

TaxUpdate

2019 YEAR END NEWSLETTER

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More New Tax Laws in 2019

With one year complete under the new tax laws, you have a better idea of how all the changes impact your situation. Now, 2019 brings its own set of changes to consider.

Alimony rules change for new divorcees. Beginning in 2019, alimony is no longer a tax deduction for those paying it, nor income for those receiving it. This rule change does not impact prior year divorce documents, but it does apply to previous agreements that are revised in 2019.

Medical deduction threshold increases. The threshold to deduct medical expenses as an itemized deduction increases to 10 percent (up from 7.5 percent in 2018). This means that less of your medical expenses will be deductible in 2019.

Shared responsibility penalty is gone. The portion of the Affordable Care Act that requires you to have health insurance or pay a penalty is now suspended. You may still receive Form 1095 from your employer, but it's not required to avoid additional taxes for 2019.

If any other late law changes impact you, rest assured those changes will be communicated during the tax-filing season.

5 Year-End Tax Essentials

Before 2019 comes to a close, take some time to review these essential items to ensure you are not missing something that could cause tax trouble when you file your tax return:

1 Take required minimum distributions (RMDs). If you are age 70½ or older, you need to take RMDs from certain retirement accounts before Dec. 31 to avoid a 50 percent tax! This includes most IRAs (except Roth IRAs) and 401(k)s. Your annual RMD is calculated by dividing the prior Dec. 31 balance by the life expectancy factor provided by IRS tables.

2 Watch for your IRS PIN. If you are a victim of IRS identity theft, you will be mailed a one-time use personal identification number (PIN) as added security. You can expect to receive it in the mail sometime in December. Save the PIN as it is required to file your tax return.

3 Contribute to retirement accounts. Making contributions to tax-advantaged retirement accounts like a traditional IRA or 401(k) is a great way

to lower your tax liability even if you don't plan to itemize your deductions!

4 Harvest gains & losses. If you expect to have capital gains from your investments, selling stocks in a loss position to offset the gains will lower your tax liability. In fact, you can claim excess losses of up to \$3,000 to decrease your total taxable income! Timing matters with investment sales and income taxes, so having a year-end strategy can help lower your tax bill.

5 Make last-minute tax moves. Here are a few ideas worth considering:

- Donate to charity to maximize itemized deductions
- Make a tax efficient withdrawal from your retirement account if you are over age 59½
- Take advantage of the annual \$15,000 gift-giving limit
- Delay receipt of income or accelerate expenses for your small business

Understanding your current situation and having a plan will help maximize your tax savings.

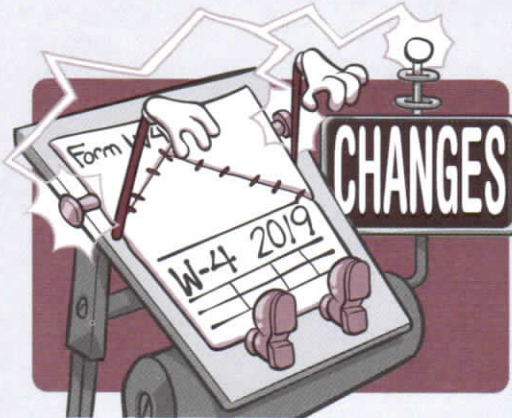
Income Brackets for 2019 Tax Rates

Tax Rate	Single	Married filing Joint/Widow	Head of Household	Married Filing Separate
10%	\$1 – 9,700	\$1 – 19,400	\$1 – 13,850	\$1 – 9,700
12%	9,701 – 39,475	19,401 – 78,950	13,851 – 52,850	9,701 – 39,475
22%	39,476 – 84,200	78,951 – 168,400	52,851 – 84,200	39,476 – 84,200
24%	84,201 – 160,725	168,401 – 321,450	84,201 – 160,700	84,201 – 160,725
32%	160,726 – 204,100	321,451 – 408,200	160,701 – 204,100	160,726 – 204,100
35%	204,101 – 510,300	408,201 – 612,350	204,101 – 510,300	204,101 – 306,175
37%	Over \$510,300	Over \$612,350	Over \$510,300	Over \$306,175

Big Changes for Form W-4

Now is the time to review your tax withholdings

Just when you thought you had a firm grasp on all the tax changes, the IRS is making a dramatic change to the way tax withholdings are calculated on your paycheck. Form W-4, used to calculate your paycheck withholdings, is getting a major overhaul, and the changes go into effect on Jan. 1. Here's what you need to know:



○ **The withholding allowance system is gone.** The previous form converted your tax situation into a number to determine the proper withholdings. You would take one allowance for yourself, your spouse and each dependent. The new form nixes the numeric allowance system, and instead asks you to provide estimates for income, deductions and credits. A new worksheet is included to help households with more than one job calculate the amount to withhold.

○ **More accurate paycheck withholdings.** The goal of the new form is to help you anticipate your tax liability in the new income tax environment. If properly prepared, this new version should provide payroll processors with the information they need to more accurately calculate the tax withholdings from your paychecks. But to accomplish this, you will need to make calculations and fill out worksheets on the front end.

○ **Required for withholding changes after December.** You are not required to submit a new form for 2020, but any changes to your withholdings after Dec. 31 will have to be done using the new version of Form W-4. Old forms using the allowance system will no longer be allowed to update your withholdings.

○ **Tax planning is more important than ever.** Unless you have a very straightforward tax situation, you will now need to provide a basic tax forecast on the new Form W-4. Accounting for all income, deductions, credits and potential changes to your situation that may arise in the next year are key components to an accurate forecast. Running through the tax planning process now will get your tax withholdings started off right for 2020.

Standard Deductions			
Item	2019	2018	Change
Single	\$12,200	\$12,000	+\$200
Married joint/widow	24,400	24,000	+\$400
Head of household	18,350	18,000	+\$350
Married filing separate	12,200	12,000	+\$200
Elderly/blind: married	+\$1,300	+\$1,300	—
Elderly/blind: unmarried	+\$1,650	+\$1,600	+\$50

Mileage Rates			
Item	2019	2018	Change
Business	58.0¢/mi	54.5¢/mi	+3.5¢
Medical/moving	20.0¢/mi	18.0¢/mi	+2.0¢
Charitable	14.0¢/mi	14.0¢/mi	—

Section 179			
Limits	2019	2018	Change
Section 179	\$1.02 million	\$1.0 million	+\$20,000
Property limit	\$2.55 million	\$2.5 million	+\$50,000

Maximum Earned Income Tax Credit			
	2019	2018	Change
No child	\$529	\$519	+\$10
One child	3,526	3,461	+\$65
Two children	5,828	5,716	+\$112
Three+ children	6,557	6,431	+\$126



Retirement Savings Get a Boost

For the first time in six years, contribution limits for retirement savings are rising. Contribution maximums for 401(k) accounts and IRAs increase by \$500 in 2019. Contributing the full

amount allowable will maximize your tax savings and increase your future earnings potential. If age 50 or over, remember to take advantage of the additional catch-up contribution limits.

2019 Key Retirement Plan Limits

Retirement Plan	2019	2018	Change	Age 50 or older catch-up
401 (k), 403 (b), 457 plans	\$19,000	\$18,500	+\$500	Add \$6,000
IRA: Roth	\$6,000	\$5,500	+\$500	Add \$1,000
IRA: Simple	\$13,000	\$12,500	+\$500	Add \$3,000
IRA: Traditional	\$6,000	\$5,500	+\$500	Add \$1,000

This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.