



Your monthly tax news & updates

Dear Clients and Friends:

With summer descending into fall and we're getting the kids ready for school again, it can only mean one thing in the tax world: it's Final Tax Deadline Filing Season.

The September 16 final deadline for all calendar year partnership and S-Corporation returns is approaching rapidly. Additionally, the final due date for calendar year trusts is October 1, 2019 and individual returns which have been extended are due on October 15, 2019.

If you need help or have any questions, please let us know.

Regards,
Rebecca Luers, CPA and Jan Dyer, CPA



If you any questions about the information in this newsletter, [contact us](#). We appreciate you forwarding this newsletter to associates and friends who would benefit from the monthly news we provide and are looking for tax preparation and planning resources from a CPA firm.

Tax Filing Reminders:

September 16

- Final deadline for all calendar year partnership and S-Corporation returns

October 1

- Final deadline for calendar year trusts

October 15

- Final deadline for individual returns which have been extended
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I Owe Tax on That? 5 Surprising Taxable Items

Wages and self-employment earnings are taxable, but what about the random cash or financial benefits you receive through other means? If something of value changes hands, you can bet the IRS considers a way to tax it. Here are five taxable items that might surprise you:

- 1. Scholarships and financial aid.** Applying for scholarships and financial aid are top priorities for parents of college-bound children. But be careful - if any part of the award your child receives goes toward anything except tuition, it might be taxable. This could include room, board, books, travel expenses or aid received in exchange for work (e.g., tutoring or research). *Tip: When receiving an award, review the details to determine if any part of it is taxable. Don't forget to review state rules as well. While most scholarships and aid are tax-free, no one needs a tax surprise.*
- 2. Gambling winnings.** Hooray! You hit the trifecta for the Kentucky Derby. But guess what? Technically, all gambling winnings are taxable, including casino games, lottery tickets and sports betting. Thankfully, the IRS allows you to deduct your gambling losses (to the extent of winnings) as an itemized deduction, so keep good records. *Tip: Know when the gambling establishment is required to report your winnings. It varies by type of betting. For instance, the filing threshold for winnings from fantasy sports betting and horse racing is \$600, while slot machines and bingo are typically \$1,200. But beware, the gambling facility and state requirements may lower the limit.*
- 3. Unemployment compensation.** Unfortunately the IRS doesn't give you a break on the taxes for unemployment income. Unemployment benefits you receive are taxable. *Tip: If you are collecting unemployment, you can either have taxes withheld and receive the net amount or make estimated payments to cover the tax liability.*
- 4. Crowdfunding.** A popular method to raise money for new ventures or to support a special cause is crowdfunding through websites. Whether or not the funds are taxable depends on two things: your intent for the funds and what the giver receives in return. Generally, funds used for a

business purpose are taxable and funds raised to cover a life event (e.g., special causes or medical assistance) are considered a gift and not taxable to the recipient. **Tip:** *Prior to using these online tools to raise money, review the terms and conditions and ask for a tax review of what you are doing. If you need to account for taxes, reserve some of what you raise for this purpose.*

- 5. Cryptocurrency.** Cryptocurrencies like Bitcoin are considered property by the IRS. So if you use cryptocurrency, you must keep track of the original cost of the coin and its value when you use it. This information is needed so the tax on your gain or loss can be properly calculated. Remember, the tax rate on property can vary if you own the cryptocurrency more than a year, so record all dates. **Tip:** *For those considering replacing cash with things like Bitcoin, you need to understand the gain or loss complications. For this reason, many people using cryptocurrency do so for speculative investment purposes.*

When in doubt, it's a good idea to keep accurate records so your tax liability can be correctly calculated and you don't get stuck paying more than what's required. Please call if you have any questions regarding your unique situation.



Smart Tactics to Manage Student Debt

According to the Federal Reserve, U.S. student loan debt is now \$1.5 trillion with more than 44 million borrowers. Only mortgage debt currently has bigger numbers among types of consumer debt. Even worse, more than 10 percent of these loans are past due. Here are some tactics to help make student debt easier to manage:

- **Know the loan terms.** Not all student debt is created equal. Understanding the terms of all your student loans is important. With this knowledge, select the correct loan option and know which loan to pay first. Things you should know about each loan include: **Suggestion:** *Create a spreadsheet with a student loan in each column. Then note the terms under each loan. This will create a strong visual of your situation*

and show you which loans are most important.

- The interest rate
 - The term of the loan
 - Amount of any up front fees
 - Pre-payment penalties (if any)
 - When interest and payments start
 - Payment amounts
 - Payment flexibility
 - How the interest is calculated
- **Avoid accruing interest.** Some student loans accrue interest while you are in school. With the compounding of this interest, your student loan amount continues to grow with each passing year before repayment begins. Banks love this - you should not. **Suggestion:** *Figure out how to make some or all of the interest payments while in school. This will not only lock the amount you owe, it will reduce the amount of overall loan payments.*
 - **Pay a little extra in the early days.** The math of loans benefits banks in the early years of the repayment period. This is because the vast majority of interest is paid in the first years of repayment. By the time you get to the last year of repayment, payments are primarily the principal balance and interest is nil. **Suggestion:** *Pay extra every month as soon as payments start. While this seems impossible as you enter the workforce, even \$25 extra per month can dramatically reduce the amount of total payments you make over the life of your loan. For example, a \$25 extra payment on a 10-year \$50,000 student loan with 5 percent interest would cut six months off the loan, save \$834 in interest, AND save \$3,180 in future loan payments!*
 - **Make small cuts elsewhere.** Having a hard time finding a few extra dollars to make extra payments? Consider observing and then changing your spending habits. **Suggestion:** *Purchase one less latte a week. Drop one monthly service from a bill. Eat in more often. Then use these savings as a bonus payment on your student loan principal.*

While student debt is often an unavoidable outcome of getting a college education, it can be minimized if actively managed. Small changes can yield results if planned for in advance.



No Excuses. Time to Lower Your Tax Bill

It's easy to push tax planning to the sidelines when tax laws are ever-changing and hard to understand. Here are some common (but often unfounded) reasons for avoiding tax situations, plus tips to help get past them and start paying less tax this year:

- **It doesn't make a difference.** This point of view is especially problematic in years with unique situations. Even in uneventful years, external forces like new tax laws can be managed if planned for in advance.
 - Selling a house? You can avoid taxes if primary residence requirements are met.
 - Starting a business? Choosing the correct entity can save you a bunch of taxes.
 - Getting ready to retire? Properly balancing the different revenue streams (part-time wages, Social Security benefits, IRA distributions and more) has a huge impact on your tax liability.
- **It's out of your control.** Timing is important when it comes to minimizing taxes, and the timing is often in your control. Bundling multiple years of donations into one to get a deduction, holding investments over one year to get a lower tax rate, and making efficient retirement withdrawals are just some examples of prudent tax strategies that you control.
- **There's not enough money.** There are tax strategies to be implemented at all income levels, not just those at the top of the tax bracket. Tax deductions are available for student loan interest, IRA contributions and others even if you claim the standard deduction. Certain tax credits (called refundable credits) will increase your refund even if you don't owe taxes. Missing any of these tax breaks can unnecessarily increase your taxes.
- **I only need help at tax time.** When the standard deduction doubled in 2018, many people assumed they could kick their feet up and wait for a big refund. That assumption proved to be false for a large number of taxpayers when their refunds came in lower than expected or turned into a tax bill. Don't let this happen to you! Every year has its own set of

changes and challenges that you should plan for well before tax time rolls around.

- **It's too overwhelming.** Tax planning is often as simple as looking for ways to reduce taxable income, delay a tax bill, increase tax deductions, and take advantage of all available tax credits. The best place to start is to bolster your level of tax knowledge by picking up the phone and asking for assistance.

Thankfully, it's not too late to get on track for 2019. If you haven't scheduled a tax-planning meeting, now is a great time to do so.



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