

2019 YEAR-END LETTER

Greetings! To help keep you mindful of your estate plan and help you prepare for the upcoming tax filing season, here are some helpful ideas and reminders.

Staff Announcements

We would like to congratulate **Becky** Volkmann, our Office Manager of 20 years, on her move to Arizona! Our Office Administrator, **Caramai** Johnston, will be taking over Becky's role and can be reached at caramai@abramsontax.com.

Tara Spruill-Jones, CPA, a Palisades resident, has been nominated to serve on the Board of the Palisades Village.

Elise Schoux, another Palisades resident, will return in an expanded seasonal administrative role.

Our furry associate **Tuli** has passed on to dog heaven. Thank you to all who have offered your condolences. We have donated food and supplies to the Humane Rescue Alliance in honor of Tuli and we welcome you to do the same.

IDENTITY THEFT ISSUES

The IRS will not call you about any tax matter without first mailing you a letter; nor will the IRS demand immediate payment over the phone. To avoid being a victim of identity theft, do not give any personal information over the phone, through the mail, or on the internet, unless you have initiated contact.

If you have been a victim of tax-related identity theft, the IRS will issue you an Identity Protection PIN each year. Upon receipt, please send us your assigned PIN.

2019 Tax Season Tidbits

Standard Deduction: The standard deduction \$12.2K for single filers and \$24.4K for joint filers.

Child Tax Credit: The credit remains at \$2K per qualifying child under the age of 17, with qualifying income limits at \$200K for individuals and \$400K for married couples filing jointly. For dependents other than children, the maximum credit is \$500.

Taxes: For those who itemize, the maximum deduction for real estate and state/local income taxes combined is \$10K.

Mortgage Interest: For homes bought after Dec. 31, 2017, mortgage interest remains deductible up to \$750K of mortgage principal.

Withholding: If you received a smaller refund or had an unexpected tax bill last year, please contact us to help you determine adequate withholding or use the IRS sponsored tax withholding estimator:

<https://apps.irs.gov/app/tax-withholding-estimator>

Standard Mileage Rates: The standard business mileage rate is 58 cents per mile. The medical mileage rate is 20 cents per mile.

Pass-Through Deduction: A maximum 20% deduction for qualifying pass-through entities continues provided that certain income thresholds are met.

Charitable Contributions

If you do not expect the total of your charitable gifts plus other itemized deductions to exceed your standard deduction, consider the following tax planning strategies:

- 1) **"Bunching" Charitable Contributions:** Assume a single taxpayer plans to give \$5K to charity and has \$4K in other itemized deductions for each of three years. Since the \$9K annual total is less than the \$12K yearly standard deduction, this taxpayer would not receive a tax benefit for any of the gifts. On the other hand, if the 3-year total of \$15K gifts were bunched into the first year, there would be a tax benefit on \$7K [$\$15K + \$4K - \$12K$].
- 2) **Donating Directly from an IRA:** If you are required to take minimum distributions, consider making charitable contributions directly from your IRA. IRA distributions made directly to a charity are excludable from income.

Deadlines

Payments to Housekeepers, Child and Health Care

Providers: Unless hired through an agency, such providers are classified as employees. If you will have paid any such worker > \$2.1K in 2019, you must issue them a Form W2 by **January 31, 2020**. State unemployment reporting requirements vary.

Payments to Independent Contractors: In the course of your business [including rentals], if you pay any non-corporate contractors \$600 or more during 2018, you must issue a Form 1099 by **January 31, 2020**.

Tax Client Organizers: Engagement Agreements and Tax Organizers will be going out in early January. We will accommodate as many clients as possible, but if we don't receive your information by **February 28, 2020**, we may need to extend your returns. If you are only waiting for K-1s or a couple of other forms, please timely submit all other documentation.

FBAR: If you have foreign financial accounts that exceed \$10K in aggregate at any time in 2019, a Report of Foreign Bank and Financial Accounts is due **April 15, 2020**.

Retirement Planning

Maximizing Social Security Benefits: To receive a statement of earnings, call Social Security [SSA] 1.800.772.1213 or create an on-line account <https://secure.ssa.gov/RIL/SiView.action>.

In addition to verifying that all earnings [including self-employment income] are reflected, the earnings statement will provide estimates for retirement, disability, and survivor benefits for which you may be eligible. [Note: SSA has decreased the number of mailed statements.]

The most common concern is whether to claim benefits at 62/66/70 or to continue to let your benefits grow. There are also options worth examining when both spouses are entitled to benefits, especially if one spouse was born before 1954. Consider using a benefits analysis company such as Social Security Solutions, Inc. to help you navigate choosing the best strategy [<https://www.socialsecuritysolutions.com/>].

DC, MD & VA

Section 529 Plans: DC, MD, & VA allow deductions for contributions to their state Education and ABLE plans. [ABLE Plans benefit those with disabilities. Earnings are tax free if distributions are used for qualified disability expenses. Plan assets do not count toward Medicaid and SSI qualification.]

DC Homestead and Senior Citizen Property Tax Relief:

- 1) The homestead deduction reduces your real property's assessed value by ~ \$75K.
- 2) The Senior Citizen Property Tax Relief reduces your property tax by 50% and will apply to FY 2019 [10/1/2019 to 9/30/2020] if your total household income for calendar year 2018 is less than ~ \$133K.

* Both forms of tax relief apply only to primary residences, and it is your responsibility to notify DC of any changes in your eligibility. Please review your tax bill annually.

* **New in 2019:** DC now accepts online submissions of the Homestead and Senior Citizen Tax Relief applications: [https://www.taxpayerservicecenter.com/FP100_Homestead_Application.jsp]

DC, MD & VA [cont'd]

Residential Rental Owner Requirements:

DC: (1) Obtain a business license; (2) Register with DC Consumer and Regulatory Affairs (DCRA); and (3) Meet the District's housing code compliance standards [<https://dcra.dc.gov/service/dc-housing-code-standards>]. If you expect your DC rental property to earn more than \$12K of gross revenue per year, you will need to register with the DC Office of Tax and Revenue and file annual personal property and unincorporated business franchise tax returns.

Montgomery County: (1) Obtain a rental license; (2) Pass a lead test if built before 1950; and (3) Designate a MD resident agent. Units occupied by relatives, or in the cities of Rockville, Takoma Park, or Gaithersburg are exempt [<https://www.montgomerycountymd.gov/DHCA/housing/licensing/>].

Arlington County: Obtain a business license: [<https://taxes.arlingtonva.us/business/new-businesses/>].

Estate and Gift Planning

Estate and Gift Tax: The current federal estate tax exemption is \$11.4M which is applied against the total assets held at death and cumulative lifetime reportable gifts [i.e., ones greater than the annual \$15K per donee exclusion]. The rate remains at 40%. The exemption for DC is \$5.6M and for MD the exemption is \$5M. VA has no estate tax.

For taxpayers with assets greater than their respective exemption amounts, planning using "marital", "disclaimer", and "irrevocable life insurance" trusts can provide estate tax savings and flexibility. In addition, since neither DC nor MD requires a decedent's estate to add back gifts made during one's life, lifetime gifts are an excellent state estate tax savings tool. [Note: Payments for qualified educational expenses and qualified medical expenses continue to be excluded from reportable gifts if paid directly to the institution.]

Estate Documents: We recommend that you review your estate planning documents every three to five years, whenever there is a change in law, or if you experience a major life event.

HAPPY HOLIDAYS FROM ALL OF US AT ABRAMSON & ASSOCIATES, LLC!