

TAX TALK

FROM



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DEAR CLIENT:

It's tax time! This newsletter is to help you get ready for your tax appointment. It should include your Engagement Statement, Consent Form and Questionnaire (our "purple sheet"), which you should bring with you at the time of your appointment. Please take a few moments to review and fill them out prior to your appointment. We are requesting that anyone with worksheets read and sign the bottom of each.

We have also included worksheets for specific situations if we thought you would need them. Worksheets are available for:

- * Business Income & Expenses
- * Rental Income & Expenses
- * Business Use of a Personal Vehicle (self employed only)
- * Child Care Providers
- * Over the Road Truckers (self employed only)
- * Farming Income & Expenses

If you did not receive any of the worksheets and you need one, feel free to stop by our office or download them directly from our website at www.acc.tax

To Our Clients with Businesses: A friendly reminder that the deadline for W-2's and 1099's is the end of January. You should be issuing 1099's to anyone you paid \$600 or more for the year. That includes monies paid for rent, attorneys, veterinarians and accountants.

Partnership tax return filing due date is March 15th. If you would like your returns finished timely, we request that you have the information to us by mid-January. If it isn't here in January, we may need to file an extension. We cannot guarantee completion of partnership or corporation tax returns by the new due date if we receive your information after January 20th.



OUR EXTENDED HOURS BEGIN
 JANUARY 20th!
 MON., TUES., WED.
 9:00 AM TO 8:00 PM
 THUR., FRI., SAT.
 9:00 AM TO 5:00 PM



APPOINTMENTS



By now most of you already have an appointment scheduled. If you are one that did not get a pre-scheduled appointment, call soon to get a time that works for you.

Due to a shortage of preparers, Accurate Tax has a very tight appointment schedule. If you have an appointment, you may want to keep it – even if you don't have all of your paperwork. We can enter the remaining information when you get it. If the appointment does not work for you, please call as early as possible and reschedule. Appointments are filling up. Don't need your appointment? Please call and cancel—allow someone else to get the spot.

Again this year, we are offering discounts for seniors. The combined discount (questionnaire and senior discount) is limited to a maximum of \$25. The Homestead and VA Credit do not qualify for the discount.

CLIENT APPRECIATION DRAWING



We appreciate each and every one of our clients and, as our special way of saying thanks, Accurate Tax offers a "Client Appreciation Drawing." When you are here for your appointment, fill out an entry form. Drawing is April 15th. You may win one of the following:

Grand Prize:

Free tax preparation of your 2020 tax return—up to \$250.

Additional Prizes:

\$50 gift certificate for Jersey's

\$50 gift card for Menard's



FEDERAL UPDATE



On December 20th President Trump signed the Consolidated Appropriations Act of 2020 to avoid the federal government shutdown. Included in the bill are a number of tax law changes.

The following “extenders” have been extended **RETROACTIVE** to January 1, 2018 (yes, we said January 1, 2018) and now have an expiration date of December 31, 2020.

- The medical base remains at 7.5% instead of 10%. This was already 7.5% for 2018 returns due to increase for 2019.
- Deduction for mortgage insurance premiums (PMI) as qualifying mortgage interest.
- Tuition deduction (versus credit) for those with higher incomes not eligible for a credit.
- Energy Credit for energy efficient items for the taxpayer’s principal residence. (We don’t know the rules as of yet.)

Itemizing Deductions?

- You will have a much harder time to beat the standard deduction and itemize your deductions. Single is \$12,200, Married \$24,400 and Head of Household \$18,350. If you are 65 and older, add an additional \$1,300 per person. If you are not married, that goes to \$1,600. For more information see the insert with itemized deduction information.

When it comes to the **Earned Income Credit, Child Tax Credit, American Opportunity Credit, and now Head of Household**, tax practitioners have due diligence requirements that unfortunately make both you and us jump through a few more hoops. Please read the required documentation you will need to bring if any of the above credits apply to you. (See the back page for more information)

WISCONSIN UPDATE

Not much has changed for Wisconsin taxpayers for 2019. The biggest change (which isn’t that big) is a reduction in the lower tax brackets. The rate reductions are from 4% to 3.86% and from 5.84% to 5.04%. Other changes include:

- * The subtraction for WI based college savings plans (EdVest, Tomorrow’s Scholar) is increased to \$3,280 per beneficiary (\$1,640 per beneficiary if you are married filing separately or a divorced parent).
- * The subtraction for tuition and fees remains \$6,974 per student. The phase out range has slightly increased.

This newsletter is published as a service to clients of Accurate Tax & Accounting Ltd. and has been prepared with due diligence. However, the possibility of mechanical and/or human error does exist. If you have questions after reading this information, contact your tax advisor for clarification and

DO YOU HAVE A FOREIGN FINANCIAL ACCOUNT?

You may be required to report the account to the Foreign Bank and Financial Accounts (FBAR) and many don’t even know it.

What is a foreign financial account? The law says any U.S. person who has any signature authority over any financial accounts located outside of the United States is required to electronically file a report, if the aggregated value exceeds \$10,000 at any time during the calendar year. The income, converted to US dollars, is also taxable on your tax return. If any taxes were paid to the foreign country, you are eligible for a credit. Failure to file an FBAR carries stiff penalties. Below are **some** scenarios that would be considered a foreign account and may need to be reported on an FBAR:

- * You have parents who are living outside of the U.S. and they have money in the bank. You are listed as a signer on their checking/savings/investment accounts. If they have accumulated more than \$10,000—YOU are required to file an FBAR.
- * You are from or you at one time lived in a foreign country. You have money from investments, an inheritance, “family” money, or trust that you have the ability to access. You are required to file an FBAR if it hits \$10,000.
- * You individually own company stock from a foreign company. (Ex: a Canadian Company). If the value of that stock exceeds a value of \$10,000, you are required to file an FBAR. People who own stock in foreign companies through a brokerage firm are **NOT required** to file an FBAR.

There are other reporting requirements if the value in a foreign country exceeds \$50,000 at end of year or \$75,000 at any time during the year for a single taxpayer (\$75,000/\$100,000 for married taxpayers). If you have any questions or concerns, talk to your tax consultant for clarification.

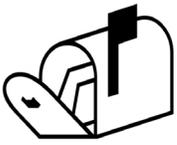
ILLINOIS UPDATE

Illinois has enacted many new changes but not much affect the tax return. Here’s a few highlights:

- * The personal exemption increased from \$2,225 to \$2,275 due to the renewal of the cost of living adjustment.
- * Implementing a one year fast track resolution pilot program for resolving audit issues.
- * IDOR will begin systematically offsetting refunds against final liabilities in 2019.

For 2019, your **Driver’s License** information will again be requested. It is not a requirement for the IRS, but it is a request from **OUR** tax software. As far as we know, neither WI nor IL is requiring it, however, other states do. If you have not provided the information in prior years, or you renewed your license, in 2019, please bring your license with you. (**both** taxpayers if filing jointly.) Your best bet is to make a copy of your license(s) and bring it/them you to your appointment.

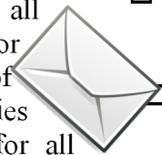
GETTING YOUR RECORDS TOGETHER



We haven't met a single taxpayer who enjoys sorting through their tax files and organizing records. But your hard work will be time well spent. If you haven't received all of your forms, you may need to look on your computer.

Many companies are now going "paperless".

- W-2's.** Read them carefully. Contact your employer if there is a problem. If one is missing after early February, contact the employer.
- Last Pay/Pension Check Stub.** Often your last check stub contains important tax information. Bring your last check stub or your **Dec. 1st pension stub.**
- 1099's.** There usually is a **1099-INT** or **1099-DIV** for each account which pays interest or dividends. If you don't receive a 1099, please bring your year-end statements. Even tax-exempt interest must be listed on the return. If you own mutual funds, supplemental information is sometimes included with your 1099. Year-end statements are also helpful.
- Pensions show up on a **1099-R.** Brokers send form **1099-DIV** for dividends received and **1099-B** to show stock/mutual fund sale prices. We need details of the purchase and reinvestments, if applicable. Some mutual fund companies will provide you with cost basis sheets. Be sure to include them.
- There are some **other 1099's** to bring, such as **state tax refunds, social security, unemployment income, cancellation of debt, and abandonment/foreclosure.**
- Self employment or Rental income.** Include all income and deductions (worksheets available for each). Please separate major purchases of equipment and improvements from other supplies or repairs. Be sure that you have receipts for all expenses.
- Estates/ Trusts/ Partnership/ S Corp.** Schedule K-1 from any of these entities will likely be the last piece of tax information you receive. Make sure you have this before you file.
- Other income.** Don't forget **ALL** gambling winnings (from your log and W-2Gs), lottery, awards, prizes, jury duty, taxable alimony, and tips not reported to your employer. *Include all other income not mentioned, along with any non-taxable income.*
- Form 8332.** A "**MUST**" if you are claiming a dependent who did not live with you or lived with you six months or less. Please bring the signed statement from the custodial parent that allows you to claim the child.
- 1095's.** If you received your health insurance through "**the Marketplace**" please bring your 1095(s). Depending on your circumstances, you could have one or more forms. You **MUST** have this form to file.
- Drivers License/ Photo ID.** Bring a copy (both spouses if married filing jointly). We now request the information to e-file. However, you currently have the option to refuse to give that information (in some



states it's mandatory).

GOT IT ALL?

Here is a list of frequently missed items:

- Refinances.** *If itemizing,* we need to see the settlement statement to check and see if you paid "**points**". We may need to ask how the money was spent.
- Child Care Expenses.** We need full names, addresses, and ID numbers of all care providers along with the amounts you paid for each child.
- Estimated payments.** If you paid any estimates, we need dates and amounts for all payments.
 - Bankruptcy or Divorce papers** (*if applicable*).
 - Student Loans.** Form 1098-E reports your interest. If you have more than one lender, bring **ALL** of them.
- College Tuition.** Form 1098-T will list the tuition billed. We also need the "**Billing Account Activity Statement**" showing all activity from the beginning of when the student started attending the educational institution. In addition, please list the cost of **REQUIRED** books, supplies and fees.
- Retirement Plans.** IRA, Roth IRA, Keogh, SEP, and SIMPLE etc, contributions made in 2019.
- HSA Contributions.** Qualified HSA contributions made by YOU, not your employer, along with any distributions taken in 2019.
- Use Tax.** Total up all your purchases from online, catalog, etc., in 2019 that you **DID NOT** pay any sales tax on.
 - Illinois residents.** Bring details or receipt from the school if you paid tuition for your children in K-12 that amounts to more than \$250 per child.
 - Wisconsin residents.** If your medical insurance premiums are **NOT** paid with "pre-tax" dollars bring the total amount of medical insurance and long term care that you paid.
 - If you think you may qualify for the Wisconsin "**Homestead Credit**", you will need to bring your **2019 property tax bill (due in 2020)** or a **completed 2019 rent certificate** from your landlord if you're paying rent. If you moved, we need one certificate from each landlord.
 - If you are eligible for the **WI Veterans Property Tax Credit**, be sure to bring your property tax bill and proof of payment for what you **paid in 2019.**
- Itemized Deductions.** If you can exceed your standard deduction, and you want to save more on taxes—take the time to flip this page to the itemized deductions that explains what is currently deductible. You may find something you might otherwise overlook.
- New Clients:** Bring social security cards for all dependents, yourself and spouse. We need proof your identity.

2019 ITEMIZED DEDUCTION CHECKLIST

For 2019, the “standard deduction” is \$24,400 on a JOINT return, \$18,350 for HEAD OF HOUSEHOLD, and \$12,200 if you are SINGLE. This amount is even larger if one or both are 65 or over and/or legally blind. **You must exceed the standard deduction to be able to itemize deductions. With new tax laws, most no longer can.** If you normally itemize deductions or even think that itemized deductions might benefit you this year, we will need to know the following expenses. Please bring your receipts for your deductions with you at the time of your tax



MEDICAL & DENTAL EXPENSES

Medical expenses are deductible **only if they exceed 7.5%** of your income. If you know your expenses were not at least 7.5% of your total income, we do not need any information about your medical expenses. If you think your medical expenses **may** exceed the applicable amount of your income, we will need a **list** of the amounts **YOU PAID** in 2019 for all medical & dental expenses. The following is a list of what you may include:

- Your portion of medical insurance premiums including long term care, dental, vision, Medicare Part B, C and D.
- Doctors, dentists, hospital, orthodontists, chiropractors
- Prescriptions, eyeglasses, contacts, hearing aids & batteries
- Documented transportation for needed medical care. Actual transportation costs or number of miles driven for medical care in 2019.

DO NOT INCLUDE ANY EXPENSES PAID BY INSURANCE OR A PRE-TAX EMPLOYER SPONSORED PLAN (HSA OR CAFETERIA PLAN).

***WISCONSIN RESIDENTS:** *Even though you may not be able to beat the 7.5% for medical, Wisconsin will allow a deduction for long term care insurance and medical insurance premiums paid by you. (see 1st bullet above) Please bring this information along with you for your Wisconsin return.*

INTEREST EXPENSES

Non-business interest expenses are deductible only on interest paid on your first or second home, PMI, home equity loans** and interest paid on investment property or securities. We will need to know the amount of interest you paid in 2019. Include the interest paid on your first or second home, a second mortgage or equity loan** and interest for investment purposes. Most financial institutions will send you a statement of interest paid for 2019. If the interest was paid to an individual rather than a financial institution (land contract), please bring your amortization papers along with the seller’s name, complete address, and social security number.

****Home equity interest is deductible ONLY if you used the funds to buy, build, or improve your home no matter when you took out the loan.**

CASUALTY & THEFT LOSSES

Casualty and theft losses are not deductible unless there is a declared disaster officially determined by the President. If you had property loss in a declared disaster area, we will need details of the loss such as the date of the loss, the original cost of the property, the market value **before and after** the loss, and insurance proceeds.

TAXES

The new tax law has limited the following to an aggregate of \$10,000.

This category includes both real estate taxes and mobile home tax. It may be included in your lot rent. We will need to know the “NET AMOUNT” of real estate or property taxes **PAID by you, or PAID for you out of an escrow account, in the year 2019.** Bring a copy of your tax bill to your appointment in case there are any questions. Some of you may have paid an additional year of property taxes. Be sure you include both, if applicable. Multiple property taxes do apply here.

You have the option of choosing either your state withholding on your W-2’s (estimated payments and any state payments paid on prior year’s tax returns included) **or sales tax paid on purchases.** If we use the IRS allotted tables, we can also add any sales tax on a motor vehicle. For us to figure which would be more advantageous for you, please write down any sales tax you paid for the purchase of a new motor vehicle/boat/motor home/motorcycle **or your total sales tax you paid on all purchases made in 2019.**

CHARITABLE CONTRIBUTIONS

Charitable contributions are deductible in full by most who itemize their deductions. **You are required to have a receipt for all contributions you deduct.** Please bring your list of contributions you can substantiate.



Cash contributions (with a receipt) can include Church, United Way, Boy or Girl Scouts, Red Cross, March of Dimes, Heart or Cancer fund ... and the list goes on ... If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you can generally only deduct the amount that is more than the value of the benefit.

Non-cash charitable contributions include property donated to a church rummage sale, Salvation Army, Caritas, ECHO, Goodwill and Easter Seals. You can deduct the “fair market value” of the items donated. A total of \$5,000 or more a year needs an appraisal. **Any non-cash donations must have a receipt, and a detailed list of what was donated.** When donating a used vehicle, you will also need a 1098-C mailed to you by the donee if the value was over \$500. *It is required to be attached to your return.*



Contributions also include any out-of-pocket expenses, ex: **mileage** at 14 cents per mile to provide services to a charitable organization such as Boy or Girl Scouts, Meals on Wheels, etc. You must keep a log of your charitable mileage to be deductible.

“Raffle tickets” are not considered a deductible charitable contributions.



Banks are not required to issue a 1099 if interest earned on accounts is less than \$10. ***It is still taxable income and should be reported on your tax return.*** Please bring your year-end bank statement to your tax interview if you are not sure where to find this information.

Stock or mutual fund dividends of under \$10 follow the same rules. Bring your year end statement.

Now is the time to ***check the property tax bill you received recently to ensure you are receiving the Wisconsin Lottery and Gaming Credit.*** This credit is available to Wisconsin residents who lived in and owned their primary residence on January 1st of 2019. If you qualify, and did not receive it, you should contact your local or county treasurer.

If you are an executor of an estate and received a fee for your services, be sure to report it as income on your tax return. The IRS and state governments search filed estate returns for the missing income.

ALL gambling winnings are taxable even if you didn't win enough to get a reporting document. You should keep a log of ALL your winnings and losses for tax purposes. New logging rules called "sessions" are available to gamblers who keep meticulous records.

Charitable contributions of \$250 or more to any single charity require a written acknowledgement statement of the contribution from the organization "PRIOR" to filing your tax return. **Written acknowledgements must state what, if any, goods or services were received by you for the donation.**



Did you know 5.9 million people in the US have virtual wallets? The IRS is looking closely at unreported or underreported transactions. The Service says unreported or underreporting of transactions is **fraud** so there is no statute of limitations. The IRS cautions they WILL NOT waive any fraud penalties under any circumstances on any failure to report.

The penalty under the Affordable Care Act is 

 Clients that bring in their parent's information or their child's (over age 18) information **cannot** pick up the completed tax return without a release. Please ask us for a release form if you will be picking up any tax return that is not yours—unless we already have a Power Of Attorney (POA) or a signed release in our file.



This is the time of year when weather is very unpredictable. On snowy/icy days when you don't want to venture out, feel free to call us and reschedule your appointment. We want all of our clients to be safe. If the weather is bad enough that the TV/radio is warning people to stay off the roads and you still plan on making your appointment, please call ahead to make sure that we are here. 

For 2019, the standard mileage rate for each mile for business use is **58** cents. The rate is 20 cents per mile driven for medical purposes and 14 cents per mile for charitable organizations. 2020 rates were lowered to .57 1/2 cents for business miles and .17 for medical.



Are you an Uber/Lyft driver? The mileage information provided to you is only "PAID" miles. The information provided does not include mileage back from your drop off customer. You **MUST** keep a log of ALL your miles—paid and unpaid for a larger deduction.

Years ago, when there were no cell phones, taxpayers with home businesses could only take a second line or the cost of the long distance calls allocated to the business as a deduction. IRS has taken the same stand on cell phone usage—you can only deduct the second line as deductible business usage. On average most plans will include the second line for about \$10/\$20 a month. You cannot include monthly payments for your phone. Your max deduction \$120/\$240. 

For divorce decrees and separation agreements after 2018, alimony will NOT be deductible by the paying spouse and will not be taxable to the receiving spouse.

Do you have a qualified Health Savings Account? (HSA) If you haven't fully funded your account, you have until April 15 to contribute more to get a deduction on your 2019 tax return. Using pre-tax dollars for medical expenses makes more sense since itemizing has become so much more difficult.

Gifting more than \$15,000 per person requires a gift tax return to be filed. However, the majority of taxpayers will not need to pay tax. Keep in mind, if you gift money to a single person of \$15,000 and then give a Christmas/birthday gift, you have exceeded your limit and will need to file.



One more level of security—a reminder, all of our clients will need to provide us with a 4 digit PIN number that will remain with us. This is the number you will have to use if you ever want any information from Accurate Tax.

IMPORTANT INFORMATION

You know the saying “One bad apple spoils the whole bunch”? Due to the increase in some preparer’s and taxpayer’s dishonesty, **the IRS now requires preparers to ask YOU to show proof that you are eligible to claim the credits on your tax return. We then need to document the information.** The credits this rule involves are the following:

Do you have a child under the age of 17 on December 31st, 2019? **Is that child a dependent?**

Child Tax Credit / Additional Child Tax Credit-Dependent children under age 17 may qualify you for the child tax credit of up to \$2,000. The increased amount increases the likelihood of fraud/cheaters in search of as much of a refund as possible. The IRS requires preparers to ask you to show proof that your dependent child either lives with you, OR you are the noncustodial parent and have a Form 8332 from the custodial parent allowing you to claim the child on your tax return. Bring your information with you at the time of your tax interview appointment to avoid any delays in your preparation.



Custodial parents, please bring something to show your child lived with you in 2019. School record, medical records, day care records, or social services records showing **each** child’s name and your address.

Noncustodial parents, please bring your signed Form 8332.



Education Credits - Clients who may qualify for any Education Credits will need the following information when you come to your tax interview appointment.

- 2019 Form 1098-T Tuition Statement from the education institution.
- You will need the student’s full “Billing Account Statement” showing all activity from the beginning of when the student started attending the educational institution.
- The amount paid for Course Materials (if applicable) in 2019 (including required books, supplies, equipment, but no computers).

Earned Income Credit -We must ask for documentation to show that YOU and YOUR CHILD lived together at the same address for more than six months of 2019. We must have documentation **EACH CHILD’S** name, address of record and dates lived with you (if applicable). Acceptable documentation may include:



- **School records (not a report card) - printed online records are a good start**
- **Daycare records**
- **Medical records**
 - **Social Services records—such as BadgerCare annual notification for 2019.**



Self employed individuals need to bring copies of documents to substantiate your business income and expenses.

Head Of Household -To file as Head of Household , you must provide more than 1/2 the cost of keeping up a home, and your child must live with you for MORE than 6 months. We may need to ask personal questions to verify that you qualify for the filing status. If you lived with another adult in the home, we may request that you fill out a worksheet “ Cost of Keeping Up a Home” to determine which one of you is eligible. If you would like to determine if you qualify, we have the worksheets available for you at the office.