

TAX NEWS YOU NEED TO KNOW



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January 2019

Dear Clients and Friends:

Happy New Year and hello 2019! We are excited for the upcoming year and hope it brings you everything you hope for and more.

After you finish packing up the holiday decorations, start thinking about your tax preparation plan. Make time for planning, organize filing records, schedule a tax consultation, and get an early start on your taxes.

Most importantly, don't forget that the Form 1099 filing deadline for 2018 forms are due on January 31st!

We look forward to working with each of you this year.

If you have additional 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.

Regards,
Rebecca Luers, CPA and Jan Dyer, CPA

Tax Filing Reminders

January 15

- 4th Quarter Estimated Payments Due

January 31

- Form 1099s Due



Tips for a Faster Refund

As the tax filing season approaches, there are steps you can take now to speed up the filing process. The faster your return is filed, the faster you get your refund. Even if you end up owing money to the IRS, knowing the amount due sooner gives you more time to come up with the funds needed to pay your tax bill. Here are things you can do now to get organized:

1. **Look for your tax forms.** Forms W-2, 1099, and 1098 will start hitting your mailbox. Look for them and get them organized. Create a checklist of the forms to make sure you aren't missing any.
2. **Don't wait for Form 1095s.** Once again, proof of health insurance coverage forms are delayed. The deadline for companies to distribute most Form 1095s to employees is pushed back to March 4. The IRS is OK with filing your return prior to receiving the proof of insurance form as long as you can provide other forms of proof. Remember, 2018 is the last year of penalties if you do not have adequate insurance coverage.
3. **Finalize name changes.** If you were recently married or had a name change, file your taxes using the correct name. File your name change with the Social Security Administration as soon as possible, but be aware of the timing with a potential name conflict with the IRS.
4. **Collect your statements and sort them.** Using last year's tax return, gather and sort your necessary tax records. Sort your tax records to match the items on your tax return. Here is a list of the more common tax records:

- Informational tax forms (W-2, 1099, 1098, 1095-A, plus others) that disclose wages, interest income, dividends and capital gain/loss activity
- Other forms that disclose possible income (jury duty, unemployment, IRA distributions and similar items)
- Business K-1 forms
- Social Security statements
- Mortgage interest statements
- Tuition paid statements
- Property tax statements
- Mileage log(s) for business, moving, medical and charitable driving
- Medical, dental and vision expenses
- Business expenses
- Records of any asset purchases and sales
- Health insurance records (including Medicare and Medicaid)
- Charitable receipts and documentation
- Bank and investment statements
- Credit card statements
- Records of any out of state purchases that may require use tax
- Records of any estimated tax payments
- Home sales (or refinance) records
- Educational expenses (including student loan interest expense)
- Casualty and theft loss documentation (federally declared disasters only)
- Moving expenses (military only)

If you are not sure whether something is important for tax purposes, retain the documentation. It is better to save unnecessary documentation than to later wish you had the document to support your deduction.

5. **Clean up your auto log.** You should have the necessary logs to support your qualified business miles, moving miles, medical miles and charitable miles driven by you. Gather the logs and make a quick review to ensure they are up to date and totaled.
6. **Coordinate your deductions.** If you and someone else may share a dependent, confirm you are both on the same page as to who will claim the dependent. This is true for single taxpayers, divorced taxpayers, taxpayers with elderly parents/grandparents, and parents with older children.

While you are organizing your records, ride the momentum to start your filing system for the new year. Doing so will make this process a breeze this time next year!

[Contact us](#) for more information or help.



Taking a Home Office Deduction

Cloud-based applications, extensive communication channels, and other new technologies make it easier to run your business out of your home. If you qualify, many home business expenses are deductible. Think you might qualify? You must first pass these tests.

1. **Trade or business use test.** To qualify for business use of your home you must use part of your home for a qualified trade or business. This profit seeking activity must not be a hobby in the eyes of the IRS.
2. **Exclusive use test.** You must use part of your home exclusively for your business activity. Blending personal use within the same space as your business activity can disallow the business use of home deductions, however, there does not need to be a permanent barrier between this space and the rest of the house.
3. **Regular use test.** In addition to having a qualified business activity in an exclusive area of your home, you must also use it "regularly" for your business activity. The IRS applies judgment in this area to determine the facts and circumstances around what it deems to be regular use.
4. **Principal place of business test.** To deduct your home office expenses, the home location must also be your principal place of business. That does not mean there cannot be other business locations, just that your home office must be your primary location. You might also have multiple business activities. In this case, you could meet the test for one of your businesses to qualify to take the deductions. With multiple locations, the considering factors are:
 - The relative importance of the activities performed at each location
 - The amount of time spent at each location
 - The primary place used exclusively and regularly for administrative or management activities
 - Whether there are other fixed locations for business use

Types of deductible expenses

This chart from the IRS gives some direction on the types of expenses that are deductible. As always, proper substantiation is required to take the deduction, so keep all receipts and

statements in an organized fashion.

Expense	Description	Deductibility
Direct	Expenses only for the business part of your home. <i>Examples:</i> <i>Painting or repairs only in the area used for business.</i>	Deductible in full. * <i>Exception:</i> <i>May be only partially deductible in a daycare facility.</i>
Indirect	Expenses for keeping up and running your entire home. <i>Examples:</i> <i>Insurance, utilities, and general repairs.</i>	Deductible based on the percentage of your home used for business. *
Unrelated	Expenses only for the parts of your home not used for business. <i>Examples:</i> <i>Lawn care or painting a room not used for business.</i>	Not deductible.

Source: IRS Publication 587

* Subject to the deduction limit

Sound confusing? Perhaps. If the additional work of tracking specific expenses is too much to handle, a simplified home office deduction calculation is also available to small businesses to lower their tax bill. Please call should you need help in navigating this part of the tax code.

[Contact us](#) for more information or help.



IRS Announces 2019 Mileage Rates

Mileage rates for travel are now set for 2019. The standard business mileage rate

increases by 3.5 cents to 58 cents per mile. The medical and moving mileage rates also increase by 2 cents to 20 cents per mile. Charitable mileage rates remain unchanged at 14 cents per mile.

2019 Standard Mileage Rates

Standard Mileage Rates	
Mileage	Rate/Mile
Business Travel	58 cents
Medical/Moving	20 cents
Charitable Work	14 cents

Here are 2018 rates for your reference, as well.

2018 Standard Mileage Rates

Standard Mileage Rates	
Mileage	Rate/Mile
Business Travel	54.5 cents
Medical/Moving	18 cents
Charitable Work	14 cents

Remember to properly document your mileage to receive full credit for your miles driven.

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