

TAXES

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Tax Time Prep

It's almost that time again. Fall is here, the holidays are around the corner. And then it's time to file your taxes! Here are some things you can think about now in preparation for another tax year-end.

The IRS has redesigned tax forms again. The 2019 Form 1040 will look more like it did before the changes we saw for last year. They have also released a new Form 1040-SR, U.S. Tax Return for Seniors. Only taxpayers born before January 2, 1955 are eligible to file this new form.

For 2019, there are three numbered schedules for Form 1040, instead of the six schedules introduced last filing season. 2018 Schedules 2 and 4 were combined into Schedule 2. 2018 Schedules 3 and 5 have been combined into schedule 3.

November 2019

In 2018 IRA, pension and annuity distributions were reported as a single amount. For this tax year, IRS has split them so that IRA distributions are reported on one line, and pension and annuities are reported on a separate line, much like it used to be.

Capital gains, which were reported on Schedule 1 for 2018, are back on the face of the 1040 for tax year 2019.

In 2018 many taxpayers traded in their itemized deductions and exemptions for the new, increased standard deductions. These new standard deductions now exceed itemized deductions for many of you. That may simplify the tax information you need to gather this year.

This year, individual taxpayers are no longer required to pay a "shared responsibility payment" or file Form 8965 if they didn't have health care coverage for part or all of 2019. The checkbox to indicate your health care coverage status has been removed from tax returns.

There's a new requirement for taxpayers claiming the Qualified Business Income Deduction. In 2019 taxpayers will be required to file a new form showing information about their qualified businesses, and how the deduction on their tax return is calculated.

Under current tax law, taxpayers no longer get an "exemption deduction" for the taxpayer, spouse, or dependents. However, there are credits available for qualifying children and other dependents. The income limits for these credits were greatly increased last year, allowing many taxpayers to claim this credit for the first time.

IRS has added a question about virtual currencies (VC), like Bit Coin, to Schedule 1. This schedule is used to report income, or adjustments to income, that can't be entered directly on Form 1040.

IRS added a checkbox at the top of Schedule 1 that asks if you engaged in

any transaction involving a virtual currency during the 2019 tax year. Transactions include receipt or transfer of VC for free, a sale or an exchange of VC. These transactions are reportable on your income tax return.

IRS recommends that you keep a copy of your tax return and all records of items appearing on it (such as Forms W-2, 1099, etc.) at least until the statute of limitations runs out for that tax return. Usually, this is three years from the date the tax return was due or filed, or two years from the date the tax was paid, whichever is later. Records for property (including your home) should be kept for as long as they might be needed to figure the basis of the property.

Tax Scams

IRS warns taxpayers not to fall prey to tax scams. Thousands of people have lost millions of dollars and their personal information to tax scams. Scammers use the mail, telephone or email to set up taxpayers.

In recent months, IRS has publicized many of these scams. Here's what they want taxpayers to know.

IRS does not initiate contact with taxpayers by email, text messages or social media channels to request personal or financial information. These are signs of a scam.

IRS initiates most contact through regular mail delivered by the U.S. Post Office. In certain circumstances the IRS will call or go to a home or business. However, in nearly all cases, before a call or visit, taxpayers will first receive several notices from the IRS in the mail.

IRS does not:

- call to demand immediate payment,
- required a specific payment method like gift cards or prepaid debit cards,
- demand payment without giving you an opportunity to question or appeal the amount they say you owe,

- threaten to bring in the police, immigration officers, or other law enforcement to arrest you for not paying them.
- IRS cannot revoke your drivers license, business license or immigration status.

IRS also warns taxpayers about the latest twist on a scam related to Social Security numbers. Scammers claim to be able to suspend or cancel the taxpayer's Social Security number. This is just an attempt by con artists to frighten people into returning "robocall" voicemails.



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Fake charities are also on the IRS's Dirty Dozen list of tax scams for 2019. IRS provides a search tool for taxpayers on its website. To verify a charity is legitimate, go to www.irs.gov and search for the "Tax Exempt Organization Search" tool. Taxpayers can rely on this tool to identify organizations eligible to receive tax-deductible charitable contributions.

Tax Tidbits

The Treasury Inspector General for Tax Administration included some interesting information in their "Interim Results of the 2019 Filing Season Report", filed on April 2, 2019.

IRS faced unusual challenges for the 2019 filing season as a result of the Tax Cuts and Jobs Act of 2017, the first major tax reform legislation in more than 30 years. Things were further complicated by the government shutdown starting December 22, 2018 and lasting 35 days.

To prepare for the filing season, IRS was required to update its computers, processes and procedures to address changes in the tax law. This included creating 48 new tax products and revising 494 existing tax products, programming their computers for changes and updates for 69 of the law's 119 provisions, updating 128 information technology systems impacted by these changes, developing and issuing guidance documents including regulations, revenue rulings and more, and updating IRS fraud detection systems to address changes in the location of data fields based on revisions to tax forms and to reflect changes made by the Tax Cuts and Jobs Act.

As of March 1, 2019, the IRS had received approximately 59.2 million tax returns. Approximately 56.5 million (95.4%) were received through electronic filings, with the remaining returns filed on paper.

At that date, IRS had issued about 46.4 million refunds totaling nearly \$142.4 million. During calendar year 2019, the IRS expects to receive about 155 million individual income tax returns.

The IRS recently released a new set of tax gap estimates on tax years 2011, 2012 and 2013. The results show little change from prior years.

The tax gap is the difference between the true tax liability for a given period, and the amount of tax that is paid on time. The average tax gap was estimated at \$441 billion per year. This translates to about 83.6% of taxes paid voluntarily and on time.

For More Info

The articles in this newsletter are intended to present general tax information. Accounting rules and tax laws are complex. Not all ideas presented may be appropriate for your specific circumstances.

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