



Certified Public Accountants

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January 2020

This is 2020! Here is hoping 2019 was kind to you and yours. Please call early to reserve your preferred appointment time. **Our cut-off date this year will be March 25, 2020. The filing due date for 2019 returns is April 15, 2020.** In order for us to have adequate time to properly complete your 2019 returns by April 15, 2020, your information must be in our office by close of business on March 25, 2020. Otherwise, we will most likely need to file an extension for you. For those planning to go on extension, in order for us to have adequate time to input your information to determine if you need to send payments with your extensions, we are requesting that your basic information be in our office by **April 7, 2020**. If you have any questions regarding these deadlines, please call.

It appeared that Congress was going to avoid passing any significant tax legislation in 2019 BUT another eleventh hour bill will significantly impact tax season for 2019 filers. In addition, many of the provisions that sunset at the end of 2017 have been retroactively reinstated for 2018 so for those of you paying PMI Insurance on your mortgage, who had energy related improvements to your principle residence, who may have had qualifying tuition and fees for higher education or may have paid income taxes on a loan foreclosure on your principle residence, we may be revisiting your 2018 returns. The Secure Act that was passed at the very end of 2019 re-instated these deductions and credits.

Many of you changed from itemizing your deductions to using the standard deduction due to the SALT (State and Local Tax) limitation of \$10,000 that began in 2018. However, for those of you who are New Jersey residents it may still be advantageous to tally your out-of-pocket medical expenses as the threshold for deductibility of those has not changed. Also, if you did not itemize in 2018 but had significant medical expenses in 2019, you may be able to itemize as the 2019 threshold was reduced from 10% to 7.5% under the recently passed legislation.

We would like to remind you about our website, www.spincpas.com. We will have this letter and the various checklists posted on this site and will be looking to expand the content in 2020. Check it out.

The Internal Revenue Service is not opening electronic filing season until January 27th but we are able to begin processing returns before then to have them ready for electronic filing as soon as possible. However, the IRS has advised that it will be delaying until the last week of February the release of any refunds on returns claiming the **Earned Income Credit or the Refundable Child Credit and Refundable Tuition Credit**. With respect to these credits as well as those taxpayers filing for Head of Household status, the IRS is increasing the due diligence of tax preparers in qualifying taxpayers in these areas. As a result, you may be asked to supply supplemental documentation for our records to support these claims.

The good news is that the Shared Responsibility Payment required by Obamacare is no longer assessed beginning in 2019. However, since the Premium Tax Credit portion of Obamacare is still relevant, if you were enrolled in Obamacare for any or all of 2019 and received an Advanced Premium Tax Credit, the reconciliation based upon your 2019 income must still be calculated.

MEMBER NJSCPA

The bad news is New Jersey now has a Health Insurance Mandate. Although the federal mandate is no longer valid, New Jersey instituted a Health Insurance Mandate effective January 1, 2019. The penalties, which, unlike the federal mandate, will be subject to penalty and interest if not timely paid, range from a minimum of \$695 to a maximum of \$3,012 for Single Taxpayers to a minimum of \$2,085 to a maximum of \$15,060 for Married Taxpayers. There are Coverage Exemptions so if you did not have Health Insurance for part or all of 2019, it will be important to review this potentially costly issue.

The Secure Act – Major Overhaul to Retirement Planning– Congress passed significant legislation that is effective January 1, 2020. In addition to the extenders of expiring tax provisions mentioned above, there was a major overhaul to the IRA and other retirement account regulations. The major provisions are listed below:

- For a taxpayer turning 70 ½ after December 31, 2019, the Required Minimum Distribution age has been increased to the year the taxpayer turns 72.
- There is no age limit on contributing to IRA's. However, contributions made after age 70 ½ will limit the amount able to be contributed tax free to charitable organizations.
- Stretch IRA's are eliminated for decedents after December 31, 2019. Instead, most non-spousal beneficiaries except minor children, disable or chronically ill beneficiaries and non-spousal beneficiaries less than 10 years younger than the decedent IRA owner, must take the distribution from the IRA within ten years. All existing stretch IRA's are grandfathered in. This is a major issue for estate planning.
- A new exclusion for the premature distribution penalty on up to \$5,000 distributed within a year of the birth or adoption of a child.

NJ SALT Tax Revisions – for those of you with ownership interests in pass-through entities such as C-corps, partnerships and LLC's, NJ has recently passed legislation effective January 1, 2020 that will allow entities to pay the NJ income tax on the entity level rather than the personal level which will permit a deduction of the State Income Tax related to this income on the entity level. Details on how this will work are still pending as of the date of this letter, but this may impact the 2020 estimated payments.

Attached is a checklist, which may assist you in compiling your 2019 tax information. A more detailed organizer will be mailed or e-mailed to you upon your request. As always, we hope that you will contact us early to secure your preferred appointment time and we will be available to discuss the issues raised in this letter as well as any others you may have. If you are planning to drop-off your information without an appointment, it is important that you completely **fill out the enclosed Drop-off Questionnaire**, which has the optional IRS disclosure form on the opposite side. We are looking forward to seeing you soon.

Sincerely,



Wendy Spinner, CPA



Michael Spinner, CPA