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Though no one can go back and make a brand-new start, anyone can start from now and make a brand-new ending." - Carl Bard

As the new year has already began, we wish you a healthy, wealthy and prosperous 2020

Federal Income Tax Filing Deadline:

The filing deadline for the year 2019 is Wednesday April 15, 2020. Information appearing in this article applies to changes effective in 2019, which then become part of a taxpayer's return in 2020.

2019 Individual Tax Provisions

Tax rate	Single	Married, filing jointly	Married, filing separately	Head of household
10%	$0 to $9,700	$0 to $19,400	$0 to $9,700	$0 to $13,850

Tax rate	Single	Married, filing jointly	Married, filing separately	Head of household
12%	$9,701 to $39,475	$19,401 to $78,950	$9,701 to $39,475	$13,851 to $52,850
22%	$39,476 to $84,200	$78,951 to $168,400	$39,476 to $84,200	$52,851 to $84,200
24%	$84,201 to $160,725	$168,401 to $321,450	$84,201 to $160,725	$84,201 to $160,700
32%	$160,726 to $204,100	$321,451 to $408,200	$160,726 to $204,100	$160,701 to $204,100
35%	$204,101 to $510,300	$408,201 to $612,350	$204,101 to $306,175	$204,101 to $510,300
37%	$510,301 or more	$612,351 or more	$306,176 or more	$510,301 or more

The number of brackets remained the same at seven. Rates overall, however, have come down. For individuals, these lower rates are scheduled to expire in 2025 unless Congress extends them.

The top rate will fall from 39.6% to 37%. The bottom rate remains at 10%, but it covers twice the amount of income compared to the previous brackets.

2019 Standard Deduction and Personal Exemptions:

Personal exemptions have been eliminated in its place, the standard deduction has been roughly doubled. That will work out well for singles and couples, but it will be a definite negative for anyone with dependents.

And like other numbers in the tax code, the standard deduction will be increasing slightly for 2019. Here's how that will look:

Filing Status	2018	2019
Single	$12,000	$12,200
Married filing jointly	$24,000	$24,400
Head of Household	$18,000	$18,350

2019 Itemized Deductions:

Several key changes are coming for itemized deductions.

- **Medical and dental expenses.** You can only deduct out-of-pocket medical expenses that exceed 7.5% of your adjusted gross income in 2018 and 2019
- **State and local income taxes and property taxes.** The TCJA capped the deduction for state and local taxes at $10,000 starting with 2018 returns. Under prior rules, the deduction for state and local taxes was unlimited.
- **Home mortgage interest.** You can deduct interest paid on home mortgage debt of up to $750,000 (down from $1,000,000 in 2017). To qualify, the mortgage must have been used to “buy, build, or substantially improve” your home. In other words, home equity debt that was not used for home renovation and remodeling is not eligible.
- **Gifts to charity.** You can claim a deduction for cash or property donated to a qualified tax-exempt organization.
- **Casualty and theft losses.** You can deduct only losses from a federally declared disaster.

2019 Alternative minimum tax:

The Alternative Minimum Tax (AMT) was created in the 1960s to prevent high-income taxpayers from avoiding the individual income tax. This parallel tax income system requires high-income taxpayers to calculate their tax bill twice: once under the ordinary income tax system and again under the AMT. The taxpayer then needs to pay the higher of the two.

The AMT uses an alternative definition of taxable income called Alternative Minimum Taxable Income (AMTI). To prevent low- and middle-income taxpayers from being subject to the AMT, taxpayers are allowed to exempt a significant amount of their income from AMTI. However, this exemption phases out for high-income taxpayers. The AMT is levied at two rates: 26 percent and 28 percent.

The AMT exemption amount for 2019 is $71,700 for singles and $111,700 for married couples filing jointly (Table 3).

Filing Status	Exemption Amount
Unmarried Individuals	$71,700
Married Filing Jointly	$111,700

Table 3. 2019 Alternative Minimum Tax Exemptions

In 2019, the 28 percent AMT rate applies to excess AMTI of $194,800 for all taxpayers ($97,400 for married couples filing separate returns).

AMT exemptions phase out at 25 cents per dollar earned once taxpayer AMTI hits a certain threshold. In 2019, the exemption will start phasing out at $510,300 in AMTI for single filers and $1,020,600 for married taxpayers filing jointly (Table 4).

Filing Status	Threshold
Unmarried Individuals	$510,300
Married Filing Jointly	$1,020,600

Table 4. 2019 Alternative Minimum Tax Exemption Phaseout Thresholds

2019 Child tax credit:

The child tax credit totals at $2,000 per qualifying child and is not adjusted for inflation. However, the refundable portion of the Child Tax Credit, also known as the Additional Child Tax Credit, is adjusted for inflation. The Additional Child Tax Credit will remain at $1,400 for 2019.

2019 Section 529 plans:

One of the many benefits of saving for a child's future college education with a 529 plan is that contributions are considered gifts for tax purposes. In 2019, gifts totaling up to $15,000 per individual will qualify for the annual gift tax exclusion, the same as in 2018 and up from $14,000 in 2017

2019 Roth IRAs:

The annual Roth IRA limit is $6,000 in both 2020 and 2019, up from $5,500 in 2018 (if you're 50 or older, you can add $1,000 to those amounts). The maximum Roth contribution amount applies to all of your traditional and Roth IRAs, combined

2019 Health insurance:

The new tax reform bill does not repeal Obamacare (the Affordable Care Act), but starting in 2019, it does effectively eliminate Obamacare's individual mandate, which requires people to pay a tax penalty if they don't buy health insurance. The individual mandate still applies for 2018

2019 Estate tax:

Estate tax is a tax on the transfer of property after death. The federal estate tax generally applies when a person's assets exceed $11.4 million in 2019 and $11.58 million in 2020 at the time of death. The estate tax rate can be up to 40%.

2019 Business Tax Provisions

Unlike the individual tax provisions in the new law, the key provisions relating to businesses are generally permanent. Following is a brief rundown.

Corporate tax rates: The new law affects companies in 2019, when they will be reporting on 2018 income. There will be lower tax rates for C corporations, and the corporate tax rate will fall from 35% to 21% in a flat-tax system.

Pass-through entities: Under the new law, pass-through entities -- such as partnerships, S corporations, limited liability companies (LLCs) and sole proprietors -- ca claim a 20% deduction on earnings, subject to special rules restrictions. The deduction is not available to higher-income personal service providers.

Section 179 deduction: Section 179 is one million dollars for 2019, as stated in Act. The deduction limit for Section 179 is $1,000,000 for 2019 and beyond, while the limit on equipment purchases remains at $2.5 million.

Further, the bonus depreciation is 100% and has been made retroactive to 9/27/2017. It is good through 2022. The bonus depreciation also now includes used equipment.

2019 Luxury car rules:

Regulation IRC Sec. 280F limits the depreciation deduction allowed for luxury passenger cars for the year they're placed into service and each succeeding year. It increased the limit on first-year depreciation for qualified property acquired before September 28, 2017, and placed in service in 2019, by $4,800

2019 Section 199 deductions:

199A allows taxpayers to deduction up to 20% of qualified business income (QBI) from a domestic business operated as a sole proprietorship or through a partnership, S corporation, trust, or estate. The Sec. 199A deduction can be taken by individuals and by some estates and trusts.

2019 Corporate AMT:

The Tax Cuts and Jobs Act repealed the AMT on corporations. Conforming changes also simplified dozens of other tax code sections that were related to the corporate AMT. The TCJA also allows corporations to offset regular tax liability by any minimum tax credit they may have for any tax year. And, a corporation's MTC is refundable for any tax year beginning after 2017 and before 2022 in an amount equal to 50% (100% for tax years beginning in 2021) of the excess MTC for the tax year, over the amount of the credit allowable for the year against regular tax liability. Thus, the full amount of the corporation's MTC will be allowed in tax years beginning before 2022.

2019 Meals and Entertainment deductions:

Wondering what you can still deduct on your 2019 taxes? All of the following are expenses you can subtract from your year-end tax bill, either by 50 or 100 percent:

Business meals with clients (50%)

Office snacks and other food items (50%)

The cost of meals while traveling for work (50%)

Meals at a conference that go above the ticket price (50%)

Lunch out with less than half of company employees (50%)

Food for company holiday parties (100%)

Food and beverages given out free to the public (100%)

Dinner for employees working late at the office (100%)

2019 Interest deductions:

The 30% limitation effectively applies only to net business interest expense (i.e., the excess of business interest expense over business interest income). The limitation is based on the taxpayer’s “adjusted taxable income.” For tax years beginning after December 31, 2017, and before January 1, 2022, “adjusted taxable income” is computed without regard to deductions allowable for depreciation, amortization, depletion, or business interest expense (similar to EBITDA). For tax years beginning after December 31, 2021, adjusted taxable income will include deductions for depreciation and amortization, but not business interest expense (similar to EBIT).

2019 Foreign taxes:

There are two tax-preferred rates for the foreign earnings deemed repatriated: foreign earnings held in cash and cash equivalents were taxed at 15.5 percent and those not held in cash or cash equivalents at only 8 percent. The TCJA permits a US corporation to pay any tax on the deemed repatriations in installments over eight years. The tax revenue raised by this transition tax on earnings accumulated abroad was estimated at $340 billion over the 10 years from 2018 to 2027.

So far there have been many important tax developments. This letter highlights some of them for you. As always, give our office a call or email if you have any questions.