

Contact Us at 717-639-2550 or tax@bryanshearer.accountant
Schedule Online at www.BryanShearer.accountant

Shearer's Accounting & Tax Services has been providing tax preparation and planning services for individuals, small businesses, partnerships, non-profits and corporations for over a decade. We also provide accounting, bookkeeping, payroll and business services throughout the year. 2018 saw massive changes to the tax law, and while 2019 was not as eventful, the IRS did update numerous laws as well as adding/deleting past laws. This guide is to help you navigate the normal situations and updates to the tax code but it is not meant for full tax-planning purposes. For a customized look at your unique situation, please contact Bryan Shearer to help with planning.

TAX LAW UPDATE/CHANGE

POTENTIAL SAVINGS

1

Standard Deductions - the new standard deduction increased slightly as in year's past except last year.

Filing status	2019 tax year
Single	\$12,200
Married, filing jointly	\$24,400
Married, filing separately	\$12,200
Head of household	\$18,350

Many taxpayers who itemized their deductions in year's past will not be able to this year. It is worth looking at still if you own a home, have a mortgage and work full-time. This increase has worked out in most taxpayer's favor despite the lowered amount of those who itemized.

2

Personal Exemptions - Personal exemptions were eliminated in 2018 and that has been extended to this tax year as well. This impacts large families with 3 or more children the most.

Those with a large amount of dependents may see a higher tax bill because of this.

3

Child Tax Credit - This credit was increased in 2017 from \$1,000 to \$2,000 to help offset the personal exemptions elimination. Also, the income limit was raised to \$200K. Finally, \$1,400 of this credit is refundable if no tax is owed.

Greatly helps those with children due to the elimination of exemptions. The higher income limit applies to more people.

4

Non-Qualifying Child Credit - A \$500 credit is still available to dependents who do not qualify under the Child Tax Credit

This is for college-aged dependents and anyone over 18 years old.

5

Mortgage Interest - Mortgages less than \$750,000 can write off their mortgage interest if you itemize your deductions. This is only for your primary residence.

Itemizing is the way to claim this benefit.

6

Itemized Items - State, local and property taxes can be deducted up to \$10,000 by itemizing.

Employees who have a lot of expenses that employers do not reimburse suffer the most here. Consider talking with your employer to get help with expenses. Also, consider maximizing flexible spending accounts to take advantage of lowering your taxable income.

Medical deductions - Medical expenses can be deducted once they reach 7.5% of your adjusted gross income.

Charitable contributions - Can deduct still and are capped at 60% of your adjusted gross income.

You cannot deduct investment fees, legal fees or unreimbursed employee expenses, such as clothing, cell phones, etc. if you are an employee

7 **Casualty Losses** - These losses can only be used in Presidentially-declared disaster areas.

8 **Estate Tax** - The federal estate tax exemption increased to \$1.4 million per person State level taxes have not changed.

9 **Moving Expenses** - Still not deductible except for military

10 **Kidde Tax** - Unearned income in a child's name is taxed at the trusts and estates rate over \$2,200. Plan appropriately if large assets are in a child's name.

11 **Healthcare** - There is no longer a penalty for not having coverage. The question is still asked but no penalty is assessed.

12 **Retirement Loans** - If a taxpayer loses their job while owing a 401K loan, they now have until the tax return due date to repay loan instead of 60 days.

13 **Teacher's Deduction** - A teacher may still take a \$250 deduction

14 **Self-employed** - A deduction of 20% may be applicable to your income. Please consult someone about this deduction. Businesses can save here but it is complicated.

15 **Back-Door Roth Conversions** - This allowance has been removed.

16 **Education Expense** - The AOTC education tax credit allows \$2,500 per student per year of which \$1,000 of this can be refundable. Education pays no matter what type of education you receive.

The Lifetime Learning Credit - allows up to a \$2,000 credit. This is calculated by taking 20% of your costs of education for the year up to the \$2,000 limit.

529 Plans - These can be used now for elementary and secondary education up to a \$10,000 limit. Cannot be used for homeschooling expenses.

17 **Alimony** - Alimony is no longer deductible to the payor and it is not considered income to the recipient.

18 **Tax Brackets for the 2019 Tax Year**

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
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

Disclaimer: All the above information is subject to change and will change as the IRS finalizes regulations on all matters. Please contact Shearer's Accounting & Tax Services throughout the year with any questions.