

## 2019 AND 2020 TAX HIGHLIGHTS AND REMINDERS

**Bank Account Verification:** As a reminder, if you choose to have direct deposit of refunds, you must verify the name of the financial institution, routing transit number, account number, and type of account. **Please complete the Bank Account Verification Form. Your return will not be filed with the IRS until the signed Bank Account Verification Form has been received by this office.**

### **Tax Brackets and Rates:**

Tax Rate	Single	Married Filing Jointly	Married Filing Separate	Head of Household
10%	Up to \$9,700	Up to \$19,400	Up to \$9,700	Up to \$13,850
12%	\$9,701 to \$39,475	\$19,401 to \$78,950	\$9,701 to \$39,475	\$13,851 to \$52,850
22%	\$39,476 to \$84,200	\$78,951 to \$168,400	\$39,476 to \$84,200	\$52,851 to \$84,200
24%	\$84,201 to \$160,725	\$168,401 to \$321,450	\$84,201 to \$160,725	\$84,201 to 160,700
32%	\$160,726 to \$204,100	\$321,451 to \$408,200	\$160,726 to \$204,100	\$160,701 to \$204,100
35%	\$204,101 to \$510,300	\$408,201 to \$612,350	\$204,101 to \$306,175	\$204,101 to \$510,300
37%	\$510,301 +	\$612,351 +	\$306,176+	\$510,301 +

**Standard Deduction:** The standard deduction is \$24,400 for married filing joint filers, \$18,350 for head of household filers, and \$12,200 for all other taxpayers. The additional standard deduction for the elderly and blind amounts are \$1,650 for single filers and \$1,300 for married filing joint filers.

**Child and Family Credits:** The child tax credit for dependents age 16 or under is \$2,000 per child with the credit not phasing out until income of \$400,000 for married taxpayers filing jointly and income of \$200,000 for all other taxpayers. In addition, there is a \$500 nonrefundable credit for certain non-child dependents (i.e. children age 17 or 18 and full-time students ages 19 to 23)

**20% Qualified Business Income Deduction (QBID):** In its simplest terms, the deduction is 20% of the lesser of qualified business income or taxable income (reduced by net capital gains). If taxable income exceeds certain thresholds additional tests apply such as W-2 wages paid by the business; type of business; and the business' investment in tangible, depreciable personal or real property.

**Meals and Entertainment:** In general, no deduction is allowed. There are several exceptions for some DOT qualified transportation employees, other non-DOT employee business travel meals and certain other meal expenses.

**Medical:** The threshold for deducting medical expenses remains at 7.5% of Adjusted Gross Income for all taxpayers.

**State and Local Tax Deduction:** The itemized deduction for Income (or sales tax, if higher) and property taxes are still deductible, but are limited to \$10,000 total deduction per year. Foreign real property taxes are not deductible.

**Mortgage Interest Deduction:** **No interest deduction will be allowed for interest on home equity loans (unless the loan is used to improve your home).** If a taxpayer refinances a home loan it is important to keep track of the use of the funds.

**Charity:** IRS regulations state that ALL deductions of any amount must have a receipt and/or cancelled check. Any individual contribution over \$250 must also have an acknowledgement letter from the charity, and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250, and should also state that no goods or services were received in return for the contribution.

**Miscellaneous Itemized Deductions:** The itemized deduction for miscellaneous deductions that are subject to the 2% of adjusted gross income floor is suspended. This would include tax preparation fees, unreimbursed employee business expenses and investment fees.

**Itemized Deduction Income Limitation:** There is no limitation on itemized deductions.

**Alternative Minimum Tax (AMT):** The AMT exemption amount is increased to \$111,700 for married filing joint returns (up from \$109,400) and \$71,700 for all other taxpayers (up from \$70,300). [For married filing separately the limit is increased from \$54,700 to \$55,850]. The phase-out thresholds are increased to \$1,020,600 for married taxpayers filing a joint return and \$510,300 for all other taxpayers.

**Kiddie Tax:** The taxable income of a child attributable to earned income are once again, retroactively, taxed at their parent's tax rates instead of the potentially higher trust tax rates.

**Estate and Gift Taxes:** A federal lifetime exemption of \$11,400,000 and a 40% gift tax rate on taxable gifts is available to all decedents dying after December 31, 2018 and for gifts made after December 31, 2018. If an individual or couple makes gifts of more than the limit, gift tax is incurred. Remember: A gift tax return is still required to be filed if the gift is greater than the annual exclusion - \$15,000 for 2019 and 2020.

**Required Minimum Distributions (RMDs):** Beginning in 2020, the mandatory age to begin distributions from your traditional IRAs has been raised to 72 from the old 70½. The distributions must begin no later than April 1 of the year following the year in which you attain age 72. Regardless of whether it's your first distribution or not, the RMD is based on the balance in each account at the end of the prior year (i.e. the 2020 RMD is calculated on the December 31, 2019 account value). If you provide these values for each account with your tax papers, we can calculate the RMDs for you.

**Alimony:** For divorces finalized or modified after December 31, 2018 alimony will no longer be taxable or deductible. Unmodified divorce decrees from before January 1, 2019 will be grandfathered and continue to follow the old rules.

**Virtual Currency:** The IRS and Congress have become very concerned about Crypto-currency such as Bitcoin. Therefore, you must be certain to report any of these transactions. There is even a new question on every tax return asking about it.

**Moving Expenses:** Except for military moves, the moving expense deduction was repealed for years beginning after December 31, 2017, and any employer payment or reimbursement will be taxable.

**Identity Theft:** Identity theft is one of the fastest growing crimes nationwide, and refund fraud caused by identity theft is one of the biggest challenges facing the IRS. Taxpayers should be alert to possible identity theft if 1) they receive an IRS notice saying more than one tax return was filed for them, 2) they have a balance due, refund offset or collection actions taken against them for a year they did not file a tax return, or 3) IRS records indicate they received wages from an employer they do not know. Don't give personal information over the phone, through the mail or the Internet unless you have either initiated the contact or are sure you know who is asking. **The IRS does not initiate contact with taxpayers by email to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.**

**Inherited IRAs:** IRAs inherited from people (other than your spouse and a few other exceptions) who passed away after 2019 must now be distributed within 10 years of death.

**IRA Contributions:** Starting in 2020, anyone of any age may now deposit money to an IRA if they have earned income such as wages or self-employment.

**529 Distributions:** You may now withdraw up to \$10,000 total during your lifetime from a 529 plan to repay student loans of the account beneficiary (or their siblings), without tax or penalty, as a qualified educational expense.

**Other Items**

- The deduction for mortgage insurance premiums has been retroactively restored for 2018-2020.
- The tuition and fees deduction has been retroactively restored for 2018-2020.
- The nonbusiness energy credit for residential energy improvements (i.e. energy efficient doors and windows, water heaters, etc.) has been retroactively restored for 2018-2020.
- A new rule prohibiting the purchase of smoking or e-cigarette products (including vaping) by anyone under age 21 goes into effect within 90 days of FDA regulations.