



Tax Law Update

2019

Your best quote that reflects your approach... “It’s one small step for man, one giant leap for mankind.”

- NEIL ARMSTRONG

2019 Tax Law Changes

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TAXMAN v SUPERMAN

DAWN OF TAX DAY

KRYPTONITE?
NO, IT'S THE ENTIRE
U.S. TAX CODE!



2019 Tax Law Changes

- Medical Expenses
- State and Local Taxes (SALT)
- Increased Standard Deduction
- Miscellaneous Itemized Deductions
- Alimony

Secure Act

- Passed Congress 12/19/2019
- Signed by POTUS 12/20/2019
- Primary changes relate to retirement plans
- Focus on small employers
- 529 plans
- Impact everyone—even if you are 35 or 75 years old

Primary Changes

- Small-employer automatic contribution tax credit
 - ✓ 401(k) or SIMPLE plan that covers 100 or fewer employees
 - ✓ Implements an automatic contribution for employees
 - ✓ \$500 tax credit each year for three (3) years
- IRA contributions for graduate and postdoctoral students
 - ✓ Stipends & non-tuition fellowships now compensation
 - ✓ Eligible to contribute to an IRA
 - ✓ Effective after 12/31/2019
- IRA contribution age limits
 - ✓ Contributions barred at age 70 ½
 - ✓ Post 70 ½ contributions allowed under new law
 - ✓ ROTH still an option
 - ✓ Limits your tax-free qualified charitable distributions (QCD)
 - ✓ Complicated rule if taxpayer made QCDs before 2020

2019 Changes

Continued

- 10% early withdrawal penalty for birth/adoption
 - ✓ Does not apply to qualified birth or adoption distribution
 - ✓ Maximum penalty free withdrawal is \$5,000
 - ✓ Distribution is taxable
 - ✓ 1-year withdrawal period begins on the date of birth/adoption
 - ✓ Eligible persons
 - Under 18 years of age
 - Physically or mentally incapable of self-support
 - ✓ 60-day rollover rules apply to avoid taxation
 - ✓ Applies to distributions after 12/31/2019

- RMDs start at Age 72
 - ✓ Can delay to begin distributions until age 72
 - ✓ Applies to RMDs after 12/31/2019 (turn 70 ½ after 2019)
 - ✓ Does not apply to Roth IRAs

2019 Changes

Continued

- Deferred plan adoption
 - ✓ Old law required plan adoption prior to year end
 - ✓ New law permits plan adoption after year end
 - ✓ Rule applies beginning after 12/31/2019
 - ✓ Adoption before due date of the return including extensions

- Expanded tax-free Section 529 plan distributions
 - ✓ Distributions tax free if distributed from investments (basis) in plan (plan contributions)
 - ✓ Used for qualified higher education expenses
 - ✓ Qualified expenses now include—
 - Fees, books, supplies
 - Equipment required by a specified apprentice program
 - Principal or interest payments on any qualified education loan
 - \$10,000 maximum per individual loan holder
 - Applies to distributions after 12/31/2018
 - Student loan interest deduction limited to loan holder amount

2019 Changes

Continued

- RMDs on inherited retirement accounts
 - ✓ Stretch IRAs are generally gone (except as noted below)
 - ✓ Inherit a defined contribution plan or IRA account
 - ✓ MUST fully distribute the account by the end of the 10th calendar year following the year of death
 - ✓ Distributions for plan owners dying after 12/31/2019

- RMD rule exceptions apply to certain beneficiaries who—
 - ✓ Surviving spouse
 - ✓ Child who has not reached the age of majority (18)
 - ✓ Disabled person as defined in IRC Section 72(m)(7)
 - IRC section 72(m)(7) and related regulations define a participant as disabled if he or she cannot engage in any “substantial gainful activity” because of a medically determined physical or mental impairment expected to result in death or to be of long-continued or indefinite duration and can furnish proof.
 - ✓ Chronically ill individual
 - ✓ Not more than 10-years younger than the deceased

2019 Changes

Secure Act Takeaways

- ✓ Small business tax credit for auto enrollment
- ✓ Grad student can contribute to IRAs based on stipends
- ✓ No age limit on traditional IRA contributions
- ✓ 10% withdrawal penalty eliminated for certain events
- ✓ RMDs can be delayed until age 72
- ✓ Retirement plans can be established after year end
- ✓ 529 plan distributions more flexible
- ✓ Inherited retirement plans fully distributed 10-years max

2020 Changes

Election Year Rumors



- The Secure Act (Enacted)
- The Secure Act 2.0 (Middle-Class Tax Cut)
- The Social Security 2100 Act
- MEPS (Multiple Employer Plans)
- SEC Reg BI
- The Health Savings For Seniors Act (Continued HSA for Seniors)

Other Changes

*More than 30 expired or expiring
tax provisions extended to
12/31/2020*

- Form 1040-SR (larger print)
- Repeals the “Cadillac Tax” on certain health plans
- Repeals excise tax on medical devices
- Repeals health insurance tax (ACA penalty)
- Medical expense floor of 7.5% extended for 2019-2020
- Mortgage insurance premiums (PIM)
- Qualified tuition and related expenses
- No technical corrections to the 2017 tax reform act (over 70 tax reform provisions require some technical corrections)
- SALT tax limit of \$10,000 still the limit allowed
- “Refundables” technical corrections omitted

2019 Tax Brackets

For ordinary income

2019 ordinary-income tax brackets				
Tax rate	Single	Head of household	Married filing jointly or surviving spouse	Married filing separately
10%	\$0 - \$9,700	\$0 - \$13,850	\$0 - \$19,400	\$0 - \$9,700
12%	\$9,701 - \$39,475	\$13,851 - \$52,850	\$19,401 - \$78,950	\$9,701 - \$39,475
22%	\$39,476 - \$84,200	\$52,851 - \$84,200	\$78,951 - \$168,400	\$39,476 - \$84,200
24%	\$84,201 - \$160,725	\$84,201 - \$160,700	\$168,401 - \$321,450	\$84,201 - \$160,725
32%	\$160,726 - \$204,100	\$160,701 - \$204,100	\$321,451 - \$408,200	\$160,726 - \$204,100
35%	\$204,101 - \$510,300	\$204,101 - \$510,300	\$408,201 - \$612,350	\$204,101 - \$306,175
37%	Over \$510,300	Over \$510,300	Over \$612,350	Over \$306,175

Deductions

Standard deductions 2018-2019

2018/2019 Standard Deduction		
	<u>2018</u>	<u>2019</u>
Married filing jointly and surviving spouse (MFJ)	\$ 24,000	\$ 24,400
Married filing separately (MFS)	12,000	12,200
Head of Household (HOH)	18,000	18,350
Single	12,000	12,200
Additional standard deduction for taxpayers 65 or blind		
Married (filing either jointly or separately)	1,300	1,300
Single or head of household	1,600	1,650
If taxpayer is a dependent on someone else's return, standard deduction is the <i>greater</i> of (1) \$1050 (\$1100 for 2019) or (2) <i>earned</i> income + \$350** but not to exceed what would otherwise be a standard deduction.		

HSA Limits

Health savings accounts (HSA) limits if you have not reached retirement age or are on Medicare (prorated until the date you are eligible for Medicare benefits)

The IRS has announced 2019 HSA contribution limits as part of the release of Revenue Procedure 2018-30. The limits are:

HSA contribution limits in 2019 will increase to \$3,500 for single (an increase of \$50) and \$7,000 for family (an increase of \$100).

HSA	2018	2019
Self-only HSA contribution limit	\$3,450	\$3,500
Family HSA contribution limit	\$6,900	\$7,000