

TAX TIPS

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Individual Taxes

Individual income tax returns for 2019 are due on April 15, 2020. Here's some information that may help you to keep your tax bill as low as possible.

Affordable Care Act Provisions

The "shared responsibility payment" for individuals who don't have minimum essential health insurance coverage for themselves and their dependents has been repealed starting with tax year 2019.

Other provisions of the Affordable Care Act remain in effect. Taxpayers will still receive Forms 1095 A, B or C for tax year 2019. However, the question on Form 1040 about insurance coverage has been removed from tax forms for 2019.

Expired Tax Provisions Extended

On December 20, 2019 many expired tax provisions were extended for tax year 2019 and 2020. Provisions including the deduction of qualifying mortgage insurance premiums, the tuition and fees deduction, and others

January 2020

were extended through 2020. The exclusion from gross income for cancellation of qualified principal residence indebtedness has also been extended through tax year 2020.

Medical expenses in excess of 10% of adjusted gross income were to be allowed as deductions this year. That threshold has been lowered to 7.5% through the end of 2020.

The new law also impacts some retirement plan provisions. It moves the starting date for making required minimum distributions from age 70-1/2 to age 72 and eliminates the age 70-1/2 limit for making IRA contributions.

Refund Delays

By law, the IRS cannot issue refunds for any tax return claiming certain tax credits until February 15. The IRS is required to hold the entire refund, not just the portion related to the credit.

Documentation Needed for Credits

If you plan to claim an education credit, be sure to provide your tax preparer with Form 1098-T from your educational institution. If you don't receive a copy of Form 1098-T by mail, you can usually download the form from your college or university's online account.

Health Savings Accounts (HSA)

If you became eligible in or before December 31 of 2019 to make HSA contributions, you can make a full year's worth of deductible contributions for 2019. Contributions for 2019 are due no later than April 15, 2020. If you need information about contribution limits, please contact us.

Standard Mileage Rates

For 2019 the standard mileage rate for business mileage is 58¢ per mile. For medical the mileage rate is 20¢, and for charitable contributions the mileage rate is 14¢ per mile. See "Business Mileage Deductions" below for more information on who qualified to deduct mileage on their tax returns.

This month the IRS announced the standard mileage rate for business miles in 2020 will be 57.5¢ per mile. Read "Business Mileage Deductions"

(below) for information on who can claim this deduction on their tax returns.

For 2020 the mileage rate for medical or moving miles will be 17¢ per mile, and the rate for charitable mileage remains at 14¢ per mile.

Business Mileage Deductions

Business owners and self-employed taxpayers can use the standard mileage rate to deduct business use of their vehicles.

The Tax Cuts and Jobs Act suspended miscellaneous itemized deductions reported on Schedule A. As a result, employees who use their car for work, with limited exceptions, can no longer deduct unreimbursed business mileage, effective with the 2018 tax year.

Certain employees, such as Armed Forces reservists, qualifying state or local government officials, educators and performing artists, may continue to deduct unreimbursed business expenses under current law.

Taxable Bond Interest Income

Accrued interest on Service EE bonds issued in 1989 is taxable in 2019. These bonds mature in 2019, and the interest on these bonds is fully taxable this year, even if you don't cash in the bonds.

Child Tax Credit

Taxpayers who claim at least one child (under age 17 at December 31) on their tax return may be eligible to benefit from the child tax credit. This credit was greatly expanded beginning in 2018, making many more taxpayers eligible to benefit. The maximum credit is \$2,000 per qualifying child.

If your child is 17 year or older or does not meet all the requirements for the Child Tax Credit, you may be eligible for a different credit, the Credit for Other Dependents.

Credit for Other Dependents

If you have dependents who can't be claimed for the Child Tax Credit, they may still qualify for the Credit for Other Dependents.

This is a non-refundable credit of up to \$500 per qualifying person. The qualifying person must be a U.S. Citizen, U.S. national, or U.S. resident alien. The qualifying person can even be someone who is not related to you, if certain criteria are met.

For more information on the Child Tax Credit and Credit for Other Dependents, please contact us.

Child and Dependent Care Credit

Taxpayers who paid childcare expenses so that they can work (or look for work) may qualify for the Child and Dependent Care Credit.

This credit may also be available to you if you paid for care for an individual who is physically or mentally incapable of self-care, and that individual lived with you for more than half the year and meets certain other requirements.



This credit is calculated as a percentage of the expenses you paid to care providers. The percentage depends on your adjusted gross income.

Qualifying care expenses considered for this credit can be as high as \$3,000 for one qualifying individual, or \$6,000 for two or more qualifying individuals.

Care expenses may include nursery school, preschool or similar programs. Summer day camp may qualify as care expenses as well.

IRS Identity Protection PIN Program

The IRS is offering a voluntary identity protection PIN program to Illinois taxpayers. This program is being offered in selected states this year,

and eventually will be available to all taxpayers nationwide.

The program provides participants with a 6-digit number (IP PIN) that provides additional protection for taxpayers' Social Security numbers and helps protect against tax-related identity theft.

Taxpayers who want to participate in the IP PIN program can use the online "Get an IP PIN" tool at IRS.gov/IPPIN. IRS has created a new publication – *Publication 5367 – Identity Protection PIN Opt-In Program for Taxpayers* – that outlines the required steps to obtain an IP PIN. These steps include a vigorous identity verification process to protect taxpayers. A new IP PIN must be obtained each year from the online tool.

Tax Tidbits

IRS reports that, as of November 22, 2019, it had received and processed over 155 million individual income tax returns for tax year 2018. Of these, over 138 million were filed electronically.

IRS also reports there were over 625 million visits to IRS.gov during the 2019 tax filing season, a 6.9% increase over the 2018 filing season.

There were over 111 million refunds issued to taxpayers for tax year 2018 totaling over \$319 billion dollars. The average refund was \$2,860.

Nearly 92 million refunds were processed using direct deposit to taxpayers' bank accounts, up about 2.1% from the prior tax year. The average direct deposit refund was \$2,975.

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.

For additional information, call Kagan & Associates, Ltd. at 847-392-3300 or e-mail us at Info@KaganLtd.com.