



*Greetings to Clients and Friends!*

January 2019

Tax filing season is quickly approaching. This Tax Update newsletter provides information on the tax law changes and key exemptions and deductions. Please call, email or text to schedule your tax appointment. -Miriam Woods, Enrolled Agent

**Key Exemptions and Deductions**

**Personal Exemptions:**

In 2018, there are no personal exemptions.

**Standard Deductions:**

The standard deductions for those who do NOT itemize are as follows:

	<u>2018</u>	<u>2019</u>
Married Filing Joint	\$24,000	\$24,400
Head of Household	\$18,000	\$18,350
Single	\$12,000	\$12,200

**Standard Mileage Rates**

The standard mileage rates for 2018 and 2019 are:

	<u>2018</u>	<u>2019</u>
Business	\$.545	\$.58
Medical	\$.18	\$.20
Charitable Work	\$.14	\$.14

**Social Security Earning Limits**

The maximum amount of income subject to social security tax is \$132,900 in 2019.

Individuals under 66 can earn up to \$17,640 without losing benefits.

Individuals who turn 66 in 2019 (or full retirement age) can earn up to \$46,920

**Earned Income Credit Amounts**

The 2019 maximum amount of earned income and qualify for the credit is

\$50,162 with three children (\$55,592 if married filing joint)

\$46,703 with two children (\$52,493 if married filing joint)

41,094 with one child (\$46,884 if married filing joint)

**What's New for 2019 tax year?**

**New Tax Law Creates Many Changes**

The Tax Cuts & Jobs Act of 2017 (TCJA) was signed into law by President Trump on December 22, 2017. The changes affect 2018 and beyond. Here are a few of the changes.

**New Income Tax Rates**

The amount of tax owed is based on your taxable income. The new tax brackets for 2018 and beyond are 10%, 12%, 22%, 24%, 32%, 35% and 37%. A breakdown of each bracket is included on page 2.

**Standard Deduction Increase**

The standard deduction has increased to almost double for taxpayers. Under the new law, the 2018 standard deduction amounts are \$12,000 for Individuals, \$18,000 for Heads of Households, and \$24,000 for Married Filing Jointly. With the increased standard deduction, fewer taxpayers may benefit from itemizing deductions.

**Personal Exemption**

In 2017 each person claimed on a tax return is given a personal exemption of \$4,050. Under the tax reform, personal exemptions will disappear.

**Child Tax Credit**

In 2017 the child tax credit is \$1000 for each child under the age of 17. The Tax Jobs & Cuts Act of 2017 increases the child tax credit to \$2000 for each child with \$1400 being refundable. The phase outs for the child tax credit begin with a adjust gross income of more than \$400,000 for married filing jointly and \$200,000 for all other taxpayers.

**Health Insurance**

Currently there is an Obamacare Individual Mandate where you are required to pay a penalty if you do not have minimum health care coverage. Under the new law the penalty is eliminated beginning in 2019.

**City Tax Returns due on April 15**

City tax returns will now be due on April 15 instead of the former due date of April 30.

**Caution about Tax-Scams**

There are several email scams that are targeting taxpayers where the cybercriminals obtain names, social security numbers and addresses, which they use to file fraudulent returns. IRS will never initiate contact with taxpayers via email or a phone call. If you think you have been a victim or have received a suspicious email, please contact us for assistance.

## Qualified Business Income Deduction

Generally, a small business owner (other than a corporation) can deduct 20% of the business income from a partnership, S-corporation or sole proprietorship. There are some income and wage limits but most small businesses will benefit from this 20% deduction from income.

## Increase in Expensing Business Equipment

The TCJA increases the amount a business can expense under Section 179 up to \$1,000,000 in qualified equipment. This will help businesses to add equipment, vehicles and software that they use in their business to improve their operations and increase revenue.

## Foreign Bank Accounts

A person who holds a foreign bank account may be required to file a FBAR if there is activity of over \$10,000. The penalty for NOT filing is up to 50% of the account balance. Let me know if you have a foreign bank account so the form can be filed by April 15.

## Due Dates Changed for Corporations and Partnerships

As with 2017, Form 1065, US Return of Partnership Income is due on March 15. Also S Corporation tax returns, Form 1120S, are due on March 15. K-1s from these returns are due to their partners and shareholders by March 15. Corporation tax returns had a due date of March 15 but that is now changed to April 15.

## IRS Letter

If you receive a letter from IRS or State of Michigan, contact Woods Tax & Accounting Service. We are here to serve your tax needs. Miriam Woods is an Enrolled Agent and can represent you before IRS and assist in an IRS audit or inquiry.



All returns will be electronically-filed FREE!

## Checklist of what to bring to your tax appointment

- All W-2 forms
- Social Security numbers and birthdays for taxpayer, spouse & children
- Amount of interest, dividends and capital gains received (income or losses)
- Amount of state & local refunds received last year
- All income and expenses related to your business
- All equipment purchases related to your business (date & cost of purchase)
- Mileage for business and total mileage on vehicle
- All 1099 forms received showing income from retirement, disability, gambling winnings
- Amount of Unemployment Compensation received
- Amount of Social Security Benefits received
- Amount of rental property income and expenses
- Amount of IRA contributions
- Amount of Student Loan interest paid
- Amount of teacher provided supplies for classroom
- Amount paid for child care including provider's SS# or Fed. ID# and address.
- Amount of higher education expenses (tuition, fee & required materials) paid in 2018
- Tuition Statement Form 1098-T showing tuition paid
- Amount of health insurance premiums paid (after taxes)
- Health Insurance Forms 1095-A, 1095-B or 1095-C received
- Real estate property tax bills showing amount assessed/paid for your property in 2018
- Amount of Michigan Sales Tax paid in 2018 if you purchased a car, boat or motorcycle
- 2018 Taxable value of your home (for MI Homestead Credit)
- Amount paid for a auto license fees (autos, trailers, boats, etc)
- Year-end statement of mortgage interest (Form 1098) and escrow activity on mortgage
- Charitable contributions (cash, non-cash gifts, mileage)
- Sale of Home in 2018 - closing papers when bought & sold
- Amount of job related expenses & union dues
- Amount of energy efficient home improvements: windows, doors, insulation
- Amount of 2018 Estimated Tax Payments (Federal, State & City)
- Amount of purchases bought on Internet/ catalog (for MI Sales & Use Tax)
- Amount of rent paid in 2018, name and address of landowner
- 2017 income tax return (unless prepared by Woods Tax & Accounting Service)
- Direct Deposit information: bank account number & routing number

## 2019 Tax Rates

The following shows the 2019 income brackets for each tax rate.

<u>Tax Rate</u>	<u>Single</u>	<u>Married Filing Joint</u>	<u>Head of Household</u>
<b>10%</b>	\$0 to \$9,900	\$0 to \$19,400	\$0 to \$13,850
<b>12%</b>	\$9,901 to \$39,475	\$19,401 to \$78,950	\$13,851 to \$52,850
<b>22%</b>	\$39,476 to \$84,200	\$78,951 to \$168,400	\$52,851 to \$84,200
<b>24%</b>	\$84,201 to \$160,725	\$168,401 to \$321,450	\$84,201 to \$160,700
<b>32%</b>	\$160,726 to \$204,100	\$321,451 to \$408,200	\$160,701 to \$204,100
<b>35%</b>	\$204,101 to \$510,300	\$408,201 to \$612,350	\$204,101 to \$510,300
<b>37</b>	\$510,301 and up	\$612,351 and up	\$510,301 and up



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