COMPASS FINANCIAL SERVICES, LLC
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Tax Preparation Process (2017 Individual 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.

- 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 around 10 days. We will update you with email alerts along the way.

If you miss our cutoff date of April 2nd 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. 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).

Contact us if you'd like to file an extension for your 2017 taxes: **cfstax.net/contact-us**

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.

cfstax.net/engagement

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

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.

cfstax.net/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 questionnaires at:

cfstax.net/tax-center

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 **$60 per hour** for this preparation (a little bit here and there is always expected- but the grocery 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).

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 the Small Business Section at:

cfstax.net/tax-center

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

We use 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:

cfstax.net/portal

Secure Fax

If you decide to fax your tax documents our toll-free fax number is 719-309-1353. We will email you 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:

Compass Financial Services
255 Jefferson Street, Suite 101
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 **$30 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.

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@cfstax.net or give us a shout at 719-204-3095 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

Almost half of our tax clients live outside of Colorado, therefore we are proficient in preparing your tax return without an appointment. However, if the Colorado Springs/Monument area 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.

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 that it is received.
- Your information is reviewed for obvious missing information or items, and we contact you if necessary.
- Your tax returns are prepared. Fun!
- If there are questions or clarifications needed, we contact you via email or telephone call.
- 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 an email.
- If you have questions or comments, you can email those directly by replying to the email containing your tax return. 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. Both can be done through our website.
- 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 an email. 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!

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
- 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.

cfstax.net/tax-questionnaire

There is also a Miscellaneous Questionnaire that should be reviewed at

cfstax.net/misc-questionnaire

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

cfstax.net/tax-center