I found an article regarding this issue, I scanned it and sent it to her.

A very important step is to ask the clients questions. Not only does this help make sure the returns are accurate, it keeps you from being blindsided. One client I asked a simple question that we should all ask. He was a W-2 employee, and I asked if he had any other income. Yes, he tells me. He buys stuff from storage sheds and sells it. He had never thought that this activity needed to be reported (his first year with me). Not asking could have cost him and me accuracy-related penalties.

I tell all my new clients in Arizona about the wonderful credits we have and give them a handout that lists the most common ones and how much they can give. We check their prior year Arizona returns (if they are not new to Arizona, but new to me) to see how much Arizona tax they had and how they can determine by the tax credits where their Arizona tax dollars go.

Finally, I supply detailed instructions about what the client needs to do from the point that the return is complete -- return the signed 8879s (if the spouse isn't with them or if they are out of town) and send in payments and estimates, if necessary. For those estimates and payments, I supply addressed envelopes.

Another extra step is to remind those on extension of the deadline and of my personal deadline. If they do not get their information to me by my deadline, I do not guarantee that their returns will be completed before the deadline.

Any extra step you take with your client will make them better see the value of your service, so they will keep coming back and probably be willing to pay more to have their return prepared.

## ADVERTISE IN THE AZ NATP NEWSLETTER

The AZ NATP Board has adopted the following policy with regard to advertising in this newsletter.

### **Business Card Size:**

Maximum size of 1 column wide (2") by 3.5" long. Horizontal or Vertical placement will be agreed upon between the client and the Newsletter Committee Chair.

*Non-members to be charged the following:*

One newsletter \$50 each time / Two newsletters \$40 each time / Three newsletters \$30 each time (Same Ad, No Changes, Paid Up Front).

Members will get a 50% discount and will pay for same, in order:

One \$25/Two \$20/ Three \$15 (Same Ad, No Changes, Paid Up Front).

### **Quarter Page Size:**

No larger than 2.5 times larger than the business card size. Horizontal or Vertical placement will be agreed upon between the client and the Newsletter Committee Chair.

*Non-members to be charged the following:*

One Newsletter \$100 each time / Two Newsletters \$90 each time / Three Newsletters \$80 each time (Same Ad, No Changes, Paid Up Front).

Members will get a 50% discount and will pay for same, in order:

One \$50 / Two \$45 / Three \$40 (Same Ad, No Changes, Paid Up Front).

### **Half Page Size:**

No larger than 5 times larger than the business card size. Horizontal or Vertical placement will be agreed upon between the client and the Newsletter Committee Chair.

*Non-members to be charged the following:*

One Newsletter \$170 each time / Two Newsletters \$160 each time / Three Newsletters \$150 each time (Same Ad, No Changes, Paid Up Front).

Members will get a 50% discount and will pay for same, in order:

One \$85 / Two \$80 / Three \$75 (Same Ad, No Changes, Paid Up Front).



**This is a great opportunity for you to reach all the members of AZ NATP so that you can fill your needs for employees, sell tax-related products, or search for a new job!**

Please contact Jane Whetzel at [ejwhetzel.ea@gmail.com](mailto:ejwhetzel.ea@gmail.com) for advertising opportunities in the newsletter.



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*“Your Chapter provides you with great networking opportunities, educational events, state government representation, and more!”*

## NATP BENEFITS

NATP strives to bring you success in your business through many member benefits designed for the busy tax professional.

### Research Services:

Remember to use your FREE research answer.

Our on-site staff of federal tax specialists answers over 30,000 questions every year on a variety of complex tax issues and will provide supporting documentation at no extra charge. Plus, members get one FREE answer every calendar year and discounted rates on subsequent answers.

### Tax Store:

Supplies and educational material for the tax professional.

The NATP Tax Store is the one-stop shop your business needs – plus members get a discount! Here’s just a sample of the great items you’ll find:

- Client Folders
- Record Saver Envelopes
- Record Books & Organizers
- Client Brochures
- Tax Tips* Client Newsletters
- Reference Books

### Publications:

Get the latest tax news and updates.

### Education:

Flexible choices to give you the CPE course you want.

Choose from outstanding live workshops, facilitated online, self-study, and webinars. Members get discounted rates on all our education.

### Representation &

**Advocacy:** *Your views are represented.*

NATP works to protect your right to practice and shares your concerns and views with

key IRS personnel and government officials.

### NATP Affinity Partners: *Group Buying Power!*

Get great prices on insurance (E&O business, medical, personal), credit cards and processing, collections, and office supplies.

### Chapters: *Another FREE Member Benefit*

Not only do you get this great newsletter, but your Chapter also provides you with great networking opportunities, educational events, state government representation, and more!!

We make complex tax issues easy to understand and feature business and practice management information in our three publications: *TAXPRO Weekly and Chapter Weekly e-mail, TAXPRO Monthly newsletter, and TAXPRO Journal* - yours FREE with membership. **Contact the NATP National office for more information at [www.natptax.com](http://www.natptax.com) or 800.558.3402, ext. 3.**



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**Education:** Sheryl McClure, EA

**Government Relations:** Liliana Davalos and Elizabeth Dennis, CPA

**Membership/Recognition:** Lou Bates, EA

**National Conference:** Gloria Mack

**Newsletter/Communication:** Jane Whetzel, EA and Liliana Davalos

**Nominating:** Sandy Barrett, EA

**Professional Standards:** Gloria Mack

**Scholarship:** Jane Whetzel, EA



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*If you are interested in volunteering, please contact any of the board members.*