

Tax Refund Options

You don't have to receive your tax refund in the form of a paper check. Although the Treasury issues millions of refund checks each year, receiving a paper refund check is generally the slowest method of receiving your refund. This option also comes with the possibility of being lost or stolen.

Direct deposit of your refund into your checking, savings, brokerage or IRA

account is available. Your refund may also be split into any amount for deposit into up to three different accounts.

You don't need a bank account in order to receive a direct deposit. You can deposit your refund directly onto most prepaid debit cards.

A fourth option is to use your tax refund up to \$5,000 to buy U.S. Savings Bonds.

Finally, you may apply your refund to next year's taxes.

Mandatory Actions

Required Minimum Distributions (RMD). Once you reach age 70½, you're generally required to start taking required minimum distributions (RMDs) from Traditional IRAs and employer-sponsored retirement plans (special rules apply if you're still working and participating in your employer's retirement plan), and even some inherited Roth accounts. You must make the required withdrawals by the date required—by the end of the year for most individuals—or a 50% penalty tax applies. Regular Roth IRA accounts do not require a minimum required distribution (RMD).

Your Masthead, CPA, EA

Company services, Affiliations

Phone: (111) 222-3333
Email: company@email.com
123 Elm Street
Anytown, USA 12345

SAMPLE

Your Masthead, CPA, EA

Company services, Affiliations

Phone: (111) 222-3333
Email: company@email.com
123 Elm Street
Anytown, USA 12345

Time To Review 2019: What To Expect

HEALTH INSURANCE

NEW for calendar year 2019, the dollar amount of the penalty for not maintaining minimum essential health coverage is \$0. The Tax Cuts and Jobs Act eliminated the penalty which was at least \$695 per adult for 2018 and could have been much higher based upon family members and household income.

ANNUAL GIFT LIMITS

The annual exclusion for gifts is \$15,000 for calendar year 2019, remains the same as it was for calendar year 2018.

MEDICAL & DENTAL EXPENSES

Taxpayers can still deduct the

in the Tax Cuts and Jobs Act.

adjusted gross income. This includes unreimbursed employee business expenses, uniforms, union dues and the deduction for business-related meals and travel.

HOME MORTGAGE INSURANCE

Beginning in tax year 2018, taxpayers can deduct the interest on up to \$750,000 of qualified home loans (\$375,000 for Married Filing Separate).

ALIMONY

While alimony that was required, before 2019, was deductible by the payor and taxable to the payee, the rules have changed for 2019. The new law repeals the deduction, and inclusion in taxable income, for alimony paid/received under an agreement executed after 2018. Modifying existing agreements (pre 2019) remain deductible/taxable unless they

expressly state that the new rules apply.



The new amount decreased from \$1 million under 2017 rules. But if you secured your home loan before Dec. 15, 2017, the \$1 million limit still applies to your deduction.

INFLATION ADJUSTMENTS

The items for tax year 2019 of greatest interest to most taxpayers include the following dollar amounts:

The standard deduction for married filing jointly rises to \$24,400 for tax year 2019, up \$400 from 2018. For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,200 for 2019, up \$200, and for heads of households, the standard deduction will be \$18,350 for tax year 2019, up \$350.

The personal exemption for tax year 2019 remains at \$0, as it was for 2018. This elimination of the personal exemption was a provision

part of their medical and dental expenses that exceeds 10 percent of their adjusted gross income in 2019 up from 7.5% in 2018.

STATE & LOCAL TAXES

The current law limits the deduction of state and local income, sales, and property taxes to a combined total deduction of \$10,000. The amount is \$5,000 for married taxpayers filing separate returns. Taxpayers cannot deduct any state and local taxes paid above this amount.

MISCELLANEOUS DEDUCTIONS

The current law suspended the deduction for job-related expenses or other miscellaneous itemized deductions that exceed 2 percent of

THE TUITION AND FEES DEDUCTION

This deduction, which expired at the end of 2017, was available for up to \$4,000 for qualifying educational expenses like tuition and required fees and materials. **However**, many people who pay educational expenses can still use tax credits like the American Opportunity Credit or Lifetime Learning Credit.

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Frequently Missed Info!

Take extra time to make sure that you have all the necessary facts if any of the following situations applies to you.

✓ **Child Care Expenses.** I need the full name, address, telephone number and tax ID number of your care providers, and the total paid per child for each caregiver.

✓ **Sales of Property.** The most important thing is the Final Settlement Statement. Include a list of home improvements in all prior years since purchase.

✓ **Estimated Federal Tax Payments.** Find the date and amount for payments. April 15, 2019, June 15, 2019, September 15, 2019 and January 15, 2020. A Federal January 2019 payment would have been claimed on your 2018 return.

✓ **College Tuition.** Form 1098-T lists tuition paid. These forms are generally

See "Missed Info" on Page 2 >

Tax Tips For You... Now!

✓ Qualified Charitable Distribution (QCD)

You'll be able to make qualified charitable contributions (QCDs) of up to \$100,000 from an IRA transferred directly to a qualified charity if you're 70½ or older. Such distributions may be excluded from income and count toward satisfying any RMDs you would otherwise have to receive from your IRA.

✓ Increase or Accelerate Your Charitable Contributions

The joys of giving can also help you as your donations to charitable organizations may count as tax deductible expenses! Make sure

that all contributions are made by December 31 and that a "Thank You" letter or receipt of your gift is included in your tax documents.

✓ Other Deductions

Medical expenses such as hospital and doctor's bills and prescriptions can create sizable itemized deductions. Look for any balances still owed on medical related bills and consider paying them before the end of 2019.

✓ 529 Plan - Expanded Uses

Originally intended to help parents save for their child's future college tuition, a 529 can now be used to pay for up to \$10,000 of primary or secondary education per

year. These funds may also be used for private or religious schools.

✓ Moving Expenses Are No Longer Deductible

Under previous tax law, an individual who relocated for their job could deduct any related expenses, including movers, gas, and more. This deduction is no longer available other than for certain military personnel.

✓ Rent Your Residence Less Than 15 Days?

There's a special rule if you use a dwelling unit as a residence and rent it for fewer than 15 days. In this case, don't report any of the rental income and don't deduct any expenses as rental expenses.

Your Tax Calendar

- Dec 31** A check mailed today counts for 2019. Last chance for deductions.
- Jan 15** 4th Quarter estimated tax payments due.
- Jan 31** W-2s and 1099s due to recipients.
- Apr 15** Tax Returns due without extensions.

Anytime you have any questions, don't hesitate to call me. I am here for you!

Happy New Year!
May 2020 bring peace, health and prosperity to both you and your family.

January's "Important Tax Information Enclosed" Is Coming. Let's Be Prepared!

Most of the needed tax records to prepare your tax return will show up in the mail or online in January 2020. Collecting all your tax related documents is important so that we report a complete and accurate return.

The IRS also gets copies of many of these documents and will match your tax return to their records.

Let's review what you should be looking for...

➤ **W-2s.** Read them carefully. Contact your employer if there is a discrepancy or if you don't receive them by the end of January.

➤ **1099s.** You should receive 1099-INT or 1099-DIV forms for any accounts that pay interest or dividends. Even tax-exempt interest must be reported. **IMPORTANT:** "Corrected" forms are always a possibility. Be alert for such announcements.

➤ **1095-A, 1095-B & 1095-C.** You will receive a 1095-A if you purchased Health Care through the Health Insurance Marketplace and had part of your premiums offset by the

Advance Payments of Premium Tax Credit. You will receive a 1095-B or 1095-C for health insurance purchased or provided by your employer on company sponsored insurance plans.

➤ **Other 1099s.** Real estate sales are often reported on 1099-S.

Stock sales on 1099-B or Consolidated 1099. Pension, 401K and IRA distributions are reported on 1099-R. Pay special attention to forms 1099-A and 1099-C. These report foreclosures and debt consolidations or debt cancellations which may or may not result in taxable income. We need to see them to correctly prepare your return.

➤ **Form 1098.** Reports mortgage interest paid to a bank, savings & loan or credit union. These forms may also report real estate taxes (if payments are escrowed by the lender).

➤ **Other Income.** Look for 1099s of state tax refunds, unemployment income, prizes or gambling winnings or rents that you collect. Read each one carefully and keep them with all your other tax documents. Gambling winnings can also be reported on

from partnerships and S-Corps always seem to arrive late. Don't worry. We can do the rest of your return and be ready to finish when the elusive K-1 arrives.

✓ **Social Security Benefits.** Look for Form 1099-SSA. We must report the gross amount and not just your net monthly benefit. Your Medicare Premiums listed on the Form may also get you a medical deduction.

✓ **Special Accounts.** Do you contribute to an IRA, Roth IRA or Health Savings Account? These and others can affect your taxes. Make sure I have all 1099s and information on contribution amounts and dates.

✓ **Complex Transactions.** Please call if you have a foreclosure, sale or exchange of real estate, casualties such as a natural disaster.

Form W-2G.

➤ **Your Records.** Review records for possible income or deductions. Add up medical expenses and any taxes paid. If you recall paying a deductible expense but don't have a receipt, jot it down and we will discuss before I prepare your return. Charitable contributions are

different – you must have receipts, or your deduction could be challenged and denied! If you are missing a receipt contact the charity to see if you can get the document(s) needed.

Tax Rules by Age

☒ **Age 13** – Cannot claim childcare credit for children once they are age 13 or older unless the child is physically or mentally incapable of self-care.

☒ **Age 17** – Cannot claim \$2,000 child tax credit for children age 17 or older at the end of the tax year.

☑ **Age 25** – Taxpayers with no children qualify for Earned Income Credit.

☑ **Age 50** – Eligible for catch-up contributions to IRAs, Simple IRAs, 401(k), 403(b) and 457 plans.

☑ **Age 55** – Eligible for penalty-free withdrawal from employer plan (but not an IRA) if separated from service.

☑ **Age 59 ½** – Penalty for early withdrawal from retirement accounts expires.

☒ **Age 65** – Taxpayers with no children no longer qualify for Earned Income Credit.

☑ **Age 65** – Eligible for additional standard deduction of \$1,300 if married and \$1,650 if unmarried.

☒ **Age 70 ½** – Contributions no longer allowed to traditional IRAs. Legislature is now looking to extend this age. Law has not been enacted as of this time.

☑ **Age 70 ½** – Required Minimum Distributions (RMDs) from retirement plans (other than regular Roth IRAs) must begin (exceptions for employees still working). Legislature is now looking to extend this age to age 72. Law has not been enacted as of this time.

Large Ticket Items

Do You Qualify? Are They For You? Do You Need To Act Now To Save?

Retirement Plan Contributions. The limit on contributions to 401(k), 403(b) and most 457 Plans for 2019 increased over 2018 by \$500 to \$19,000. If you are age 50 or older, then additional catch-up contributions are allowed up to \$6,000.

Roth and Traditional IRA Contributions. Limits for 2019 increased by \$500 over 2018 limits to \$6,000 with an additional \$1,000 catch-up for those age 50 and older.

Re-align Your Portfolio. Many taxpayers have taken gains (or losses) on investments up to this point in 2019. The markets have become increasingly volatile and by selling some losing investments to offset the taxable gains (or selling investments with gains to offset losses) you may also reduce your risk to further downturns in the markets. Remember, if you have more losses than gains the IRS will allow you to take up to \$3,000 of net losses to reduce your income with the remaining amounts carried forward to future years.

When To Begin Receiving Social Security Benefits? Different Benefits At Different Ages!

If you are considering receiving your social security benefits soon, you have lots of questions. The best place to get specific answers about your benefits is your local social security office. Your benefit is based upon your personal earnings history and the age at which you begin receiving benefits.

The "key" ages are 62-66/67-70. "Early" benefits can begin any month after age 62. "Full" retirement benefits start at age 66 to 67, depending on your birthdate. "Delayed" benefits can start as late as age 70.

"Early" Benefits can begin at age 62. There are two problems at this age. (1) Your benefits are reduced by 25% of the formula for your earnings history for age 66. Start at any age between 62 and 66 this reduction is prorated. This will be your benefit for life (subject to cost of living increases). (2) If you continue to work after receiving benefits and earn too much in any year, you will return some of the benefit. The earnings limitation stops at age 66.

"Full" Retirement Age occurs if you were born from 1943 through 1954. At age 66 you will receive the "full" retirement amount with yearly inflation increases. No earnings limits apply. In fact, earnings will now increase your benefits slightly. Your normal retirement age will increase by two

months (added to age 66) for each year of your birth from 1955 through 1959. If you were born in 1960 or later then your full retirement age is 67.

"Delayed" Benefits occur for every month you delay starting your benefits after age 66/67. This delay will increase your benefits but not past age 70. The annual increase to your benefits for each year of delay is about 8%. No earning limits apply.

Social Security Review Social Security Benefits are increasing for 2020. Americans who collect Social Security will receive a 1.6% increase in their monthly payouts

Social Security Recipients Medicare Premiums for 2020

Most people will pay \$144.30 per month for Medicare Part B in 2020, up significantly from \$135.50 per month in 2019.

Social Security benefits are increasing by 1.6% in 2020, which will cover the increase in premiums for most people.

Premiums are increased for higher-income beneficiaries – those with adjusted gross income plus tax-exempt interest income of more than \$86,000 if single or \$172,000 if married filing jointly. These beneficiaries will see the income limits now adjust to general price inflation annually.

Overall monthly premiums for higher-income beneficiaries will range from \$189.60 to \$460.50 per person, depending on income.



> "Missed Info" from Page 1

available electronically to the student. Make sure that the "student" checks for these forms and gives them to you. I need these forms as well as details on the courses, all education-related expenses for equipment and fees, when each item was paid and who the "student" was.

✓ **Sales of Stock.** Form 1099-B shows sale prices. If this form does not show the original purchase information, you will need to provide this.

✓ **Employees – Last Pay Stub.** Your W-2 is critical, but your last pay stub may reveal tax deductions that don't usually show up anywhere else.

✓ **New Tax Rules On Pass-Through Entities** Continue In 2019. Schedule K-1

in 2020. The extra benefits kick in on Jan. 1. Annual increases in Social Security are determined every year based on changes in a component of the consumer price index. Social Security recipients got a 2.8% cost-of-living adjustment in 2019, 2.0% in 2018 and 0.3% in 2017. These annual increases are meant to keep up with inflation.

