KRAMER & JENSEN LLC
CERTIFIED PUBLIC ACCOUNTANTS

Contact Us:

Kramer & Jensen LLC
7430 E. Caley Ave. Suite 300E
Centennial, CO 80111
T 303-741-2253
F 855-330-4215
sjensen@kramerjensen.com

Newsletter December 2018

This Month:

January 15: 4th Quarter Estimated Payments Due

Happy holidays! Tis the season for family, friends, food, and of course ... last second tax moves! While time is running short, consider some of these moves you can make to cut your tax liability. Also, retirement contributions are rising for 2019. The second article lays out the changes for you. Finally, there's an article explaining the new qualified business income deduction and what you can do to prepare for it.

Call if you would like to discuss how any of this information relates to you. If you know someone that can benefit from this newsletter, feel free to forward it to them.

6 Last-Second Money-Saving Tax Moves

As 2018 winds down, there is still time to reduce your potential tax obligation. Here are some ideas to make your 2018 tax return less of a burden on your wallet:

1. Accelerate expenses. For taxpayers reporting on the cash basis for income tax purposes, income is taxable when you receive it and expenses count when you pay them. Depending on your situation, shifting deductions between years can make a big difference on your tax bill. With this knowledge, making additional deductible payments prior to the end of the year may be a good idea.

2. Make effective use of capital losses. Up to $3,000 in capital losses can be claimed each year to reduce your ordinary income. This loss limitation is calculated after netting all your capital losses against any capital gains. When you have more losses than gains, up to $3,000 can be used to reduce your other income. With careful planning you can take advantage of this loss amount each year.

3. Fund tax-deferred retirement accounts. An easy way to reduce your taxable income is to fully fund retirement accounts that have tax-deferred status. The most common accounts are 401(k)s, 403(b)s and various IRAs (traditional, SEP and SIMPLE).

4. Take advantage of the annual gift exclusion. For 2018, you may provide gifts up to $15,000 to as many individuals as you wish without tax consequences. This could include gifts of cash or property, including investments. Taking advantage of the annual exclusion is a great way to lower your taxable estate.

5. Give to charities. Consider making end-of-year donations to eligible charities. Donations of property in good or better condition and your charitable mileage are also deductible. Receiving proper documentation that acknowledges your contributions is important to ensure you obtain the full deduction. Have a plan by knowing your total deductions for the year to help you decide how much to donate. Pulling some donations planned for 2019 into 2018 may be a good strategy.

6. Donate appreciated stock. By donating appreciated stock owned one year or longer to a favorite charity, you receive two benefits. First, you will not have to claim the capital gain on the appreciation of your investment. Second, you can claim the higher market value of the stock as your contribution amount. The procedure you need to follow to qualify your donation of appreciated stock is fairly strict. Ask for help from your broker and the charitable organization to ensure it is done correctly.

This is a short list of some of the ideas you can use to lower your tax obligation in 2018. If interested, please call for help with reviewing your situation.

Retirement Contributions Get a Boost in 2019

For the first time since 2013, the IRS is raising the contributions limits for IRAs. The maximum contribution for 401(k) accounts and IRAs is increasing by $500 for 2019. If you have not already done so, now is the time to plan for contributions into your retirement accounts in 2019.

Retirement Contribution Limits

Retirement Program 2019 2018 Change Age 50 or older catch up:

- 401(k), 403(b), 457 plans - $19,000
- IRA: Roth - $6,000
- IRA: SIMPLE - $13,000
- IRA: Traditional - $6,000

Don't forget to account for any matching programs offered by your employer as you determine your various funding levels for next year.

The New Business Deduction

Stop worrying and start preparing

A new deduction is available to businesses with qualified business income (QBI). While that's great news, new deductions (especially ones with lots of rules) can bring anxiety and confusion. Never fear! Ensuring you receive a maximum deduction will come down to providing the proper information. Here is some knowledge to help you cut through the confusion:

What is the QBI deduction?

In short, it's a 20 percent deduction against ordinary income, taken on your personal tax return, that reduces qualified business income earned for most pass-through businesses (sole proprietorships, partnerships and S-corporations). It's not an itemized deduction, so you can take it in addition to the standard deduction. To qualify without limitations, your total taxable income needs to be below $157,500 ($315,000 for married couples) for 2018. If your income exceeds the threshold, it gets a bit more complicated.

What you need to know:

- **If your total taxable income is above the income threshold, your deduction may be limited or nullified.** If your income is below the threshold, the calculation is pretty straightforward. If not, additional phaseouts, limitations and calculations come into play. The first limitation to consider is whether or not your business is qualified. Certain specified service trades or businesses (SSTBs) are excluded from the deduction altogether if taxable income is over the threshold. If your business is not an SSTB, other calculations related to W-2 wages and basis in qualified business property may be required.

- **Schedule K-1s for S-corporations and partnerships have new codes.** Businesses with partners and shareholders are now required to report information related to the QBI deduction on each Schedule K-1 they issue. Based on the draft versions of the forms, the new codes will be in Box 17 for S-corporations (V through Z) and Box 20 for partnerships (Z through AD). If you receive a Schedule K-1, check to see if the new codes have values associated with them. If not, contact the issuing business to correct the mistake. Schedule K-1s without the required data will delay your tax-return filing.

- **Certain data needs to be collected.** For the most part, the data required to calculate your deduction will be included on the normal forms needed to file your taxes. Here is list of common documentation to watch for that may be required to calculate your QBI deduction:

    - Business financial statements
    - Forms W-2 and W-3 issued by your business
    - Purchase information related to business assets
    - Schedule K-1s
    - Forms 1099-B with cost/basis information

- **The sooner you close your books, the better.** The new deduction means more work. Knowing your final business net income as soon as possible gives you extra time to work through the additional necessary calculations. If your business is required to issue Schedule K-1s, even more time may be required.

- **More guidance is expected from the IRS.** In August, the IRS published guidance to clear up some of the confusion regarding the deduction, but it didn't cover everything. The American Institute of CPAs (AICPA) responded with 11 specific items that still need to be addressed.

With proper planning and preparation, you can rest easy knowing that obtaining your new QBI deduction is in good hands.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We appreciate your referrals.

Scott Jensen
Kramer & Jensen, LLC

VISIT OUR WEBSITE

SPREAD THE WORD
SHARE THIS EMAIL

Kramer & Jensen, LLC
sjensen@kramerjensen.com

Share This Email as Webpage

KEEP UP ON THE LATEST
SIGN UP FOR OUR EMAILS