



Your monthly tax news & updates

Dear Clients and Friends:

It's hard to believe that 2019 is close to over. As the tax filing season closes with the final filings for tax exempt entities, we naturally reflect on the past year.

We appreciate the opportunities to help you achieve your financial goals and share the joy of your life events, like births and marriages. We are also here 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 and 2020. Watch for our year-end tax planning checklist and let us know how we can help.

Wishing you and your families a Happy Thanksgiving!

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.



Save Money With These Year-End Ideas

There's still time to reduce your potential tax obligation and save money this year (and next). Here are some ideas to consider:

- **Estimate your 2019 and 2020 taxable income.** With these estimates you can determine which year receives the greatest benefit from a reduction in income. By understanding what the tax rate will be for your next dollar earned, you can understand the tax benefit of reducing income this year AND next year.
- **Fund tax-deferred retirement accounts.** An easy way to reduce your taxable income is to fully fund retirement accounts that have tax-deferred status. The most common accounts are 401(k)s, 403(b)s and various IRAs (traditional, SEP and SIMPLE).
- **Take your required minimum distributions (RMDs).** If you are 70½ or older, you need to take required RMDs from your retirement accounts by Dec. 31. Don't forget to make all RMDs because the fines are hefty if you don't — 50 percent of the amount you should have withdrawn. Keep in mind, even if you don't have RMDs yet, removing a planned amount from your retirement accounts each year may be more tax efficient than waiting until you are required to do so.
- **Manage your gains and losses.** Rebalance your investment portfolio, and take any final investment gains and losses. When you have more losses than gains, up to \$3,000 can be used to reduce your ordinary income. With careful planning, you can take advantage of this loss amount each year.
- **Finalize your gift-giving strategy.** Each year you may gift up to \$15,000 without tax reporting consequences to as many individuals as you choose. Consider any gift-giving you wish to make up to the annual limit. This could include gifts of cash or property, and investments.
- **Donate to charities.** Consider making end-of-year donations to eligible charities. Donations of property in good or better condition and your charitable mileage are also deductible. Receiving proper documentation that acknowledges your contributions is important to ensure you obtain the full deduction. Have a plan by knowing your total deductions for the

year to help you decide how much and when to donate. Pulling some donations planned for 2020 into 2019 may be a good strategy.

- **Review your automated billing transactions.** This is a good time to identify what automatic monthly expenses should be reviewed for reduction or elimination. You may also discover billing for services you thought were canceled. This specific review often catches errors that a simple account reconciliation may be missing.
- **Organize records now.** Start collecting and organizing your tax records to avoid the scramble come tax season.
- **Develop your own list.** Use these ideas as a jumping off point to create your own list of annual review items. It might also include reviewing college savings accounts, beneficiaries, insurance needs, wills, and going through an aging parent's financial accounts.

Questions about the most effective money-saving moves for your situation?

[Call today.](#)



2020 Social Security Benefits

Take a look at how Social Security benefits have changed. Use this infographic to help you plan for the coming year, and to learn a little more about retirement benefits and taxes.

Find out how your benefits have changed

Estimated average Social Security retirement benefits starting January 2020

- All retired workers in 2019 \$1,479/mo
- All retired workers in 2020 \$1,503/mo

Did you know?

- You can increase your Social Security retirement benefits by 5-8% when you delay applying until you're age 70.
- 1.6% cost of living adjustment for Social Security retirement benefits and SSI payments begins with the December 2019 benefits (payable in January 2020).

- The 2020 maximum Social Security retirement benefits a worker retiring at full retirement age is \$3,011/mo.

Did you know...

- 87% of Baby Boomers are expecting Social Security to be a source of their retirement income.
- 1-3 people expect it to be their primary source of income.
- Social Security pays benefits to more than 67 million people including retirees, children and surviving spouses.

2020 Social Security and Medicare tax rates

If you work for someone else...

- your employer pays 7.65%
- you pay 7.65%

If you're self-employed...

- you pay 15.3%

Note: The above tax rates are a combination of 6.2% Social Security and 1.45% for Medicare. There is also 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.

Maximum amount you can pay in Social Security taxes

2019: \$8,239.80

2020: \$8,537.40

Maximum earnings amount Social Security will tax at 6.2%

2019: \$132,900

2020: \$137,700

How does Social Security work?

- When you work, you pay taxes into Social Security.
- The Social Security Administration used your tax money to pay benefits to people right now.
- Any unused money goes to the Social Security trust funds.
- Later on when you retire, you receive benefits.

Social Security payments explained

- SS Social Security retirement benefits are for people who have "paid into" the Social Security system through taxable income.
- SSD or SSDI Social Security Disability (SSD or SSDI) benefits are for people who have disabilities but have "paid into" the Social Security system through taxable income.
- SSI Supplemental Security Income (SSI) benefits are for adults and children who have disabilities, plus limited income and resources.

Maximum SSI payments	2019	2020
Individual	\$771/mo	\$783/mo
Couple	\$1,157/mo	\$1,175/mo

Here's how to qualify for your retirement benefits

- When you work and pay Social Security taxes, you earn “credits” toward Social Security benefits. The number of credits you need to get retirement benefits depends on when you were born.
- If you were born in 1929 or later, you need 40 credits (10 years of work) to receive Social Security retirement benefits.
- The earnings needed for a credit in 2020 is \$1,410.
- 4 credits maximum per year.

Did you know you can check your benefits status before you retire?

- You can check online by creating a my Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.
- It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.
- If it doesn't show earnings from a state or local government employer, contact them. The work may not have been covered either by a Section 218 agreement or by federal law.

Sources: SSA.gov, 17th Annual Retirement Survey, Transamerica Center for Retirement Studies®

Contact us if you have questions about Social Security benefits.



Reminder: Major Employment Tax Deadlines

Handling employment taxes can be complicated, especially when you're required to file important tax documents throughout the year. Here's a list of key forms and deadline dates to help keep you on track.

Form 941 — Employer's quarterly federal tax return

This form is used to report income tax withheld from employees' pay and both the employer's and employees' share of Social Security and Medicare

taxes. Employers generally must deposit Form 941 payroll taxes on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual payroll tax liability is \$1,000 or less.

- Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the 15th of the following month.
- Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

Return filing deadlines:

- **Jan. 31, 2020** – Due date for filing Form 941 for the fourth quarter of 2019. If you deposited your taxes in full and on time, you have until Feb. 10, 2020, to file this return.
- **April 30, 2020** – Due date for filing Form 941 for the first quarter. If you deposited your taxes in full and on time, you have until May 11, 2020, to file this return.
- **July 31, 2020** – Due date for filing Form 941 for the second quarter. If you deposited your taxes in full and on time, you have until Aug. 10, 2020, to file this return.
- **Nov. 1, 2020** – Due date for filing Form 941 for the third quarter. If you deposited your taxes in full and on time, you have until Nov. 10 to file this return.

Form 940 – Employer's annual federal unemployment tax return (FUTA)

This return is due annually. However, FUTA tax must generally be deposited once a quarter if the accumulated tax exceeds \$500.

- **Jan. 31, 2020** – Due date for filing 2019 Form 940. If you deposited your taxes in full and on time, you have until Feb. 10, 2020, to file this return. This day is also the deadline for depositing federal unemployment tax for October, November and December 2019.
- **April 30, 2020** – Deadline for depositing federal unemployment tax for January, February and March 2020.
- **July 31, 2020** – Deadline for depositing federal unemployment tax for April, May and June 2020.
- **Nov. 1, 2020** – Deadline for depositing federal unemployment tax for July, August and September 2020.

Form W-2 – Wage and tax statement

Employers are required to send this document to each employee and the IRS at the end of the year. It reports employee annual wages and taxes withheld from paychecks.

- **Jan. 31, 2020** – Due date for employers to provide 2019 Forms W-2 to employees, and for employers to send copies of 2019 W-2s to the Social Security Administration, whether filing electronically or with paper forms.

Tax deadline extensions for disaster areas

For taxpayers living in designated disaster areas, the IRS extends certain filing

and tax payment dates. Taxpayers living in the affected areas (and those whose tax professionals are located in those areas) have relief from penalties for filing under the new extended dates. These filing and payment extensions are also available to some relief workers.

Visit the IRS's Disaster Assistance and Emergency Relief for Individuals and Businesses page for up-to-date information. Please call for help with specific details about your filing requirements and for more information on tax deadlines that apply to your business.

[Contact us](#) if you need any help with these forms and deadlines.



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