

The Accountant's Office

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2019 TAX PLANNING & TIPS

2019 has been relatively quiet in terms of new tax laws. In fact, 2019 legislation appears to be more of a 'clean up' than anything earth shatteringly new-until this week! The Secure Act (Setting Every Community Up for Retirement Enhancement) has passed Congress and will be signed by the president on 12/20/19. It was tied to the government spending bill that keeps the government open until just before the 2020 elections. This is primarily retirement legislation but has some interesting features like removing the age limit for contributing to an IRA, extending the RMD age to 72, requiring non-spousal inherited IRA's to be paid out over 10 years, allowing \$10,000 of 529 plans to be used to pay off student loan debt, and allowing no penalty withdrawals of up to \$5,000 from 401(k) plans to help with costs of the birth or adoption of a child. We'll keep an eye on this one!

There are, however, 2 main issues that have responsible preparers very concerned: Due Diligence and Virtual Currency. I will discuss both of these in more detail.

*Your 2019 tax appointment is listed on the back of the enclosed organizer if you are an Accountant's Office client. Or, a Jiffy Tax Shop reminder card and Organizer Front Page is enclosed with this newsletter. **The Taxpayer Information, Address & Status, and Dependents sections are important to us so we ask that you complete at least that much of the organizer. Additionally, we are enclosing our Engagement Agreement (side 1) and Due Diligence requirements (side 2). Please sign side 1 after reviewing both sides indicating your understanding and bring the signed document with you to your appointment. Technically, we're not allowed to work on your taxes without the signed Engagement Agreement. If your tax situation is similar to prior years, please feel free to drop off your taxes rather than wait for an appointment. Please, wait for our staff to check in your documents whether you are dropping off or providing your "homework assignment."***

AND PLEASE, PLEASE! *If you are unable to make a scheduled appointment, call us! Time is in such short supply, yet so very valuable over the next couple of months. Please help us be as efficient as possible by giving us the opportunity to fill your appointment slot. Another new 1040 form and Due Diligence adds time to our preparation process. Interviews will be limited to information gathering. Missing information returns will be set aside until all documentation has been received.*

Due Diligence Requirements

Because the IRS seems to believe that all tax preparers may not be created equal (remember the adage about one bad apple?), there are some very rigid rules and stiff preparer penalties for

non-compliance of these Due Diligence requirements. If you claim Head of Household filing status, Earned Income Tax Credit, Child Tax Credit/Additional Child Tax Credit/Credit for Other Dependents (the \$2,000/\$500 per qualifying dependent), or the American Opportunity Credit (education credit), you may be asked to provide additional documentation. In addition to disqualifying the taxpayer for up to 10 years from claiming a credit, the penalty to the preparer is **\$530 PER infraction**. The IRS is targeting WI for Due Diligence audits. The back of the enclosed engagement letter details documents that will assist in verifying your eligibility for the credits/filing status. Please sign the engagement letter after reviewing the possible documentation that will win in a Due Diligence audit!

Virtual Currency

Also known as Crypto-Currency, defined in 2012 by the European Central bank as "types of digital money in an unregulated environment, issued and controlled by its developers and used as a payment method among members of a specific virtual community." There are over 2,000 Virtual currencies and not all of them are listed on an exchange. Virtual currency is not tangible but the IRS is eager to make sure that transactions involving virtual currency are recognized for tax purposes. This is where it gets a bit complicated! Virtual currency has an equivalent value in real currency (a substitute for real money). As such, it is deemed to be 'property'. So the acquisition of virtual currency is like buying property (i.e., a piece of land). The cost to acquire that 'property' is its fair market value at the time of the acquisition as determined by the exchange rates in place for that currency. When that virtual currency is converted - sold, exchanged, or used to purchase goods or services - the fair market value of the currency at the date of disposition is now its selling price. The difference between the basis and the selling price is a taxable transaction-gain or loss.

So, if you deal in Virtual Currency, you will need to provide records detailing the type of currency, the date it was received, how it was acquired, how it was disposed, and the date of the disposition. It doesn't matter what it was used for-personal use transactions, capital asset acquisition, investment, or inventory among many others. **The use of Virtual Currency is a taxable event.** Coinbase, a US based company, is required to keep relevant information on all US persons who have accounts there. Guess who else gets that information?!! Not telling your preparer you had the transactions is considered fraud by the IRS. **BEWARE!!!**

New Tax Law

On July 1, 2019, President Trump signed into law the **Taxpayer First Act of 2019**. The Act changes the management and oversight of IRS with the aim of improving customer service and the process for assisting taxpayers with appeals. Some of the key provisions include:

Notification of suspected identity theft. The Act requires IRS to notify a taxpayer if it determines there has been any suspected unauthorized use of a taxpayer's or dependent's identity. Other tasks include notification that an investigation has been initiated and its status, whether the investigation substantiated any unauthorized use of the taxpayer's or dependent's identity, and whether any action has been taken (such as a referral for prosecution). Additionally, when an individual is charged with a crime, IRS must notify the victim as soon as possible, giving victims the ability to pursue civil action against the perpetrators.

Requirements for identify protection. An Identity Protection Personal Identification Number (IP PIN) is a 6-digit number assigned to eligible taxpayers that allows their tax returns/refunds to be processed without delay and helps prevent the misuse of their Social Security Numbers (SSNs) on fraudulent Federal income tax returns. The IRS has 5 years from the date of enactment to expand this program to any US resident individual who requests one. Currently, the states that reported the highest numbers of ID thefts to the Federal Trade Commission are the only states in the voluntary program. Of the currently 20 eligible states, Illinois and Michigan are the only Midwest states included but Florida residents are eligible!

Notification of unauthorized inspection. The Act also requires the IRS to notify a taxpayer if an IRS, Federal or State agency employee has been disciplined due to unauthorized inspection or disclosure of the taxpayer's return or return information. (Remember the IRS employees 'peeking' at celebrities tax returns?)

Independent Office of Appeals. The new law also requires that the IRS establish an Independent Office of Appeals and that case files referred to independent office be available to certain individual and small business taxpayers.

TCJA Tax Law

Although the Tax Cuts and Jobs Act (TCJA) was signed into law on December 22, 2017, some of the tax provisions did not go into effect until 2019.

Repeal of the Individual Mandate. NO Penalty for not having health insurance. The Affordable Care Act still requires that individuals be covered by a health plan that provides at least minimum essential coverage, but failure to comply no longer results in a "shared responsibility payment."

Alimony. Under the Tax Cuts and Jobs Act, for any divorce or separation agreement executed after December 31, 2018, or executed before that date but modified after it (if the

modification expressly provides that the new amendments apply), alimony and separate maintenance payments are no longer deductible by the payor spouse and are not included in the income of the payee spouse.

Additional Information

Standard Mileage Rate. The following rates are applicable for the 2019 and 2020 tax years:

	2019	2020 (anticipated)
Business	\$.58	\$.58
Medical	.20	.20
Moving	.20	.20
Charitable	.14	.14

Note: Except for active military members, the Tax Cuts and Jobs Act suspended the deduction for unreimbursed employee business expenses for tax years 2018 - 2025.

Charitable Contributions. IRC Sec.170 (f)(8)(B) requires that any donation (cash or non-cash) of \$250 or more REQUIRES a contemporaneous (defined as the earlier of the due date or filing date of the tax return) written acknowledgment from the donee stating the amount of cash or description of property, and whether any goods or services were provided by the donee in return for the gift. If the "no goods or services" statement is absent from the receipt, the IRS WILL disallow the donation. Check your receipts!!

Foreign Investments. The IRS has a list of every foreign account in every foreign bank. They just haven't the man power to pursue all of them. However, if you are subject to a reporting requirement because you have control over a foreign checking or savings account or hold stock outside the US and you fail to do so, there is a 50% penalty EACH YEAR.

Tax Forms. We have reverted to a 3/4 page form 1040 and eliminated 3 of the new schedules added in 2018! The IRS was mandated by the Bipartisan Budget Act of 2018 to design form 1040-SR, US Tax Return for Seniors, to be "as similar as practicable to Form 1040EZ". Only taxpayers who are 65 by 12/31/19 may use this form. There are no income limitations but the standard deduction must be used. The font is larger and shading in boxes has been eliminated to improve readability. It will primarily be used by paper filers.

HAPPY HOLIDAYS TO YOU ALL!!

PRIVACY POLICY

We do not disclose any non-public personal information about our clients or former clients to anyone, except as instructed to do so by such clients, or required by law. We restrict access to non-public personal information, and we maintain physical, electronic, and procedural safeguards to guard your personal non-public information.