

EWH 2019 Tax Updates

January 2019

MISCELLANEOUS UPDATES

Mileage

In 2019, the optional standard mileage rate for business use of a personal vehicle will be **58.0 cents**.

Annual Gift Exclusion

The annual gift exclusion amount will remain the same at **\$15,000 in 2019**.

Social Security Wage Base Limit

The FICA wage limit for Social Security will increase to **\$132,900 for 2019**.

IRA, Pension & HSA Limits - 2019

	<u>Simple IRA</u>	
Regular Contribution	\$13,000	
Over Age 50 Contributions	\$ 3,000	
Total	\$16,000	

	<u>Traditional & Roth IRA</u>	
Regular Contribution	\$6,000	
Over Age 50 Contributions	\$1,000	
Total	\$7,000	

	<u>401(K)</u>	
Regular Contribution	\$19,000	
Over Age 50 Contributions	\$ 6,000	
Total	\$25,000	

	<u>HSA</u>	
	<u>Individual</u>	<u>Family</u>
Regular Contribution	\$3,500	\$7,000
Over Age 55 Contributions	\$1,000	\$1,000
Total	\$4,500	\$8,000

WI Tax Law Changes

On December 14, 2018, Governor Walker signed new tax law allowing pass-through entities to pay entity level tax. This is in direct response to various federal Tax Reform changes.

For more information on how this law will affect you and your business, please contact your CPA.

Tax Reform

On December 22, 2017, President Trump signed into law H.R. 1, the "Tax Cuts and Jobs Act." The Act has significantly changed many deductions and credits all taxpayers were familiar with.

For more information on how Tax Reform will affect you 2018 tax return, please contact your CPA.

Refundable Tax Credits

The IRS has made the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit permanent. However, the IRS has expanded its due diligence requirements for tax preparers whose clients wish to claim these. Therefore, your tax preparer may have additional questions if you wish to claim any of these credits. For example, if you wish to claim the American Opportunity Tax Credit for qualified college expenses, your tax preparer is required to have a copy of Form 1098-T from the university before your tax return can be submitted.

A taxpayer claiming these credits may experience additional delays in receiving tax refunds.

MORE SUMMARY & REMINDERS

Receipts & Documentation

Records and receipts must be kept for all purchases. A cancelled check or credit card statement is not proof of the expense to the IRS. You must have a detailed receipt to substantiate the business purpose of what you purchased. You must also keep all year end documentation, e.g. inventory valuation, accounts payable, and/or receivable detail, etc. Without the receipt or supporting documentation, the deduction will be disallowed.

Record Retention Guidelines & other popular forms are available for download from our website, www.ewhsba.com, or from our office.

Sales Tax Exemption Certificate

If you sell goods or services to companies that are claiming an exemption from sales tax, be sure to obtain an exemption certificate and keep it on file. The Wisconsin Department of Revenue will require this form if you are audited. If an exemption form cannot be produced in an audit, the Department of Revenue will charge you the sales tax, plus interest and penalties.

Use Tax

If, in the past year, you have purchased equipment or supplies from an out-of-state supplier and were not charged sales tax, you will have to pay a use tax of 5.0% - 5.6%. This does not include inventory purchases or resale items. Please inform us if this is the case.

Vehicle Log Books

If you have a vehicle that you use in your business, you must support what percentage is used for business versus personal use. The best way to do this is to maintain a daily record of all business and personal miles. If there is no logbook, the IRS may disallow some or all of the vehicle expense.

1099 Reporting Requirements

If you have a “non-employee” that performs a service for you, and they are not incorporated, a Form 1099 must be issued **for all payments over \$600**. Examples include all attorneys regardless of whether they are incorporated or not, independent contractors, commissions paid to salespeople, rent paid to landlords, payments to cleaning services, etc. The law requires that you obtain a form W-9 before you issue a payment. If you do not receive the W-9, you are required to withhold taxes from the payment amount. If you do this, please notify our office of the amounts withheld at once so we can report it to the IRS. Additionally, if 1099s are not issued when they should be, the IRS could charge you with all withholding taxes due upon audit. Since our office cannot be certain of the status of all vendors that each client deals with, we advise everyone to call if you are in doubt as to when a 1099 should be issued or how to handle backup withholding.

W-9 forms are available for download from our website, www.ewhsba.com, or from our office.

Charitable Contributions

If you itemize deductions on your federal tax return, you may be entitled to claim a deduction for contributions to qualified charities. The following is a general IRS guidance for documenting the deduction claimed on your tax return:

Cash donations:

- Under \$250: canceled check, receipt or donor acknowledgement from the charity
- Over \$250: donor acknowledgement from the charity

Non-cash donations:

- All non-cash donation documentation must include name and location of organization, date of donation, description, value, and condition.

Additionally:

- Under \$500: receipt or donor acknowledgement from charity
- Over \$500: donor acknowledgement from charity and acquisition detail
- Over \$5,000: written appraisal needed