

DAY'S & associates, LTD.

ANNUAL TAX UPDATE: 2019

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REFUNDS WILL BE DELAYED

The Protecting Americans from Tax Hikes (PATH) Act of 2015 created some changes in how refunds will be processed. The new law requires that IRS hold all refunds for any tax return claiming an Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC) until mid-February. We will still transmit the returns upon completion, but persons with these credits will not receive the refunds until the end of February or beginning of March 2020. The State of Ohio will continue to conduct the random identity theft quiz to confirm your tax refunds. You may visit the websites: www.irs.gov to check your federal refund status or www.tax.ohio.gov to check on your Ohio refund.

TAX APPOINTMENTS

If there is a yellow appointment card enclosed, please call to confirm your appointment after

January 13th 2020.

(419) 684-5425.

If you do not have an appointment and would like to schedule one please call after January 13th 2020.

2019 Important Figures

Standard Mileage Rates -

Business = \$.58

Medical = \$.20

Charitable = \$.14

IRA and ROTH IRA -

Contribution amount is \$6,000
(additional \$1,000 if age 50 & over).

401(k) -

Contribution amount is \$19,000
(additional \$6,000 catch-up if age 50 & over).

Estate & Gift Tax - The Estate Tax exclusion is \$11.4 million in 2019. The annual exclusion from gift tax remains at \$15,000.

Capital Gains Rates - Remain at 0%, 15% or 20% dependent upon Income.

Your Most Frequently Asked Questions

Do I need to file a 2019 tax return ?

If you are

Single (S)

Married - joint return (MFJ)

Head of Household (HOH)

Only if your gross earnings are greater than:

Amount

\$12,200

\$24,400

\$18,350

Amount if age 65

\$13,850

\$25,700 (one age 65)

\$27,000 (both over 65)

\$19,650

Can my social security benefits become taxable? Yes, if your provisional income, is more than \$25,000 if you are single or \$32,000 if you are married filing a joint return. Provisional Income is your total income, plus certain tax-exempt income and 50% of your social security, before subtracting adjustments to income. Up to 85% of your social security can become taxable. Railroad Retirement Tier 1 Benefits are equivalent to social security benefits.

What can I earn before my social security monthly benefit is reduced? For the year 2019, an individual under the full retirement age can earn up to \$17,640/year (\$1,470/month). \$1 in benefits will be withheld for every \$2 in earnings above the limit. During the year a person reaches full retirement age, the limit of earning increases to \$46,920/year (\$3,910/month). There is no limit on earnings beginning the month an individual attains full retirement age (Age 66 for those born between 1938 to 1959). For those born in 1960 or later—full retirement age will increase to age 67. See us for details.

Education Expenses - How much is the deduction and what items are deductible? Made permanent in 2015 the maximum deduction is \$4,000. Eligible expenses are tuition, fees and books for college. The deductible amount is sent by the school on form 1098-T, which is required to claim the credit. The expenses can be paid by the student, parent, another third party such as a grandparent or by the use of student loans. Room and Board or transportation costs are not deductible. This deduction or credit phases out depending on income levels. You may claim a maximum amount of \$2,500 for student loan interest.

Health Insurance Penalty - Contrary to what you might have heard there is still a penalty for failure to maintain health insurance, though that penalty has been reduced to \$0.00 in 2019 and future years. Meaning that if you fail to have Health Insurance in 2019 you will not have to pay a penalty. However, this opens the door for it to return in future years.

Ohio Income Tax Rate - HB 166 decreased the Ohio Individual Income Tax Rate by 4%.

Ohio Earned Income Credit - Increased from 10% to 30% of the Federal credit.

CHANGES IN 2019

1. The 1040: The Tax Return itself is changing yet again. Gone is the "postcard" and instead the form will be slightly longer with less schedules attached.
2. Standard vs. Itemized Deduction: The standard deduction remains at increased rates for 2019, thus many clients who have itemized in the past will no longer benefit from itemizing, the standard deduction was increased to \$12,200 for single persons, \$18,350 for head of household and \$24,400 for married filing joint persons.
3. Itemized Deductions: Itemized Schedule A deductions remain limited and/or eliminated in 2019. State & Local income taxes as well as property taxes are capped at a combined \$10,000. Miscellaneous deductions including items such as union dues, mileage, investment expenses and unreimbursed employee expenses were eliminated.
4. The Medical Expense threshold reverts back to 10% in 2019, up from 7.5% in 2018. This is only available if you itemize.
5. The child tax credit remains at the increased \$2,000 per child under the age of 17, with the refundable portion remaining at \$1,400. There is also a non-refundable \$500 Family Tax Credit for qualifying dependents not eligible for the child tax credit.
6. When claiming dependents in cases of divorce or legal separation, a divorce decree or separation agreement is not sufficient. Instead the custodial parent must sign a Form 8332.
7. For divorces that were final in 2019 Alimony will no longer be taxable and therefore will not be deductible either. This does not impact divorces that were finalized prior to 1/1/19.
8. Qualified Business Income. This primarily impacts persons with pass-through income (K-1) and schedule C business income. It is a deduction of up to 20% of the qualifying income.
9. Corporate tax rates remain at 21%.
10. New 1099-NEC for non-employee compensation to be used instead of box 7 on the 1099-Misc.
11. The Educator expense remains at \$250, and you do not need to itemize.

2019 Tax Brackets (based on taxable income)

	Single	Married Filing Joint	Head of Household	Married Filing Separate
10%	\$0 - \$9,700	\$0 - \$19,400	\$0 - \$13,850	\$0 - \$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 - \$160,701	\$84,201 - \$160,725
32%	\$160,726 - \$204,100	\$321,451 - \$408,200	\$160,701 - \$204,100	\$160,725 - \$204,100
35%	\$204,001 - \$510,300	\$408,201 - \$602,350	\$204,001 - \$510,300	\$204,001 - \$306,175
37%	Over \$510,300	Over \$602,350	Over \$510,300	Over \$306,175

2020

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| 1) The Failure to File penalty increases to \$330 for returns not filed by April 15th, or October 15th with extension. | 2) A new W4 is being released in 2020 in an effort to more accurately determine withholding. | 3) Ohio Business Income Deduction is limited for certain trades/businesses. More clarification is expected to be released. |
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