**Parkers Prairie Tax Service**

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Hope everyone has had a wonderful year and this letter finds you enjoying the Holidays. This year I am a little late getting this put together, and the tax season will be here soon!

2019 has been a quiet year in terms of tax changes. One of the major items to note is that Minnesota has elected to adopt many of the Federal changes, thus some of the 2017 and 2018 Minnesota returns may have some adjustments. The MN Department of Revenue has stated they will be going through all the returns and hope to be done sending notices, etc for 2018 returns by May 2020 and done with 2017 possibly by year-end 2020.

As with any tax season, the 2020 tax season will be full of questions and always more learning. We are now booking appointments for the 2019 tax filing season, call anytime. Also, remember that if you don’t feel like you need a face to face appointment, you can drop off your tax file. We will be emailing out tax organizers shortly, and these will help you organize your tax file for us & ensure you have everything. Remember, anyone that qualifies for the child tax credit, earned income tax credit, or any college credits, we need proof of address on EACH child that qualifies for the credit. There are also the questionnaires that we use each year that need to be filled out; these can be found out on our webpage if you would like to fill them out in advance. We are presently updating our webpage daily to add new tax related items for your convenience.

Here are some of the significant changes that may affect your return….

**Hot off the Press 12/20/19 passed**

**Extenders:**

Reinstatement from mortgage insurance premiums

Reinstatement for the exclusion of qualified mortgage debt forgiveness

Reinstatement for the above-the-line-qualified tuitions expenses

Reinstatement for construction of energy efficient homes

Medical expense deduction stays at 7.5% for 2019/2020

**Changes to Retirement plans Secure Act**

Starting in 2020, the age for required minimum distributions will be 72. The Act also removes the age limit for contributions to traditional IRAs. This legislation does NOT affect the rules for 2019.

The Ace eliminated the “stretch IRA” which allowed beneficiaries of IRAs and qualified plans to withdraw all money from inherited accounts over their lifetime. Starting in 2020, distributions must be taken within ten years.

*The Act is a 700-page bill, so there is more for us to learn!*

**Standard Deduction**

Single is $12,200 ($12,000 in 2018)

Married is $24,400 ($24,000 in 2018)

Head of Household is $18,350 ($18,000 in 2018)

**Removal of Health Insurance Penalty**

In 2019, the penalty for individuals, not having health insurance, no longer applies on federal tax returns. Some states are keeping the mandate and will still charge you a fee when you file your state taxes in 2019.

**Medical Expense Threshold**

When itemizing your deductions in 2019, the threshold for medical expense on your Schedule A will now be at 7.5% of your AGI.

**Changes in the Tax Rates**

There are still the 7 tax brackets for each filing status. They have been adjusted slightly from 2018, like years past.

**BUSINESS RELATED ITEMS:**

**Like-Kind Exchange**

Reminder, there is no longer a like-kind exchange treatment for assets other than real property (real estate and land). Thus, trading in any equipment for an upgrade will trigger a gain on the sale of the old piece and regular depreciation on the new piece. In order to offset some of the gains that may occur, there are options for accelerated depreciation in 2019, such as Bonus and Section 179.

**Depreciation**

The same options are available in 2019 for depreciation of assets purchases as it was in 2018. Section 179 is available for any assets purchased in 2018 up to $1,000,000. This, however, is phased-out if you purchased $2,500,000 or more during the year. Reminder, rental properties do not qualify for use of Section 179.

Another form of accelerated depreciation is Bonus. This is still available for new or used purchases with a useful tax life of 20 years or less in 2019. The amount for 2019 is 100% through 2022.

**199A Pass-through Deduction (QBID)**

This deduction is still in place for 2019 and allows up to a 20% deduction of the business income (passive income is not included for this deduction) an individual has on their personal return. Now, the calculation for the deduction is not quite that simple, and many pieces can reduce or limit the amount each person is allowed to take on their personal return. If you are wondering how this deduction will affect you, please contact me so we can discuss it for your situation.

**Entertainment**

Reminder, in 2019 entertainment expenses are still no longer tax deductible. Thus, in preparing your business financials please keep them separate from Meals. Meals are still tax deductible depending on their purpose.

**1099 Reporting**
The season for 1099s and W-2s is through the month of January. This is an area that we strongly stress you complete accurately if you haven’t done them in the past. The penalties for not completing 1099s are continuing to rise. If you are in need help on filing any 1099s or W-2s, please contact us as soon as possible so we can process them for you timely and accurately. Anything received after January 24th will not be guaranteed to be completed by January 31st due to volume and time constraints.

**Due Dates in 2019**

* Reminder: All 1099s need to be filed with the recipients and the IRS by January 31st, 2020.
* Any W-2s or payroll tax returns are also due by January 31st, 2020.
* Any farm tax returns are due by March 2nd, 2020. There is also the option to pay an estimated tax payment by January 15th, 2020 and extend the due date of your return to April 15th, 2020. This will allow time for any additional calculations that may be needed for the 199A deduction, etc.
* All Partnership and S-Corporation tax returns are due by March 16th, 2020.
* All Individual and C Corporation returns are due by April 15th, 2020.

**Social Security Account**

We are highly recommending you setup a online Social Security account no matter what age you are. If your Social Security earnings have been recorded incorrectly, it could make a big difference in your benefit amount. You need to check for errors TODAY! Whether you are close to retirement, or in your early working years, this is not something that can wait. Why? The Social Security Administration imposes time limits on correcting your earnings record. Even if it’s not your fault!

As with every year, it is very helpful and appreciated if you can do your best to provide your information as organized and timely as possible. For business and farms, using your customized organizer speeds up the time spent on your returns and eliminates questions we may have.

Please rest assured that we will utilize our best resources to once again provide you with timely, complete, and accurate service while keeping your tax burden to the lowest legal amount. Thank you again for your continued support and patience during the upcoming tax season.

Sincerely,

Jessica Christensen, EA

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<https://parkersprairietaxservice.com/tax-organizers>

Like us on Facebook to receive tax info all year long!