TAX NEWS YOU NEED TO KNOW

Luers + Dyer
CERTIFIED PUBLIC ACCOUNTANTS

[home] [about us] [contact]

San Diego Office:
(619) 283-7113
Julian Office:
(760) 765-0343

Rebecca Luers CPA

Jan Dyer CPA

IN THIS ISSUE...

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November 2018

We'd like to express our appreciation and gratitude to our clients. We appreciate the opportunities to help you achieve your financial goals and share the joy of your life events, like births and marriages, and to support you during life's more challenging times, such as death and divorce. Planning at each stage of life and adjusting that plan when changes occur can help you achieve your goals faster or protect you from unforeseen financial and tax-related issues.

Now is the time to think about year-end planning and deciding what changes could be implemented to help improve results in 2019. Watch for our year-end tax planning checklist and let us know how we can help.

Wishing you and your families a Happy Thanksgiving!

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 31

- Deadline to file Form 1099s

5 Annual Tax Essentials

The more things change the more they stay the same. This is especially true when it comes to reviewing your tax situation. Mark your calendar to review these essential items each year to ensure you are not missing something that could cause tax trouble when you file your tax return:

1. **Required minimum distributions**
   If you are 70½ or older, you may need to take required minimum distributions (RMDs) from your retirement accounts. RMDs need to be completed by Dec. 31 every year after you turn the required age. Don't forget to make all RMDs because the fines are extremely hefty if you don't - 50 percent of the amount you should have withdrawn.
2. **Your IRS PIN**
   If you are a victim of IRS identity theft you will be mailed a one-time use personal identification number (PIN) as added security. You can expect to receive your PIN in the mail sometime in December. Save the PIN as it is required to file your Form 1040. If you would like to sign up for the PIN program, you can do so on the IRS website. Note that once you are enrolled in the program, there is no opt out. A PIN will be required for all future filings with the IRS.
3. **Retirement Contributions**
   You may wish to make some last-minute contributions to qualified retirement accounts like an IRA. This can be $5,500 for traditional or Roth IRAs plus an additional $1,000 if you are 50 or older. Contributions to traditional IRAs need

to happen by April 15, 2019 to be deducted on your 2018 tax return.

4. **Harvest Gains and Losses**
   Profits and losses on investments have their own tax rates from 0 percent to as high as 37 percent. Knowing this, make plans to conduct an annual tax review of investment moves you wish to make. This includes:
   - Understanding investments held longer than one year have lower tax rates as long-term capital gains.
   - Trying to net ordinary income tax investment sales with long-term investment losses.
   - Making full use of the annual $3,000 loss limit on investment sales

   Timing matters with investment sales and income taxes, so having a year-end strategy can help lower your tax bill.
5. **Last-Minute Tax Moves**
   While your last-minute tax move opportunities may be limited, here are a few ideas worth considering:
   - Make donations to your favorite charities to maximize your itemized deductions.
   - Consider contributions of up to $100,000 from retirement accounts to qualified charities if you are older than 70½.
   - Make tax efficient withdrawals from retirement accounts if you are over 59½.
   - Delay receipt of income or accelerate expenses if you are a small business.
   - Take advantage of the annual $15,000 gift-giving limit.

Understanding your current situation and having a plan will make for a smooth tax filing process and maximize your tax savings.

Contact us for more information or help.

Retirees Should Check Withholdings

According to a recent announcement by the IRS, retirees might not be withholding enough for taxes this year. This is due to vast tax changes in 2018, making old withholding levels obsolete. The IRS is urging retirees to check their withholdings now and make adjustments if needed to avoid penalties.

Could it be you?

How do you know if you are withholding enough? While the IRS offers a new withholding calculator online, it's designed for employees who are paid wages - not a great option for retirees. The only good way to avoid a tax surprise is to conduct a projection based on your specific situation. You will need to consider taxes already paid, taxes yet to be paid, and estimate total income and deductions to come up with an accurate projection.

Steps to take:

If the results of the projection show that you are lagging behind, you still have a bit of time to adjust withholdings or make estimated tax payments. Here are some ways to do this:

- **Adjust pension withholding.** In order to change your pension withholdings, you need to fill out Form W-4Pand give it to your pension plan provider.
- **Adjust IRA distribution withholding.** To change IRA withholdings, typically you can go online or call the account provider to update the withholding amount or percentage.
- **Adjust Social Security voluntary withholding.** To adjust the voluntary withholding on your Social Security payments, you need to fill out Form W-4Vand return it to your local Social Security office by mail or in person.
- **Make an estimated payment to the IRS.** If withholdings won't be enough or you are worried about timing, you can make a payment to the IRS directly. Form 1040-EShas a voucher that can be sent with the payment and needs to be postmarked by Jan. 15, 2019 to be applied to your 2018 taxes.

Remember, penalties can be added to your taxes if you don't pay enough during the year, so it's important to review your withholdings as soon as possible to avoid a surprise when you file your taxes. Sound complicated? It can be. Please call if you want help evaluating your situation.

Contact us for more information or help.

Don't Let a Disaster Derail Your Business

With the recent frequency of hurricanes, earthquakes, tornadoes, floods and wildfires, it's worth reviewing ideas to ensure your business can survive if it faces its own disaster. Here are some steps you can take to create a disaster plan for your business:

- **Identify your exposure.** The first step is to conduct an evaluation of your business to identify possible threats. Threats will vary by business depending on geography, industry, size and other factors. Once the threats are identified, create lists of risks your business would face under each type of threat.
- **Mitigate where possible.** Once you understand your business risks, brainstorm steps you can take to mitigate your exposure. For example, if loss of data is a common risk, implementing an off-site backup system might be a good idea. The more you can minimize risks on the front end, the quicker you can get back to normal operations after a disaster strikes.
- **Create a disaster plan.** Decide in advance what steps you and the business will take if a disaster happens. This will include things like communication, medical considerations, evacuation routes, stay-in-shelter plans, and equipment protection. The Federal Emergency Management Agency (FEMA) put together a business information booklet to help you consider all factors.
- **Test your plans.** Once your plans are in place, test as many of them as you can. These tests will help you identify potential holes in your plans and serve as a great way to communicate the processes to your employees. Going through the motions in a test environment will increase your chance of success if you experience a real emergency.
- **Understand tax deductions.** If you incur losses from a disaster, there are many factors that go into how the losses are deducted on your taxes. Some of the considerations are insurance proceeds, basis adjustments, disaster classifications and improvement capitalization. Set up a meeting to discuss what is best for your situation.

Disasters are often unavoidable, but having a plan in place before they hit can reduce the impact they have on your business and employees.

Contact us for more information or help.

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This newsletter provides business, financial and tax information to clients and friends of Luers & Dyer CPAs, LLP. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.

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Luers & Dyer, CPAs, LLP, P.O. Box 1934, Julian, CA 92036

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