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TODAY'S TAX TO-DO'S

Personal income tax rules changed in 2018 following passage of the Tax Cuts and Jobs Act, and people are still adjusting to the specifics. As we approach tax season, let's refresh the highlights for individuals:

FEDERAL INCOME TAX BRACKETS MODIFIED/REDUCED

The Federal Income top marginal tax rate is lower (37% down from 39.5%).

PASS-THROUGH BUSINESS TAX BREAK

Certain pass-through businesses receive a 20% tax break applied to net income.

LIFETIME GIFT/ESTATE TAX EXCLUSION DOUBLED

Lifetime gift/estate tax exclusion doubled per individual ($11 million+ per person).

ITEMIZED DEDUCTIONS LIMITED, STANDARD DEDUCTION RAISED

Deduction on property taxes and/or state income taxes paid capped ($10,000 limit). Mortgage Interest deduction reduced to lower maximum loan amount ($750,000 max size).

ALTERNATIVE MINIMUM TAX EXEMPTION

Alternative minimum tax exemption amount raised.

TAX TO DO LIST

The changes make it more important than ever to check with your tax advisor to be sure you've made all necessary adaptations. We'd like to offer some pointers for early 2020 that will save you both time and money:

01. GATHER DOCUMENTS RIGHT AWAY

- [ ] Financial companies hosting your brokerage and investment accounts are required to mail all 1099 forms reporting dividends and capital gains no later than February 18. Your employer must have your W-2 mailed by January 31. Once you've received these, get them to your tax preparer and be first in line to file your return.

02. DON'T WAIT IF YOU EXPECT A REFUND

- [ ] If you expect a refund, get your taxes filed before the crowd and receive your refund rapidly. You get your money back sooner, but more importantly early filing allows less time for a potential fraudulent claim.

03. ADJUST FUTURE WITHHOLDING AMOUNTS

- [ ] If you want to more precisely "dial-in" your tax withholding at work to manage whether you will later owe or be due a refund, try this helpful IRS calculator.

04. EARLY DEADLINE FOR PARTNERSHIPS

- [ ] Do you manage a pass-through partnership such as an LLC? That tax deadline is even earlier (March 15) to allow time for individual partners to report net income on their own personal returns by April 15. Talk to your bookkeeper today and stay ahead of the game. If you are yourself a partner awaiting a K-1 partnership return, keep your fingers crossed you receive yours in a timely manner.

DEDUCTIONS

Deductions are more important today based on new limitations that took effect beginning in 2018, a fine example being the cap on deductions for tax paid to local and state authorities. We all need a few ideas for finding tax breaks, so here are a few to consider:

01. ADDITIONAL MONEY TO YOUR 401K PLAN

☐ The maximum contribution increased to $19,500 ($26,000 for workers over 50) this year, so be sure your payroll department adjusts to your wishes.

02. CONTRIBUTE TO YOUR IRA ACCOUNT

☐ If you are eligible for an IRA tax deduction, the contribution limit is $6,000 ($7,000 if you are 50 or older). It's not too late for a retroactive 2019 contribution, either. You can still contribute for tax year 2019 until April 15, 2020.

03. CONTRIBUTE TO YOUR EXISTING HSA ACCOUNT

☐ If you participate in a high-deductible health plan and own a corresponding Health Savings Account (HSA), don't forget to make annual contributions, even if you aren't spending any money from it year to year. Why? It's a tax-deductible contribution of $7,100 (family coverage 2020) with no income level phase-out, can grow tax-deferred when invested, and in the future, all money can be withdrawn tax free when used for medical expenses.

04. MASS YOUR CHARITABLE DONATIONS

☐ Do you have enough itemized deductions to exceed the $12,400 standard deduction this tax year or the $24,800 standard deduction per couple? You might exceed the limit claiming $10,000 in state income tax/property tax and mortgage interest paid alone. If you do anticipate exceeding $24,800 of itemized deductible expenses (as a couple filing jointly) and therefore itemize, now would be a good year to make charitable contributions, because the full donated amount would count as a deduction.

The beginning of 2020 also brought new tax changes, as Congress recently passed the SECURE Act legislation. Under this new legislation, retirees can now wait longer before taking mandatory retirement distributions from their IRA accounts. That deadline has moved to age 72, up from 70.5 and is good news for those who don't immediately need money from their IRAs. All distributions from one's IRA are fully taxable as income, so this additional deferral will be welcome.

It's always a great idea to check in with your tax preparer to get ready for April 15th. Be as proactive as you can; small items do add up.

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