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Luers + Dyer
CERTIFIED PUBLIC ACCOUNTANTS

Your monthly tax news & updates

Dear Clients and Friends:

The Julian Apple Days Festival is our annual indicator that Fall has arrived. As we start the last quarter of the year, make sure you have reviewed and recommitted to your financial goals before making your plans for the holidays.

Look for more information coming on the earlier Form 1099 filing deadline for 2018 Form 1099s. These are now due to the government by January 31, 2019.

We're here to help you get your planning underway now so you have a course set for the rest of the year.

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

Avoid These Common Tax Mistakes

There are nearly 1,000 different tax forms used by the IRS to report tax obligations. It's no wonder the IRS faces thousands of tax returns with errors each year. Here are some of the most common:

Wrong names and Social Security numbers. Taxpayers regularly make mistakes by entering incorrect information for their spouses and dependents. If you recently married or divorced but haven't yet changed your name with the Social Security Administration, you'll need to file under your old name.

Errors in age and birthdate. Much of the tax code is based on age. Without the correct birthdate, your eligibility for tax benefits could be cast in doubt.

Incorrect bank account numbers. If you're expecting a refund and want to have it direct deposited into your account, double-check your routing and account numbers. The IRS may catch most errors, but many are often missed. Once your refund is deposited in the wrong bank account, it's very difficult to get it fixed.

Overlooking online donations. Many people forget about emailed receipts at tax time. Catch missing deductions by searching your email inbox for keywords such as "gift" or "donation" before you file.

Missing forms. Taxpayers can miss dividend, interest and brokerage forms (Form 1099s) they get from their banks and investment accounts. These potential missing forms now also include Form 1095, proof of health insurance. If a form is missing, it may cost you extra tax, penalties and interest.

Not signing the return. Don't forget to sign your return! The IRS won't accept an unsigned return, and many people forget this last step. An unsigned tax return is the same thing as not filing in the eyes of the IRS. You not only face penalties and fines, but your tax return is open for audit indefinitely.

Contact us for help avoiding these mistakes.

Could you benefit from the 0% capital gains rate?

Most investors face a 15 percent tax rate on long-term capital gains. This increases to 20 percent for people at the top of the ordinary income bracket (39.6 percent). That's not too bad, considering the higher tax rates on regular income.

But did you know that long-term capital rates are reduced to 0 percent in certain situations? This means you might be able to benefit from a reduced tax rate on your profits on the sales of assets.

How to qualify for 0% capital gains rate
Capital gains from transactions such as securities sales are taxed at ordinary income rates under a graduated rate structure. This structure ranges from 10 to 39.6 percent.

However, if you've owned assets like securities for longer than a year, the maximum tax rate on a gain is 15 to 20 percent if you're at the top of the ordinary income tax bracket. Capital gains may be offset by capital losses and vice versa, so this rule applies to your net gains.

On the other hand, short-term capital gains from sales of securities held a year or less are still taxed at ordinary income rates.

If your capital gains fall within the parameters of the 10 to 15 percent ordinary income brackets - the two lowest brackets - the maximum tax rate on a long-term gain is 0 percent. This often benefits low-income investors (ex. young investors), but it can also favor adults during a year when their other income is low.

Here's an example of how it could work: you file jointly and an S corporation loss reduces your taxable income to $65,900 this year. The upper dollar threshold for the 15 percent tax bracket for joint filers is $75,900. So, if you

realize a $10,000 long-term capital gain in 2019, the entire gain is taxed at the 0 percent rate.

Keep this helpful tax break in mind when planning year-end securities transactions. The 0 percent tax rate might just help you hold on to more of your profits.

Contact us if you have questions about your year-end planning.

Consider These Financial Tips in Troubling Economic Times

Reacting badly to bad national economic events can turn a challenging situation into a devastating one. When troubling headline news comes your way, consider these tips before making financial moves.

- **Don't be an average investor.** Economists have noted that even in good times average investors usually fail to benefit fully from a market upswing. The reason: not staying invested for the duration of the cycle. Average investors tend to bail out when the future looks troubling, in essence "locking in" losses. Good investing techniques can be as much about mental toughness as about financial acumen.
- **Focus on costs.** Periods of economic uncertainty are a good time to focus on costs, especially in a low-return environment. Make sure you're not overpaying for fund management or sales commissions. And be mindful of tax costs, which can have a negative effect on overall returns. If you decide to sell a stock in a taxable account, consider choosing one you have held for more than one year to qualify for the long-term capital gain tax rate. A market downturn might provide an opportunity to harvest capital losses to help offset previous gains.
- **Revisit your tax planning.** Unfavorable economic news might require a tweak to your tax planning. Lower anticipated income could justify reduced estimated tax payments or income tax withholding. If you're retired, consider deferring retirement account withdrawals or changing

the type of investments you were planning to liquidate. A review of your tax situation is always a smart move.

The bottom line: Don't make a bad economic situation worse.

Contact us for help in navigating the current financial environment.

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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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