

Tax Season 2019

Tax Season is Here Again

To ensure that our clients are pleased with the timeliness of their returns, we have created the following priority schedule:

DATE ALL INFO IN	DATE RETURN OUT
Jan. 2 – March 16	Prior to April 15
March 17–March 31	Possible April 15
April 1 and after	Extension

The earlier we receive your complete information, the faster we can process your return. **To avoid processing errors or omissions, please do not schedule your appointment or deliver your documents until you have all of your information together.**

Extensions

Filing an extension only extends the time to file a return. It does not extend the time for payment of taxes. If you expect to owe taxes, payment is due with the extension. If you will need an extension please contact us by April 10th with your federal withholding, estimated taxes paid in, and amount you plan to send with the extension. Please provide the remaining information for your return by October 1st to enable us to complete your return by the extended deadline of October 15th.

Tax Cuts and Jobs Act of 2017

The tax law passed last December brought many changes for 2018 for both businesses and individuals. A major change for individuals is the reduction of income tax rates. Many tax rates are two to three percentage points lower than in prior years with the top rate reduced from 39.6% to 37%. However, as a result of the new tax law, withholding tables also changed, which may result in a smaller refund, or owing more with your return than in the past.

Two other significant changes for individuals are the increase in standard deduction amounts, almost double the amount they were in 2017, and the elimination of the personal exemption.

Another change effective for 2018 allows a 20% deduction for qualified business income from sole proprietorships, S corporations, partnerships, and LLCs taxed as partnerships. If you qualify for this deduction it is taken as a reduction to taxable income, however it is subject to some complicated restrictions and limitations.

Form 1099's and W-2's

Deadline to file and furnish (giving to payee who performed service) is **January 31, 2019**. In order for us to process the Form 1099's & W-2's by the January 31st deadline, we need your information no later than **Monday, January 21, 2019**.

Estates

No estate taxes due on estates less than \$11,180,000 in 2018 or \$11,400,000 in 2019.

Fraud and Scam Alert

There are many individuals that attempt to steal your identity by impersonating the IRS. Never answer to phone calls or emails that claim to be the IRS. **The IRS only communicates by mail.**

Never give out personal information to strangers. **The IRS will not call and demand immediate payment.** Please contact our office if in doubt.

E-Filing Status

Once your return is e-filed, you can check its status by logging on to www.irs.gov. Your social security number, filing status and refund amount is required for access. This information is found on page 1 and 2 of Form 1040.

Website

Please check out our website at www.giddingscpa.com for general accounting and tax information.

Referrals

We appreciate you as a client and sincerely thank you for telling your friends and business associates that you are satisfied with our services. We welcome new clients and the opportunity to serve others.

Tax Cuts and Jobs Act of 2017 effective for 2018 taxes

- \$10,000 limit on state and local taxes deduction
- Mortgage interest deduction claimed by individuals limited to loan amount of \$750,000
- Miscellaneous itemized deductions, including unreimbursed business expenses, are no longer deductible
- Personal deduction for casualty and theft losses no longer deductible, except for losses in a presidentially declared disaster area
- Increase child tax to \$2,000 for qualifying child and new \$500 credit for qualifying dependents
- Individual marginal tax bracket rates lowered
- Corporate tax flat rate of 21%
- Repeal of qualified moving expense deduction
- \$250 educator expense deduction retained

Standard Deduction and Exemptions

	<u>2018</u>	<u>2019</u>
Standard Deductions :		
Single	\$12,000	\$12,200
Married Filing Jointly	\$24,000	\$24,400
Married Filing Separately	\$12,000	\$12,200
Head of Household	\$18,000	\$18,350
Additional Deductions:		
Blind or senior citizen who is:		
Married	\$1,300	\$1,300
Single or Head of Household	\$1,600	\$1,650
Personal and Dependent Exemptions		
	\$0	\$0

Social Security Earning Limits

Individuals under full retirement age receiving Social Security income can earn up to \$17,040 for 2018 and \$17,640 for 2019 without losing benefits. For all individuals over full retirement age, there are no limits for earned income. You will receive your full benefits regardless of the amount of your earned income. Full retirement age (also called "normal retirement age") has been 65 for many years. However, beginning with people born in 1938 or later, that age will gradually increase until it reaches 67 for people born after 1959. Full retirement age is 66 for those born 1943-1954

Depreciation

For 2018, the maximum section 179 deduction increased to \$1 million with phase-out beginning at \$2.5 million. These amounts will be increased for inflation in future years. The previous 50% Bonus Depreciation increased to 100% for both new and used assets purchased after 9/27/2017 through 2022.

FICA

The rate remains at 6.2% for employees and 12.4% for the self-employed for 2019. The Medicare rate also remains at 1.45% for employees and 2.90% for the self-employed.

The Medicare rates have no ceiling, but the social security tax still has a ceiling. For 2018, the ceiling on social security tax was \$128,400 of compensation, and for 2019, the limit increases to \$132,900.

Tax Credits

The following **Education Credits** are available:

- Lifetime Learning Credit – up to \$2,000 in 2018 and 2019. Books not included.
- American Opportunity Credit – up to \$2,500 in 2018 and 2019. Books included.

Form 1098-T is required to claim the education credits

Note: Student may need to login to university online account to obtain 1098-T

Child Tax Credit – Increases to \$2,000 in 2018 for qualifying dependents under age 17. New \$500 credit for other qualifying dependents beginning in 2018.

Dependent Care Credit is limited to maximum costs of \$3,000 for one qualifying child and \$6,000 for two or more children

Affordable Care Act Penalties

(Individual Taxpayers)

	2018
Flat Dollar Penalty - Taxpayer	\$695
Flat Dollar Penalty - Spouse	\$695
Flat Dollar Penalty - Dependent	\$347.50
Income Percentage Rate	2.5%

The penalty is the greater of the flat dollar amount or the percentage of your household income. For 2018, maximum penalty is \$3,396 per individual or \$16,980 for a family of 5 or more.

For the 2019 tax year, no penalties will be assessed to individuals for not having health insurance.

Increase in Medical Expense Floor

The "floor" for medical and dental expenses is 7.5% of AGI for 2018, but rises to 10% of AGI in 2019

IRS Audit Representation Service

Our Firm is offering IRS representation services in exchange for a prepaid fee. In the event of an IRS audit or IRS correspondence, for a fee of \$60, our Firm will represent you before the IRS for matters regarding your 2018 tax return at no additional cost. This optional fee, if requested, will be added to your bill and is due when the 2018 return is completed.



Additional Items of Interest

Social Security Numbers

Taxpayers must obtain a social security number for all dependents in order to claim dependency deductions and child-care credits. Be sure the names and social security numbers shown on your tax return for you and your spouse and dependents are exactly as shown on your social security cards or the IRS will disallow the dependents.

Record Keeping

Tax returns/receipts should be kept for five years. Receipts or purchase information for depreciable items should be kept for as long as you own the property. Documents for the purchase or improvements of your home or land should be kept for as long as the property is owned. Payroll records should be kept indefinitely.

IRS Correspondence

If you do not understand a notice from the IRS, contact our office. We will be happy to discuss the letter with you and advise you with options. The IRS is not always correct in determining the proper treatment of reporting information.

Tax Return Forms and Information

When you receive all the required information to prepare your return, schedule an appointment to discuss your return with the preparer. If you are unsure what to gather, compare your 2018 documents with the information from last year and include all W-2's, 1099's, etc. Inform us if there is an address change, change in your marital status, or a dependent change. The following forms are enclosed: (1) Vehicle Use Record and (2) 1099 Worksheet. Remember that the deadline for filing 1099's is on **January 31, 2019**.

Contribution Limits & Mileage Rates

Retirement Contribution Limits

401(k)	
2018	\$18,500
>Age 50 add'l	\$6,000
2019	\$19,000
>Age 50 add'l	\$6,000

Simple IRA	
2018	\$12,500
>Age 50 add'l	\$3,000
2019	\$13,000
>Age 50 add'l	\$3,000

IRA	
2018	\$5,500
2019	\$6,000
>Age 50 add'l	\$1,000

Gift Tax Exclusions	
2018	\$15,000
2019	\$15,000

Mileage Rates

Standard Mileage	
2018	\$.545/mile
2019	\$.58/mile

Medical Mileage	
2018	\$.18/mile
2019	\$.20/mile

Charitable Mileage	
2018	\$.14/mile
2019	\$.14/mile

Health Savings Account Limitations

2018 Self-Plan	\$3,450
2018 Family-Plan	\$6,900
2019 Self-Plan	\$3,500
2019 Family Plan	\$7,000
*55 or older	\$1,000 catch-up

Payment for our services are payable upon receipt of invoice. Any other arrangements should be discussed before services are performed

A fine is a tax
for doing
wrong.

A tax is a fine
for doing well.

Tax Season Office Hours

January 2 – February 1
Monday – Friday
8 am – 5pm

February 2 – April 15
Monday – Friday
8 am – 5 pm
Saturday
8 am – noon

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