

TAX SERVICE TIPS

E&R Tax and Business Services, Inc. - John P. Spinelli, CPA, CFP, P.C.

Tax Year 2019 Edition

Patchogue, New York

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Now More Than Ever....Let a Professional Prepare Your Return!

2019 Tax Code and Regulations are Complex for those who Itemize on either Federal or State Returns

The Federal tax code for 2019 has not greatly changed since 2018. But the IRS regulations have been restated. The new system introduced in 2018 reduces tax rates for individuals and corporations but repealed many deductions, thus simplifying filing for many taxpayers.

For 2019 Federal Tax Returns the following standard deductions are:

Married filing jointly	\$24,400
Head of Household	\$18,350
Single	\$12,200
Married filing separately	\$12,200

(See page two for senior & disability adjustments)

With the basic doubling of the standard deductions in 2018 to the above inflation adjusted rates for tax simplification and revenue purposes personal exemptions were eliminated. This continues to have a negative effect for families with many children or parents listed on their returns.

State and local income taxes, sales tax and real property taxes (SALT) are together capped at \$10,000 which creates tax challenges for those living in high tax areas. Foreign real property taxes are no longer deductible.

For the treatment of business, teachers, investment and casualty expenses, alimony payments and other deductions please contact our staff. Most deductions have been eliminated or changed.

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Visit Our Web Site

www.ertaxinc.com is the address of our web site. Not only does the site give information on the services of E&R Tax and Business Services, it also has some handy tools that will help you with financial planning and tax preparation.

Though the first paychecks of 2018 had a lowering of withholding taxes, whether it benefited a taxpayer was not found out until the 2018 tax return was filed. Alas, many taxpayers owed money at tax time. Tax withholding should have then been adjusted upward for 2019. But even with the new complex W-4 form for tax withholding there still may be some owing money at tax filing time.

NO Fee for NO Health Insurance

Even though all taxpayers once again for year 2019 will be required to provide proof of health insurance (normally form 1095) in order to file a tax return, if one has no health insurance, there is however NO penalty.

Under the Affordable Care Act (ACA) a credit to offset the cost of health insurance premiums is still available. Those who obtained health insurance through government exchanges may qualify for a credit to subsidize the cost.

NYS & Federal go different ways

Because of the cap placed on state and local taxes (property) of \$10,000 the New York State legislature kept the 2017 tax system in place for NYS taxpayers. Therefore, taxpayers may take the standard deduction for the Federal and itemize on the state. Therefore tax preparation is more time consuming and we ask then for our clients to provide us with their paperwork before coming in for the meeting with staff.

Medical expense deduction

A lowered threshold for medical expense deductions of 7.5% of AGI remains for all 2019 taxpayers that itemize, not just for seniors. It might be worth a revisit to the family's medical expenses including

health insurance, long term care insurance, doctors, dentists and other medical and pharmacy expenses.

Audit Issues

Computer correspondence audits, is on the increase for both the IRS and the states. IRS office audits has drastically declined, partially due to cuts in IRS staff over the past four years. First step is to understand the correspondence sent by the IRS. The second step is to access and check the IRS computer data base. Our staff is trained for this. Signed Powers of Attorney are needed. We may not be able to avoid a tax for income not declared but we can negotiate the size of penalties. There is a charge for this service.

What if I can't pay the tax?

If you don't have the money or can't get a bank loan, the IRS will allow you to pay them in monthly installments. Access to the IRS plan is quite easy. Set up fees charged by the IRS range from \$31 to \$225. Interest will be charged and the rate varies. (5 to about 7 %) Normally the IRS expects a non-refundable upfront payment equal to the first payment with total payment within one to three years. The IRS prefers monthly electronic bank payments. You can also pay by credit card. Ask for more info.

New Deadlines for RMDs

The new deadline for taking the first Required Minimum Distribution from your 401k or other tax deferred retirement accounts is now April 1 of the year AFTER you turn 72 (not 70 ½) Also as long as you work, you can now continue contributing to a traditional IRA.

The Numbers for Tax Year 2019

Standard Deduction

The standard deduction for joint returns is at \$24,400, if one is over 65 - \$25,700, both over 65 - \$27,000; single taxpayers \$12,200; over 65 \$13,500; married filing separate \$12,200 over 65 - \$13,500; head of household is now \$18,350, over 65 - \$19,650.

Exemptions

As for TY 2018 and following years the increase in standard deductions means no longer any exemptions.

Child Tax Credit

The Child Tax Credit remains at \$2,000 for 2019 and is partially refundable. The credit is limited by your modified adjusted gross income- \$400,000 for married filing jointly, \$200,000 for Single/Head of Household and \$200,000 for Married Filing Separate.

Education Credit

Maximum AOTC (Hope) Credit for college tuition remains at \$2,500.

Saving for Future Retirement Saves on Taxes Today

Putting money in a Regular or Simple IRA, 401k, 403b plan will not only help you in your retirement years it will also lower your taxes because your contribution will not be taxed in the year you make the payment. Taxes will be taken at the time of distribution, when most people are in a lower tax bracket or may not be taxed by New York State at all. E&R works with Investment Counsellors to help you through the retirement maze.

Do I Need to File A Tax Return?

You may not need to file a return because of the need to pay federal income tax, but tax returns are necessary when setting up payment plans with the government. They are also helpful for Seniors applying for Property Tax Relief. Likewise they are useful when interfacing with various financial institutions.

A Tax Quote

“Taxes are what we pay for civilized society.” – Oliver Wendell Holmes, Jr. U.S. Supreme Court Justice

“The hardest thing in the world to understand is the income tax.” — Albert Einstein, physicist

Missing a W-2 or 1099 or 1098?

It doesn't have to be a crisis if you have lost your W-2 1099 or 1098 forms. The best & easiest way is to contact Your employer and ask for a duplicate copy. They are by law to provide such information. If that is not possible speak to your tax consultant. With time, W-2 and other data information can be obtained directly from the IRS and various states. Your return may be put on extension. Estimated taxes may be due by April 15th.

Needed: e-mail Addresses

Not just the US, but the world has gone digital. To ensure that we are able to communicate with you in a timely manner refunds, unreported income, audit issues, etc. we need your e-mail address. If you haven't given it to us send it by e-mail to info@ertaxinc.com.

Once Again the Need For Caution

A warning has been once again issued about a fraudulent scheme targeting Taxpayers. The IRS will not telephone you regarding tax issues. They will mail you a letter to which you need to reply. Some scammers will call a taxpayer stating the user's tax payment was rejected and directs the user to a website for additional information. The web-site contains malware that will infect the user's computer.

The IRS **does not** demand immediate payment of back taxes or penalties. If anyone receives such a message claiming to be from the IRS, do not reply.

Report and identify these callers or other phishing, e-mail scams by forwarding the information to the IRS and let the office know of the situation so we can help you through this painful process. For those with identity theft it may take a year for you to get your refund

Let the combined offices of John P Spinelli, CPA and E&R Tax save you time & worry

We have provided year-round accounting, bookkeeping, tax preparation and financial services on Long Island since 1967. The firm is associated with the National Association of Tax Practitioners and National Association of Enrolled Agents. Clients include individual wage earners, self-employed, retirees, small and medium sized businesses, corporations, non profits, overseas filers, and trusts & estates.

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