# TAXES TODAY

## eNewsletter for Tax Professionals

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# Advising Clients under the TCJA

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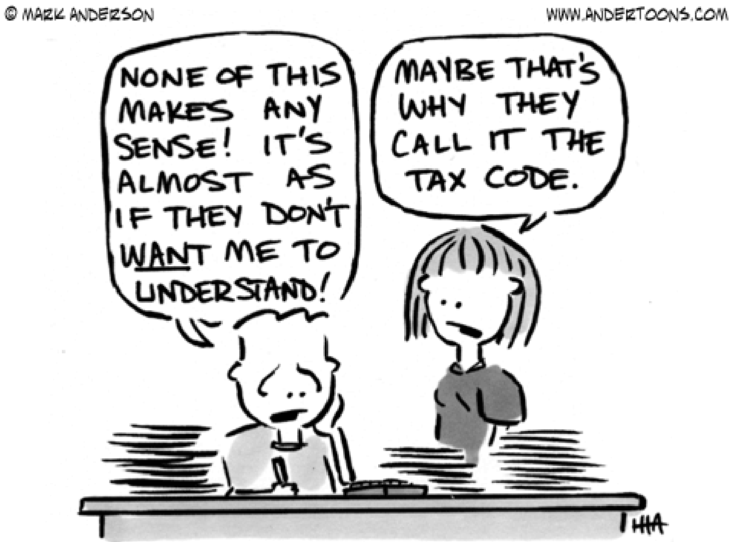
As I was browsing through the latest tax news on Sunday, I stumbled upon the article, *"Taxpayers turning to accountants to help navigate new tax law"*. The article discussed the results of a poll of 2,000 taxpayers performed by the personal financial management platform Nummo.

The data point that jumped out at me was that **47 percent of the taxpayers who were asked, said that they "would work with a certified tax preparer if it would help them interpret exactly how the new tax laws would affect them."**

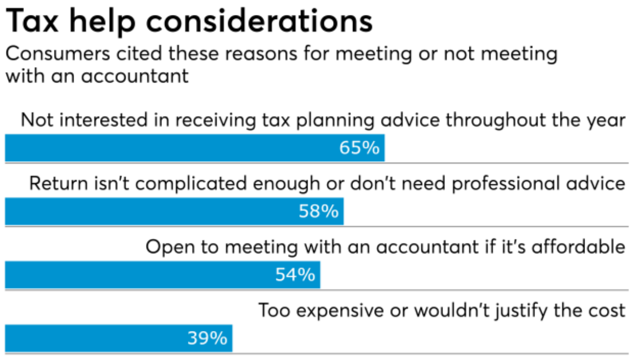



This is an important reminder that even in the heart of tax season, it continues to be crucial for tax advisors to take a few extra minutes to explain to their clients and prospects the following:

1. Exactly what the Tax Cuts and Jobs Act (TCJA) is
2. The most impactful changes it made to the federal tax law
3. Those changes that most affect this particular client or prospect
4. What planning items to consider in response

By discussing these four items with clients and prospects alike, tax advisors will separate themselves from their competition and will be viewed as focusing on "value-add" tax planning in addition to more traditional tax preparation services. **In our view, these firms will be well-positioned for long-term growth through satisfied client referrals.**

Another interesting takeaway from this article was the following chart:



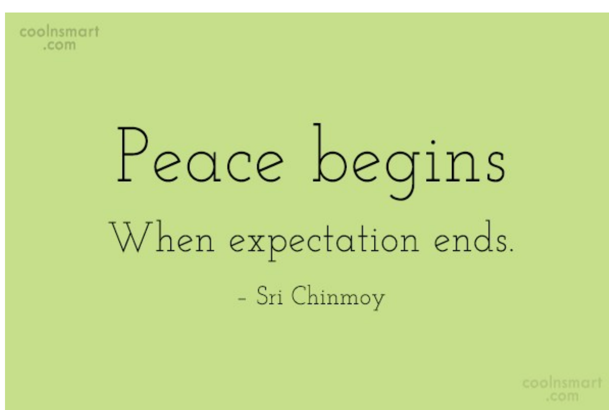

Source: Nummo

**Clearly, tax advisors will need to continue to fight the headwind of taxpayers believing they do not require expert tax advice even when they do.** Consistently discussing the four items above with prospects will go a long way to combat this headwind.

**Let's now turn our attention to perhaps the most controversial (and misunderstood) topic among taxpayers this tax season: the "lack" of tax refunds.**

While the early data from the IRS did indeed show a dramatic decrease in the percentage of taxpayers receiving tax refunds in 2019 (tax year 2018) compared to 2018 (tax year 2017), more recent IRS data is telling a different story. In fact, based on the IRS data released on March 1, when adjusting for tax returns received in 2019 compared to 2018, only about one percent fewer filers are receiving a refund this year compared to last. Further, the average refund in 2019 of $3,068 is actually slightly higher than 2018 of $3,046.

**So this leads to the question, why does it appear that there are so many taxpayers frustrated by not receiving refunds? My educated guess is this is a matter of expectation.**




For example, because the withholding tables were modified to reflect the TCJA's new federal tax rates, many employees believed their W-4, the IRS form that tells their employer how much to withhold from their paycheck for federal taxes, did not need to be adjusted in 2018. But this was not necessarily the case.

**Many taxpayers erred and under-withheld by failing to take into account the tax law changes beyond the tax rates—perhaps most importantly, the reduction in itemized deductions.** This has not necessarily resulted in substantially less refunds "across-the-board," but rather, many disappointed taxpayers.

**So, the real culprit here may indeed be expectation over reality. We will have to wait until the end of the tax-filing season to know for sure.**

## We are here to help.

*As always, please feel free to reach out and call (**916-405-9166**) or email (**spitchford@towerpointwealth.com**) with any questions, thoughts, or needs you may have. At Towerpoint Wealth, we are happy to be a direct and no-strings-attached resource for you.*

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