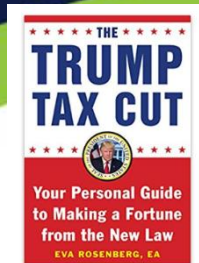


# Tax Law & Important Industry Updates Individuals

Eva Rosenberg, M.B.A., EA

# Who is Eva Rosenberg, M.B.A., EA, CTC, CTRS?



- Eva Rosenberg, EA, Your TaxMama® has been teaching Enrolled Agents exam review courses off and on since developing the program for UCLA Extension over 20 years ago. These days, she's teaching her own course online at [www.irsexams.school](http://www.irsexams.school).
- Eva has a B.A. in Accounting and an M.B.A. in International business. Your TaxMama® has been a TaxWatch columnist for Dow Jones' [www.MarketWatch.com](http://www.MarketWatch.com) and author of the award-winning books, *Small Business Taxes Made Easy* and *Deduct Everything!* You can hear her on various radio stations around the country on a regular basis.
- As a speaker, TaxMama® is popular with both tax professionals and taxpayers.
- You can find her at [www.TaxMama.com](http://www.TaxMama.com) where you can subscribe to her free podcast.



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# Introduction

- In December 2015 Congress passed a comprehensive set of laws - the PATH Act of 2015 - **Protecting Americans From Tax Hikes Act Of 2015**
- In 2017, **Congress gave us The Tax Cuts and Jobs Act** which became law on 12/22/17. <https://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf>
- On February 2, 2018, Congress passed the Bipartisan Budget Act of 2018. <https://www.congress.gov/115/bills/hr1892/BILLS-115hr1892enr.pdf>
- On July 1, 2019, Congress passed the Taxpayer First Act - <https://www.congress.gov/bill/116th-congress/house-bill/3151> – this law primarily affects representation, not preparation of returns

Most of these laws affect our 2019 tax returns.  
Wherever possible, I have included 2020 info.

We'll be talking about some of these changes

# 2019 - 20 Standard Deductions

<b>Filing Status</b>	<b>2019</b>	<b>2020*</b>
Married Filing Jointly	\$24,400	\$24,800
Qualifying Widow (er)	\$24,400	\$24,800
Head of Household	\$18,350	\$18,650
Single	\$12,200	\$12,400
Married Filing Separately	\$12,200	\$12,400
Dependents	\$1,100	\$1,100
	Plus - \$350 up to Single amount	
Dependent over 65 or blind	\$1,300	\$1,350
- single not surviving spouse	\$1,650	\$1,650
Dependents' Max Earnings	\$4,200	\$4,300

\* 2020 Amounts are projected

Naturally, the standard deductions are updated for inflation each year. Routinely, the best place to find all this? <http://www.smbiz.com/sbrl001.html>

# 2019 TCJA Tax Brackets – and Capital Gains Rates

## Capital Gains

- 0% if you're in the 10% or 12% tax bracket
- 15% for everything in between (22% - 35%)
- 20% if you're in the 37% tax bracket
- Up to 28% for sale of collectibles
- Up to 28% taxable portion of sale of Qualified Small Business Stock (plus AMT on excluded portion of gain)
- Up to 25% for depreciation recapture on gain from sale of Section 1250 real property

## Ordinary Rates

- 10%
  - to \$9,700 – (S) & (MFS)
  - to \$19,400 (MFJ) & (QW)
  - to \$13,850 (HOH)
- 12%
  - to \$39,475– (S) & (MFS)
  - to \$78,950 - (MFJ) & (QW)
  - to \$52,850 - (HOH)
- 22%
  - to \$84,200 – (S) & (MFS)
  - to \$168,400 - (MFJ) & (QW)
  - to \$84,200-(HOH)
- 24%
  - to \$160,725 – (S) & (MFS)
  - to \$321,450- (MFJ) & (QW)
  - to \$160,700 - (HOH)

## More Ordinary rates

- 32%
  - to \$204,100 – (S) & (MFS)
  - to \$408,200 - (MFJ) & (QW)
  - to \$204,100 - (HOH)
- 35%
  - to \$501,300 – (S)
  - to \$306,175 - (MFS)
  - to \$612,350 - (MFJ) & (QW)
  - to \$501,300 (HOH)
- 37%
  - over \$501,300 – (S)
  - over \$ 306,175 - (MFS)
  - over \$ 612,350 - MFJ) & (QW)
  - over \$ 501,300 - (HOH)

# Social Security Limits

Employee's Portion of FICA	2020	2019	2018
Maximum Earnings Subject to Social Security Tax (Medicare has no limit)	\$137,700	\$132,900	\$128,400
Social Security Tax Rate	6.20%	6.20%	6.20%
Medicare Tax Rate (no limit to earnings)*	1.45%	1.45%	1.45%
Medicare Tax Rate - Self-Employed (no limit to earnings)*	2.90%	2.90%	2.90%
Maximum Social Security Tax for the year	\$8,537.40	\$8,239.80	\$7,960.80
Maximum Self-Employment Tax (FICA only)	\$17,074.80	\$16,479.60	\$15,921.60
Earning Limit - Collecting SS Tax before age 66	\$18,240.00	\$17,640.00	\$17,040.00
Earning Limit - Collecting SS Tax in the year you turn age 66	\$48,600.00	\$46,920.00	\$45,360.00

\* plus 0.9% on wages above the threshold and 3.8% on unearned income

# The New Form 1040 – page 1

<b>Form 1040</b>	Department of the Treasury—Internal Revenue Service (99) <b>U.S. Individual Income Tax Return</b>	<b>2019</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
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**Filing Status**  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)  
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		<b>Presidential Election Campaign</b> Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name	Foreign province/state/county	Foreign postal code
If more than four dependents, see instructions and ✓ here ▶ <input type="checkbox"/>		

**Standard Deduction**  Spouse itemizes on a separate return or you were a dual-status alien

**Someone can claim:**  You as a dependent  Your spouse as a dependent

**Age/Blindness** You:  Were born before January 2, 1955  Are blind **Spouse:**  Was born before January 2, 1955  Is blind

Dependents (see instructions): (1) First name Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit Credit for other dependents	
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

1 Wages, salaries, tips, etc. Attach Form(s) W-2			1
2a Tax-exempt interest	2a	b Taxable interest. Attach Sch. B if required	2b
3a Qualified dividends	3a	b Ordinary dividends. Attach Sch. B if required	3b
4a IRA distributions	4a	b Taxable amount	4b
c Pensions and annuities	4c	d Taxable amount	4d
5a Social security benefits	5a	b Taxable amount	5b
6 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>			6
7a Other income from Schedule 1, line 9			7a
b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your <b>total income</b>			7b
8a Adjustments to income from Schedule 1, line 22			8a
b Subtract line 8a from line 7b. This is your <b>adjusted gross income</b>			8b
9 Standard deduction or itemized deductions (from Schedule A)	9		
10 Qualified business income deduction. Attach Form 8995 or Form 8995-A	10		
11a Add lines 9 and 10			11a
b <b>Taxable income.</b> Subtract line 11a from line 8b. If zero or less, enter -0-			11b

**Standard Deduction for—**

- Single or Married filing separately, \$12,200
- Married filing jointly or Qualifying widow(er), \$24,400
- Head of household, \$18,350
- If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)



# The Newer Form 1040 – page 2

Form 1040 (2019)		Page <b>2</b>	
<b>12a</b>	<b>Tax</b> (see inst.) Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____	<b>12a</b>	
<b>b</b>	Add Schedule 2, line 3, and line 12a and enter the total		<b>12b</b>
<b>13a</b>	Child tax credit or credit for other dependents	<b>13a</b>	
<b>b</b>	Add Schedule 3, line 7, and line 13a and enter the total		<b>13b</b>
<b>14</b>	Subtract line 13b from line 12b. If zero or less, enter -0-		<b>14</b>
<b>15</b>	Other taxes, including self-employment tax, from Schedule 2, line 10		<b>15</b>
<b>16</b>	Add lines 14 and 15. This is your <b>total tax</b>		<b>16</b>
<b>17</b>	Federal income tax withheld from Forms W-2 and 1099		<b>17</b>
<b>18</b>	Other payments and refundable credits:		
<b>a</b>	Earned income credit (EIC)	<b>18a</b>	
<b>b</b>	Additional child tax credit. Attach Schedule 8812	<b>18b</b>	
<b>c</b>	American opportunity credit from Form 8863, line 8	<b>18c</b>	
<b>d</b>	Schedule 3, line 14	<b>18d</b>	
<b>e</b>	Add lines 18a through 18d. These are your <b>total other payments and refundable credits</b>		<b>18e</b>
<b>19</b>	Add lines 17 and 18e. These are your <b>total payments</b>		<b>19</b>
<b>Refund</b>	<b>20</b> If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you <b>overpaid</b>		<b>20</b>
	<b>21a</b> Amount of line 20 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>		<b>21a</b>
Direct deposit? See instructions.	<b>b</b> Routing number _____ <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	<b>d</b> Account number _____		
	<b>22</b> Amount of line 20 you want <b>applied to your 2020 estimated tax</b>	<b>22</b>	
<b>Amount You Owe</b>	<b>23</b> <b>Amount you owe.</b> Subtract line 19 from line 16. For details on how to pay, see instructions		<b>23</b>
	<b>24</b> Estimated tax penalty (see instructions)	<b>24</b>	
<b>Third Party Designee</b> (Other than paid preparer)	Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. <input type="checkbox"/> <b>Yes.</b> Complete below. <input type="checkbox"/> <b>No</b>		
	Designee's name ▶ _____	Phone no. ▶ _____	Personal identification number (PIN) ▶ _____
<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Your signature _____	Date _____	Your occupation _____
	Spouse's signature. If a joint return, <b>both</b> must sign. _____		Date _____
	Spouse's occupation _____		Date _____
	Phone no. _____		Email address _____
<b>Paid Preparer Use Only</b>	Preparer's name _____	Preparer's signature _____	Date _____
	Firm's name ▶ _____	Phone no. _____	PTIN _____
	Firm's address ▶ _____	Firm's EIN ▶ _____	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed

# The Newer Form 1040 – There's Less!

There are only 3 schedules that feed into this short form

Last year's 6 schedules have been consolidated:

- Schedule 1 Income and AGI
- Schedule 2 Additional Taxes
- Schedule 3 Credits and Payments

# 2019 Draft Schedule 1 – Income & AGI

Uh oh! Line numbers – no more line 21 Other income!  
 2018 line #s were 1 – 36 – And see the new question!

<b>SCHEDULE 1</b> (Form 1040 or 1040-SR)		<b>Additional Income and Adjustments to Income</b>		OMB No. 1545-0074 <b>2019</b> Attachment Sequence No. <b>01</b>
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040 or 1040-SR. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		
Name(s) shown on Form 1040 or 1040-SR			Your social security number	
At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? <span style="float: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</span>				
<b>Part I Additional Income</b>				
<b>1</b>	Taxable refunds, credits, or offsets of state and local income taxes			<b>1</b>
<b>2a</b>	Alimony received			<b>2a</b>
<b>b</b>	Date of original divorce or separation agreement (see instructions) ▶			
<b>3</b>	Business income or (loss). Attach Schedule C			<b>3</b>
<b>4</b>	Other gains or (losses). Attach Form 4797			<b>4</b>
<b>5</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			<b>5</b>
<b>6</b>	Farm income or (loss). Attach Schedule F			<b>6</b>
<b>7</b>	Unemployment compensation			<b>7</b>
<b>8</b>	Other income. List type and amount ▶			<b>8</b>
<b>9</b>	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a			<b>9</b>
<b>Part II Adjustments to Income</b>				
<b>10</b>	Educator expenses			<b>10</b>
<b>11</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106			<b>11</b>
<b>12</b>	Health savings account deduction. Attach Form 8889			<b>12</b>
<b>13</b>	Moving expenses for members of the Armed Forces. Attach Form 3903			<b>13</b>
<b>14</b>	Deductible part of self-employment tax. Attach Schedule SE			<b>14</b>
<b>15</b>	Self-employed SEP, SIMPLE, and qualified plans			<b>15</b>
<b>16</b>	Self-employed health insurance deduction			<b>16</b>
<b>17</b>	Penalty on early withdrawal of savings			<b>17</b>
<b>18a</b>	Alimony paid			<b>18a</b>
<b>b</b>	Recipient's SSN ▶			
<b>c</b>	Date of original divorce or separation agreement (see instructions) ▶			
<b>19</b>	IRA deduction			<b>19</b>
<b>20</b>	Student loan interest deduction			<b>20</b>
<b>21</b>	Reserved for future use			<b>21</b>
<b>22</b>	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040 or 1040-SR, line 8a			<b>22</b>

# 2019 Draft Schedule 2 – Add'l Taxes

2018 line #s were 38 -47 - 2019 Combines last year's Schedule 2 and Schedule 4

<b>SCHEDULE 2</b> (Form 1040 or 1040-SR)		<b>Additional Taxes</b>		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040 or 1040-SR. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		<b>2019</b> Attachment Sequence No. <b>02</b>	
Name(s) shown on Form 1040 or 1040-SR				Your social security number	
<b>Part I Tax</b>					
<b>1</b>	Alternative minimum tax. Attach Form 6251 . . . . .	<b>1</b>			
<b>2</b>	Excess advance premium tax credit repayment. Attach Form 8962 . . . . .	<b>2</b>			
<b>3</b>	Add lines 1 and 2. Enter here and include on Form 1040 or 1040-SR, line 12b . . . . .	<b>3</b>			
<b>Part II Other Taxes</b>					
<b>4</b>	Self-employment tax. Attach Schedule SE . . . . .	<b>4</b>			
<b>5</b>	Unreported social security and Medicare tax from Form: <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919 . . . . .	<b>5</b>			
<b>6</b>	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required . . . . .	<b>6</b>			
<b>7a</b>	Household employment taxes. Attach Schedule H . . . . .	<b>7a</b>			
<b>b</b>	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required . . . . .	<b>7b</b>			
<b>8</b>	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s) _____	<b>8</b>			
<b>9</b>	Section 965 net tax liability installment from Form 965-A . . . . .	<b>9</b>			
<b>10</b>	Add lines 4 through 8. These are your <b>total other taxes</b> . Enter here and on Form 1040 or 1040-SR, line 15 . . . . .	<b>10</b>			

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71478U

Schedule 2 (Form 1040 or 1040-SR) 2019

# 2019 Draft Schedule 3 – Credits/Pmts

Combines 2018 Schedules 3 and 5  
 2018 line #s were (3) 48-55 and (5) 65-75

<b>SCHEDULE 3</b> (Form 1040 or 1040-SR)		<b>Additional Credits and Payments</b>		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040 or 1040-SR. ▶ Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		<b>2019</b> Attachment Sequence No. <b>03</b>
Name(s) shown on Form 1040 or 1040-SR			Your social security number	
<b>Part I Nonrefundable Credits</b>				
1	Foreign tax credit. Attach Form 1116 if required . . . . .	1		
2	Credit for child and dependent care expenses. Attach Form 2441 . . . . .	2		
3	Education credits from Form 8863, line 19 . . . . .	3		
4	Retirement savings contributions credit. Attach Form 8880 . . . . .	4		
5	Residential energy credit. Attach Form 5695 . . . . .	5		
6	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/> _____	6		
7	Add lines 1 through 6. Enter here and include on Form 1040 or 1040-SR, line 13b . . . . .	7		
<b>Part II Other Payments and Refundable Credits</b>				
8	2019 estimated tax payments and amount applied from 2018 return . . . . .	8		
9	Net premium tax credit. Attach Form 8962 . . . . .	9		
10	Amount paid with request for extension to file (see instructions) . . . . .	10		
11	Excess social security and tier 1 RRTA tax withheld . . . . .	11		
12	Credit for federal tax on fuels. Attach Form 4136 . . . . .	12		
13	Credits from Form: a <input type="checkbox"/> 2439 b <input checked="" type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/> _____	13		
14	Add lines 8 through 13. Enter here and on Form 1040 or 1040-SR, line 18d . . . . .	14		

# New Form – 1040-SR

Form **1040-SR** Department of the Treasury—Internal Revenue Service (99) | **2019** | OMB No. 1545-0074 | IRS Use Only—Do not write or staple in this space.

**Filing Status**  Single  Married filing jointly  Married filing separately (MFS)  
 Head of household (HOH)  Qualifying widow(er) (QW)

Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial \_\_\_\_\_ Last name \_\_\_\_\_ Your social security number \_\_\_\_\_

If joint return, spouse's first name and middle initial \_\_\_\_\_ Last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Home address (number and street). If you have a P.O. box, see instructions. \_\_\_\_\_ Apt. no. \_\_\_\_\_

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). \_\_\_\_\_

Foreign country name \_\_\_\_\_ Foreign province/state/county \_\_\_\_\_ Foreign postal code \_\_\_\_\_

**Standard Deduction** **Someone can claim:**  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** **You:**  Were born before January 2, 1955  Are blind  
**Spouse:**  Was born before January 2, 1955  Is blind

(1) Dependents (see instructions): First name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see inst.):	
			Child tax credit	Credit for other dependents
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	<b>1</b>
<b>2a</b> Tax-exempt interest . . . . .	<b>2a</b>
<b>3a</b> Qualified dividends . . . . .	<b>3a</b>
<b>4a</b> IRA distributions . . . . .	<b>4a</b>
<b>c</b> Pensions and annuities . . . . .	<b>4c</b>
<b>5a</b> Social security benefits . . . . .	<b>5a</b>
<b>6</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . . <input type="checkbox"/>	<b>6</b>
<b>7a</b> Other income from Schedule 1, line 9 . . . . .	<b>7a</b>
<b>b</b> Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your <b>total income</b> . . . . . ▶	<b>7b</b>
<b>8a</b> Adjustments to income from Schedule 1, line 22 . . . . .	<b>8a</b>
<b>b</b> Subtract line 8a from line 7b. This is your <b>adjusted gross income</b> . . . . . ▶	<b>8b</b>
<b>9</b> Standard deduction or itemized deductions (from Schedule A) <b>9</b>	
<b>10</b> Qualified business income deduction. Attach Form 8995 or Form 8995-A <b>10</b>	
<b>11a</b> Add lines 9 and 10 . . . . .	<b>11a</b>
<b>b</b> Taxable income. Subtract line 11a from line 8b . . . . .	<b>11b</b>

**Standard Deduction Chart** Add the number of boxes checked in the "Age/Blindness" section of Standard Deduction . . . . . ▶

IF your filing status is . . .	AND the number of boxes checked is . . .	THEN your standard deduction is . . .	IF your filing status is . . .	AND the number of boxes checked is . . .	THEN your standard deduction is . . .
Single	0	\$12,200	Head of household	0	\$18,350
	1	13,850		1	20,000
	2	15,500		2	21,650
Married filing jointly or Qualifying widow(er)	0	24,400	Married filing separately	0	12,200
	1	25,700		1	13,500
	2	27,000		2	14,800
	3	28,300		3	16,100
	4	29,600		4	17,400

# New Form – 1040-SR – Page 2

Form 1040-SR (2019)

Page **2**

<b>12a Tax</b> (see instructions). Check if any from:			
1	<input type="checkbox"/> Form(s) 8814	2	<input type="checkbox"/> Form 4972
3	<input type="checkbox"/>	12a	
<b>b</b> Add Schedule 2, line 3, and line 12a and enter the total			<b>12b</b>
<b>13a</b> Child tax credit or credit for other dependents		<b>13a</b>	
<b>b</b> Add Schedule 3, line 7, and line 13a and enter the total			<b>13b</b>
<b>14</b> Subtract line 13b from line 12b. If zero or less, enter -0-			<b>14</b>
<b>15</b> Other taxes, including self-employment tax, from Schedule 2, line 10			<b>15</b>
<b>16</b> Add lines 14 and 15. This is your <b>total tax</b>			<b>16</b>
<b>17</b> Federal income tax withheld from Forms W-2 and 1099			<b>17</b>
<b>18</b> Other payments and refundable credits:			
a	Earned income credit (EIC)	<b>18a</b>	
b	Additional child tax credit. Attach Schedule 8812	<b>18b</b>	
c	American opportunity credit from Form 8863, line 8	<b>18c</b>	
d	Schedule 3, line 14	<b>18d</b>	
<b>e</b> Add lines 18a through 18d. These are your <b>total other payments and refundable credits</b>			<b>18e</b>
<b>19</b> Add lines 17 and 18e. These are your <b>total payments</b>			<b>19</b>
<b>Refund</b>			
<b>20</b> If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you <b>overpaid</b>			<b>20</b>
<b>21a</b> Amount of line 20 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>			<b>21a</b>
Direct deposit? See instructions.	<b>b</b> Routing number	<b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	<b>d</b> Account number		
<b>22</b> Amount of line 20 you want <b>applied to your 2020 estimated tax</b>		<b>22</b>	
<b>Amount You Owe</b>			
<b>23</b> <b>Amount you owe</b> . Subtract line 19 from line 16. For details on how to pay, see instructions			<b>23</b>
<b>24</b> <b>Estimated tax penalty</b> (see instructions)		<b>24</b>	
<b>Third Party Designee</b> (Other than paid preparer)		Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No	
Designee's name	Phone no.	Personal identification number (PIN)	
<b>Sign Here</b> Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		
<b>Paid Preparer Use Only</b>			
Preparer's name	Preparer's signature	Date	PTIN
Firm's name		Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed	
Firm's address		Phone no.	Firm's EIN

Go to [www.irs.gov/Form1040SR](http://www.irs.gov/Form1040SR) for instructions and the latest information.

Form **1040-SR** (2019)

# Notes about the 2019 Forms – same line # on 1040-SR

- Where is the 20% Qualified Business Income Deduction?
  - It's on line 10 on page 1, right after the standard deductions (or itemized deductions) – just before the computation of taxable income.
- Your withholding appears directly on the form's line 17, on page 2.
  - But you will need Schedule 3 to report your estimated tax payments, extension payments and refundable credits.
    - Of course, for the refundable credits, you will still need all the due diligence and detailed identity and qualifying information from the specific tax forms for the credit.



# Premium Tax Credit Repayment

The ACA penalty is gone – but not the PTC

If the household income (expressed as a percent of poverty line) is:	The limitation amount for unmarried individuals (other than surviving spouses and heads of household) is:	The limitation amount for all other taxpayers is:
Less than 200%	\$300	\$600
At least 200% but less than 300%	\$800	\$1,600
At least 300% but less than 400%	\$1,325	\$2,650

- You will find the amounts of the 3 different poverty levels for the continental U.S., Alaska and Hawaii in the instructions to Form 8962 <https://www.irs.gov/pub/irs-dft/i8962--dft.pdf#page=8>
- And...the next page

# Premium Tax Credit Poverty Levels

**Table 1-1. Federal Poverty Line for the 48 Contiguous States and the District of Columbia**

IF your Family Size* from Form 8962, line 1, was ...	THEN enter the amount below on Form 8962, line 4 ...
1	\$12,140
2	\$16,460
3	\$20,780
4	\$25,100
5	\$29,420
6	\$33,740
7	\$38,060
8	\$42,380

*\*If your family size was more than 8 people, add \$4,320 for each additional person. For example, if your family size is 11, you have 3 additional people. Multiply \$4,320 by 3 and add the result of \$12,960 to \$42,380. Enter the result of \$55,340 on Form 8962, line 4.*

**Table 1-2. Federal Poverty Line for Alaska**

IF your Family Size* from Form 8962, line 1, was ...	THEN enter the amount below on Form 8962, line 4 ...
1	\$15,180
2	\$20,580
3	\$25,980
4	\$31,380
5	\$36,780
6	\$42,180
7	\$47,580
8	\$52,980

*\*If your family size was more than 8 people, add \$5,400 for each additional person. For example, if your family size is 11, you have 3 additional people. Multiply \$5,400 by 3 and add the result of \$16,200 to \$52,980. Enter the result of \$69,180 on Form 8962, line 4.*

**Table 1-3. Federal Poverty Line for Hawaii**

IF your Family Size* from Form 8962, line 1, was ...	THEN enter the amount below on Form 8962, line 4 ...
1	\$13,960
2	\$18,930
3	\$23,900
4	\$28,870
5	\$33,840
6	\$38,810
7	\$43,780
8	\$48,750

*\*If your family size was more than 8, add \$4,970 for each additional person. For example, if your family size is 11, you have 3 additional people. Multiply \$4,970 by 3 and add the result of \$14,910 to \$48,750. Enter the result of \$63,660 on Form 8962, line 4.*

**DRAFT AS OF**  
**August 9, 2019**

# Other Key Credits for 2019

R= Refundable NR= Non-Refundable

- Adoption Credit - \$14,080 phases out - \$211,160 to \$251,160  
Adoption Assistance from employer \$14,080
- Child Tax Credit - \$1,400 Refundable
- Lifetime Learning Credit – phases out for incomes over \$116,000 for a joint return or \$58,000 for all others
- American Opportunity Credit (R & NR) – \$2,500 (\$1,000) – no change
- Employee Health Insurance Expense of Small Employers, the average annual wages are \$27,100.

# Earned Income Tax Credit 2019

If filing...	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household or Widowed	\$15,570	\$41,094	\$46,703	\$50,162
Married Filing Jointly	\$21,370	\$46,884	\$52,493	\$55,952

## Investment Income Limit

Investment income must be \$3,600 or less for the year.

## Maximum Credit Amounts

The maximum amount of credit for Tax Year 2019 is:

- \$6,557 with three or more qualifying children
- \$5,828 with two qualifying children
- \$3,526 with one qualifying child
- \$529 with no qualifying children

For more information on whether a child qualifies you for EITC, see:

# Don't Forget – First-Time Homebuyers Credit

Hearing about e-file rejections!

The repayment of the 2008 is still with us. The \$7,500 Home Buyers Credit has to be repaid over 15 years - up to \$500 a year. (Purch from 04/08-12/31/08)

You do not need to attach a Form 5405 if still living in same home – just pay.

IRS look-up tool - <https://sa.www4.irs.gov/irfof-fthb/>

Use for 5405 to report accelerated repayments:

**Acceleration of repayment** – If a taxpayer disposes of the home for which a first-time homebuyer credit was allowed, or the taxpayer (and the taxpayer's spouse, if married) ceases to use the home as a principal residence before the end of the 15-year repayment period, the remaining credit repayment amount is added to the income tax liability of the taxpayer for the year of disposition or cessation of use.

**Good News!** In 2014 all clients who had *non-repayable credit* should have passed the deadline for the repayment of portion of the credit from selling the property (or converting it to rental use) within 36 months of purchase.

# Line 8- Schedule 1 – Miscellaneous Income

- The ‘Catch-All’ line – typically, use this line to report:
  - Hobby income
  - Gambling income
  - Prize winnings and awards (including game shows)
  - 1099 income that you don’t know what to do with
  - Alaska Permanent Fund Dividends (family?)
  - Kiddie income from (Form 8814)
  - Scholarships, Grants, and other 1099Q Income
  - Foreign Earned Income and Housing Exclusion (Form 2555)
  - Distributions from HSAs & MSAs (Forms 8889 & 8853)
  - Cancellation of debt income/insolvency
  - Jury pay and other misc. reimbursements
  - NOL carryovers
  - And more..

# Line 8 - Miscellaneous Income

## *IMPORTANT Deductions*

### Reminder:

When you are forced to report income on Line 21 because of 3<sup>rd</sup> party reports, This is *ALSO* where you deduct that income back out. Write “See Statement” on next to Line 21.

- Enter the reason for deducting it back out.
- Attach a schedule with details, if applicable, and/or
- Use the relevant form, like Form 982 - Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)
- If no relevant form avail – use Form 8275 – Disclosure Statement

# The Usual Adjustments to Income

- Line 23 - Educator's Expense - \$ 250 - Made permanent (Sec 104)
- Line 33 – Student Loan Interest \$2,500 – (no change)
- Line 34 – Tuition and Fees - \$4,000 – Through 12/31/17 (Sec 153) – Not Extended

- <https://www.irs.gov/pub/irs-pdf/f1040.pdf>

<b>Part II Adjustments to Income</b>		
10	Educator expenses	10
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11
12	Health savings account deduction. Attach Form 8889	12
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13
14	Deductible part of self-employment tax. Attach Schedule SE	14
15	Self-employed SEP, SIMPLE, and qualified plans	15
16	Self-employed health insurance deduction	16
17	Penalty on early withdrawal of savings	17
18a	Alimony paid	18a
b	Recipient's SSN	
c	Date of original divorce or separation agreement (see instructions)	
19	IRA deduction	19
20	Student loan interest deduction	20
21	Reserved for future use	21
22	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040 or 1040-SR, line 8a	22



# Educator's Expenses

Adjustment ( $\$250 \times 2$ ) – ~~or Deduction – Form 2106~~  
*Sec 104 – permanent + indexed (retained by TCJA)*

Teachers/Classroom Supplies - Allowable expenses include books, supplies, computers, software and anything else you use in the classroom. Health and physical education teachers are entitled to deductions for athletic equipment and supplies. Make sure you have receipts for all expenses.

**Beginning in 2016, Sec 104 of the PATH Act also modified the deduction to index the \$250 cap to inflation and include professional development expenses.**  
(We still haven't see this)

Teachers are not the only folks who are entitled to use this deduction.

It may be used by an instructor, counselor, principal, or aide in a school. Your educational institution may span kindergarten through grade 12. And you must work for at least 900 hours a year in the designated job type. (Note: 2,080 hours are considered full time in the business world.)

# Student Loan Interest

- **Lesser of \$2,500** or amount paid that tax year.
- Phased out \$70,000 and \$85,000 (\$140,000 and \$170,000 if you file a joint return).
- Client or spouse must be liable for the loan.
- Can't be related to the lender!
- **Not deductible for MFS or filing as a dependent!**
- Look for a 1098-E if more than \$600.

**Phaseout Computation** - During 2019, you paid \$800 interest on a qualified student loan. Your 2019 MAGI is \$145,000 and you are filing a joint return. You must reduce your deduction by the proportion of income in excess of the limits.

# Health Savings Arrangements or Accounts

## Health Savings Accounts and Arrangements (HSA)

Description	2019	2020
High Deductible -Self-Only	\$1,350	\$1,400
High Deductible -Family	\$2,700	\$2,800
Deduction - Self-Only	\$3,500	\$3,550
Deduction - Family	\$7,000	\$7,100
Maximum Out of Pocket - Self Only	\$6,750	\$6,900
Maximum Out of Pocket - Family	\$13,500	\$13,800

# Alimony

The main things to understand are the changes for 2019!

- For divorce agreements in effect as of 12/31/2018 – there is no change now or later
  - Remember to pick up alimony income in 2019
  - Remember to deduct alimony payments in 2019
  - Understand when something is not alimony at all
  - When splitting retirement assets, use a QDRO
  - Understand how to maximize QDRO funds and minimize taxes.

ALERT! if a current divorce agreement is changed (revised alimony, child support, etc.) through the court – it may fall under the new rules

*Alimony is no longer deductible or income per TCJA – for divorce agreements **signed after 12/31/2018**. (Since it still affects pre 2019 contracts, let's continue.)*

# The Invisible Adjustments – Line 22

**Line 22 – Total Adjustments** – Although, the Form 1040 shows 13 items you may deduct “above the line,” line 36 lets you use another 10 adjustments. Here’s the information about the hidden adjustments straight out of the IRS instructions to the Form 1040, for line 36.

1. Archer MSA deduction (see Form 8853). Identify as “MSA.”
2. Jury duty pay if you gave the pay to your employer because your employer paid your salary while you served on the jury. Identify as “Jury Pay.”
3. Deductible expenses related to income reported on line 21 from the rental of *personal* property engaged in for profit. Identify as “PPR.”
4. Reforestation amortization and expenses (see Pub. 535). Identify as “RFST.”
5. Repayment of supplemental unemployment benefits under the Trade Act of 1974 (see Pub. 525). Identify as “Sub-Pay TRA.”
6. Contributions to section 501(c)(18)(D) pension plans (see Pub. 525). Identify as “501(c)(18)(D).”
7. Contributions by certain chaplains to section 403(b) plans (see Pub. 517). Identify as “403(b).”
8. Attorney fees and court costs for actions involving certain unlawful discrimination claims, but only to the extent of gross income from such actions (see Pub. 525). Identify as “UDC.”
9. Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations, up to the amount of the award includible in your gross income. Identify as “WBF.”
10. **Medicare - One extra adjustment not mentioned in the IRS publication** – Legal fees paid for a private cause of action under Medicare Secondary Payer statute. <https://www.teaguecampbell.com/private-cause-action-medicare-secondary-payer-act/>

# Itemized Deductions

- On the next several slides we will be talking about IRS deductions in effect for 2019 – and some strategies to maximize them
- Remember – your STATE may not have adopted these limitations – so enter ALL the expenses into the software.

# Which Deductions Don't Phase Out?

## Which Itemized Deductions Are Not Limited?

The Pease phaseout limits are gone – at least until 12/31/2025.  
(note the new line numbers)

***However, they are still subject to other applicable limits.***

- Medical and dental expenses (10%)—line 4.
- Investment interest expense (investment income)—line 9.
- Casualty and theft losses of personal use property—line 20 (10% of AGI + \$100) – for Presidential disasters only, no thefts!
- Casualty and theft losses of income-producing property—line 15.  
<https://www.irs.gov/pub/irs-pdf/f4684.pdf>
- Gambling losses—line 16 (limited to gambling income).
- Miscellaneous expenses – subject to 2% reduction – ALL GONE!

# State Tax Refund vs Sales Tax Deduction

If at all possible, deduct sales taxes, instead of state income taxes. **Why?**

- When you deduct sales taxes, you don't have to report state income tax refunds as income on the following year's tax return.
  - Since we have a \$10,000 limit...use this instead of state income taxes
- You don't have to track all the sales taxes paid. Just use the IRS' Sales Tax Calculator.  
<https://www.irs.gov/individuals/sales-tax-deduction-calculator>
- In your tax software, remember to add in the extra sales tax percentage the taxpayer's county or parish charges.
- In addition to the sales tax tables, where the tax is based on your AGI, add the sales taxes paid on big-ticket items like cars, boats, RV, expensive electronics, Rolex watches...
- Besides, some states don't even have income taxes. So sales taxes are your only option.  
<https://taxfoundation.org/article/state-individual-income-tax-rates-and-brackets-2016>
- Except in the states that don't have sales or local taxes either! (DE, NH, MN)  
<https://www.salestaxinstitute.com/resources/rates>
- Note: sales taxes paid for business use vehicles are added to basis. Use only the personal part of the cost as a Schedule A deduction

*Made permanent in Sec 106 of PATH Act*



# Medical Expenses

Line 4 – Medical Expenses –  
**10.0% effective 2019**

<https://www.irs.gov/pub/irs-dft/f1040sa--dft.pdf>

Allowable deductions - <https://www.irs.gov/publications/p502>

As a rule of thumb, for an average household with 2 jobs earning about \$40,000 combined, if unreimbursed medical costs are \$4,000 or less, don't put them through the exercise of gathering the bills.

TaxMama® Tip: If your client knows they will get reimbursed for 2020 expenses In 2019, consider whether or not to deduct those expenses

# Medical and Dental Expenses

- You can only include in medical expenses those amounts paid during the taxable year for which taxpayer received **NO** insurance or other reimbursement during the year.
- Medical Mileage is 20 cents per mile for 2019 and 2020).
  - Don't forget tolls and parking fees (but not speeding tickets!)
- Medical travel also includes the costs for the patient and a (one) companion/ caregiver – up to \$50/night each, for patient and caregiver. (no meals)
- Medical travel for treatment outside of the country is deductible.
  - Treatment may require the patient to stay in that country for several weeks until the full set of procedures are complete. The lodging for all days is allowable.
  - In some cases, the treatment, travel and living expenses are still cheaper than it would cost here in the US.

# Special Education

You can include in medical expenses fees you pay on a doctor's recommendation for a child's tutoring by a teacher who is specially trained and qualified to work with children who have learning disabilities caused by mental or physical impairments, including nervous system disorders.

You can include in medical expenses the cost (tuition, meals, and lodging) of attending a school that furnishes special education to help a child to overcome learning disabilities. A doctor must recommend that the child attend the school. Overcoming the learning disabilities must be a principal reason for attending the school, and any ordinary education received must be incidental to the special education provided. Special education includes:

- Teaching Braille to a visually impaired person,
- Teaching lip reading to a hearing disabled person, or
- Giving remedial language training to correct a condition caused by a birth defect.
- You cannot include in medical expenses the cost of sending a child with behavioral problems to a school where the course of study and the disciplinary methods have a beneficial effect on the child's attitude if the availability of medical care in the school is not a principal reason for sending the student there.

# Medical for Non-Dependent

You can include medical expenses you paid for your dependent. For you to include these expenses, the person must have been your dependent either at the time the medical services were provided or at the time you paid the expenses. A person generally qualifies as your dependent for purposes of the medical expense deduction if both of the following requirements are met.

- The person was a qualifying child or a qualifying relative and
- The person was a U.S. citizen or national or a resident of the United States, Canada, or Mexico.

You can include medical expenses you paid for an individual that *would have been* your dependent except that:

- He or she received gross income of \$4,200 or more in 2019,
- He or she filed a joint return for 2019, or
- You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2018 return.

# Medical Gifts

**Giving** - You may pay anyone's medical expenses as a gift, without any gift tax limitations – if you make the payments directly to the medical provider. No deduction is allowed to the donor if the recipient doesn't meet the previous rules.

**Receiving** – GoFundMe and crowdfunding tips:

- When raising money for someone's medical expenses, set up the crowdfunding account and bank account in the name and SSN of the recipient.
- Do NOT offer anything in return, i.e. no ebooks, no t-shirts, no nothing! Doing that turns this into sales.
- Use all the money for the relevant medical expenses.
- The recipient may claim a deduction for medical expenses paid with gifted funds. TC Memo 2010-286 Lang vs Commissioner - <https://www.leagle.com/decision/intco20101230d61>

# Nursing Services & Home Health Care

You can include in medical expenses wages and other amounts paid for nursing services. The services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming the patient. These services can be provided in your home or another care facility.

- Generally, only the amount spent for nursing services is a medical expense. If the attendant also provides personal and household services, amounts paid to the attendant must be divided between the time spent performing household and personal services and the time spent for nursing services.
- Include the cost of meals and payroll taxes paid on behalf of the attendant.
- *If you had to pay additional amounts for household upkeep because of the attendant, you can include the extra amounts with your medical expenses.* This includes extra rent or utilities you pay because you moved to a larger apartment to provide space for the attendant.

# Home Care Compensation Tip

Always check with your clients to determine if they are paying for household help.

They may have to put workers on payroll and file a Schedule H if they pay \$2,100 or more per year. (or more than \$1,000 per quarter)  
<https://www.irs.gov/pub/irs-pdf/f1040sh.pdf>

Three options:

1. Recommend that they pay an outside service for the workers.
2. Paying directly may be cheaper, then they must set up payroll for IRS and State (which probably doesn't have a Schedule H) and must file all their own quarterly/annual reports, W-2s, etc.
3. Have them hire you to handle all the payroll details.

Note: Remember to adjust federal withholding or ES payments for the additional Schedule H taxes.

# Nursing Homes

You can include in medical expenses the cost of medical care in a nursing home, home for the aged, or similar institution, for yourself, your spouse, or your dependents. This includes the cost of meals and lodging in the home if a principal reason for being there is to get medical care.

Do not include the cost of meals and lodging if the reason for being in the home is personal. You can, however, include in medical expenses the part of the cost that is for medical or nursing care.

Maintenance and personal care services is for providing a chronically ill individual with needed assistance of daily living.

Activities of daily living are **eating, toileting, transferring, bathing, dressing, medication management and continence.**

If an individual is unable to perform at least **two activities** of daily living without substantial assistance from another individual, or requires substantial supervision to be protected from severe cognitive impairment (aka Alzheimers) then qualified long-term care services will be necessary and deductible.



# Home Mortgage Interest

What's new for 2019? Nothing, really

- The PMI deduction (mortgage insurance premiums) are still gone.
- Watch out for this box on line 8, though.

<b>Interest You Paid</b> <small>Caution: Your mortgage interest deduction may be limited (see instructions).</small>	<b>8</b> Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>		
	<b>a</b> Home mortgage interest and points reported to you on Form 1098. See instructions if limited	<b>8a</b>	
	<b>b</b> Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶ _____ ..... .....	<b>8b</b>	
	<b>c</b> Points not reported to you on Form 1098. See instructions for special rules	<b>8c</b>	
	<b>d</b> Reserved	<b>8d</b>	
	<b>e</b> Add lines 8a through 8c	<b>8e</b>	
	<b>9</b> Investment interest. Attach Form 4952 if required. See instructions	<b>9</b>	
	<b>10</b> Add lines 8e and 9		<b>10</b>

# Mortgage Interest Limits - 2018 - 2025

- Limited to 2 properties
  - Clients choice, consistency not required!
  - After 2025, HELOCs are restored – up to the overall \$1 million limit
- Limit to loan balances of **ALL** personal residence mortgages they hold - \$750,000 (not per mortgage) ~~PLUS \$100,000 = \$1,100,000 total debt.~~
- Loans in place before December 15<sup>th</sup> are grandfathered under the old law – up to \$1 million (no HELOC) (\$500,000 MFS).
- <http://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf> page 603

# Mortgage Interest – *Per House or Per Taxpayer?*

A recent Appeals Court case - *Sophy v Comm & Voss v Comm*:  
<https://www.irs.gov/pub/irs-aod/aod-2016-02.pdf>

Two individuals each owned two houses together.

Mortgages were \$2.2 million and \$500,00, totaling \$2.7 million for the two homes.

- IRS limited the total interest to the interest on \$1.1 million, split between the two of them.
- Appeals Court said – EACH taxpayer gets to deduct interest on their own full \$1.1 million loan.

*Planning note: Another reason to get divorced?*

# Mortgage Interest - Refinanced

When the loan is refinanced, you may only deduct the interest on previous balance as acquisition debt – not the amount of the original loan.

For instance, the original loan was \$200,000. It was paid down to \$150,000 at the time taxpayer found a better interest rate.

They refinanced the whole \$200,000, consolidating some debt.

Only the \$150,000 balance is acquisition debt.

- Apply the rest of the new balance to the 'plus \$100,000'.
- If they pulled cash out and are over the limits – forget it. You'll have to do calculations.

2 Outstanding mortgage principal \$	3 Mortgage origination date
--	-----------------------------

This will hold true under the new TCJA.

# Parents or Others Main Borrowers

Sometimes the taxpayer(s) do(es) not have the credit to qualify for a home mortgage/purchase.

Family members end up being the buyers and borrowers on paper.

But the taxpayer lives in home, makes all the mortgage payments, etc. And except for the original paperwork, is really the intended owner.

*“Equitable Owner” or “Beneficial Owner”* – it can get complicated – or you can make it simple.

# Equitable or Beneficial Owner issues

**Simple** – Get attorney to draw up paperwork to spell out who really owns the home & loan

Simple - Need deed in the Beneficial Owner's name. Whether filed or not.

Simple – when CP-2000 comes, simply reply:

The taxpayer is a Beneficial owner under Treasury Regulation Treas. Reg. § 1.163-1(b)

<https://www.law.cornell.edu/cfr/text/26/1.163-1>

**Complicated** – Potential gift tax issues

**Complicated** – **No paperwork** to prove the real arrangement – taxpayer may have to fight it out in Tax Court and (probably) win –

<https://www.journalofaccountancy.com/issues/2008/oct/equitableownerequalsdeduction.html>

# Points

What are not Points? The IRS specifically states that if the fee is for items that would normally be itemized on a settlement statement, such as notary fees, preparation costs, and inspection fees, it is not deductible.

Must amortize, over the life of the loan

- if business, rental or investment property.
- when refinancing
- failure to meet requirements
  - careful- HUD 1 shows if there isn't enough cash to cover the points

**TaxMama® Reminder** - If they refinance again and replace the previous mortgage, remember to deduct the unused balance of the previous refinance. It's deductible in full.

<https://www.irs.gov/pub/irs-dft/i1040sca--dft.pdf#page=10>

# Moving Expenses

- The Senate amendment generally suspends the deduction for moving expenses for taxable years 2018 through 2025.
- However, during that suspension period, the provision retains the deduction for moving expenses and the rules providing for exclusions of amounts attributable to in-kind moving and storage expenses (and reimbursements or allowances for these expenses) for members of the **Armed Forces (or their spouse or dependents) on active duty that move pursuant to a military order and incident to a permanent change of station.**

<https://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-%20466.pdf#page=626>



# Employee Benefits

<b>Description</b>	<b>2019</b>	<b>2020</b>
Cafeteria Plans (FSA)- Max deduction	\$2,700	\$2,750
Commuter Benefits - monthly	265	270
- Bicycle commuter benefits of \$20/ mo suspended 2018-2025		
- Deductible to employer. but ADD to employee wages		
Parking Benefits - monthly	265	270
Employee Awards - non-qualified	400	400
Employee Awards - maximum (multiple)	1600	1600

Read IRS Publication 15-b – Employer’s Guide to Fringe Benefits <https://www.irs.gov/publications/p15b/>

\*This has been extended permanently by Section 105 of PATH Act

# Employee Benefits - Awards

These are excludible from employee's compensation (IRC 74)

**Achievement awards.** An achievement award is an item of **tangible personal property** that meets all the following requirements. It is given to an employee for length of service or safety achievement.

- It is awarded as part of a meaningful presentation.
- It is awarded under conditions and circumstances that do not create a significant likelihood of disguised pay.

**Length-of-service award.** An award will qualify as a length-of-service award only if either of the following applies.

- The employee receives the award after his or her first 5 years of employment.
- The employee did not receive another length-of-service award (other than one of very small value) during the same year or in any of the prior 4 years.

**Safety achievement award.** An award for safety achievement will qualify as an achievement award *unless* one of the following applies.

- It is given to a manager, administrator, clerical employee, or other professional employee.
- During the tax year, more than 10% of your employees, excluding those listed in (1), have already received a safety achievement award (other than one of very small value).

# Don't Overlook Education

**Working benefit fringe** - IRC § 132(d) - When the education payments qualify as a working benefit fringe, none of the payments are taxable to the employee even if the employer pays out \$30,000 or more.

<https://www.law.cornell.edu/uscode/text/26/132>

The benefit qualifies if

- The employee could deduct the expenses on their individual tax return as a business expense under IRC § 162 if they paid it themselves
- There must be a written plan.
- The benefit must be available to all employees, without favoring “highly compensated employees,” and it covers practically all costs except for tools and supplies that employees get to keep after the course ends.
- It cannot cover the owners of the business.
  - Small businesses can offer this benefit, say, to family members who don't meet the definition of “related parties” when it comes to ownership of the business.  
([https://www.irs.gov/publications/p15b#en\\_US\\_2019\\_publink1000193670](https://www.irs.gov/publications/p15b#en_US_2019_publink1000193670) ).
- Employees cannot convert part of wages to the education reimbursement. That would violate the provision that “the program does not allow employees to choose to receive cash or other benefits.”

# Education – Discharge Student Loan Debt

The TCJA allows for the discharge of student loan debt due to death or permanent disability.

The loans eligible for discharge are:

- (1) the United States (or an instrumentality or agency thereof),
- (2) a State (or any political subdivision thereof),
- (3) certain tax-exempt public benefit corporations that control a State, county, or municipal hospital and whose employees have been deemed to be public employees under State law, (4) an educational organization that originally received the funds from which the loan was made from the United States, a State, or a tax-exempt public benefit corporation, or (5) private education loans (for this purpose, private education loan is defined in section 140(7) of the Consumer Protection Act).

Also - National Health Service Corps loan repayment programs

**Not included** - amounts received under the Indian Health Service loan repayment program from income.

TaxMama® Tip – Consider not refinancing these kinds of student loans without a great interest rate.

# Vehicle Expenses

[https://www.irs.gov/publications/p463#en\\_US\\_2019\\_publink100033912](https://www.irs.gov/publications/p463#en_US_2019_publink100033912)

TaxMama® Tip - Don't forget other transportation costs that may be deductible regardless which method you use – if you're in business or get reimbursed

- Tolls, trains, shuttles, buses, etc. AND tips.

Autos – Much simpler to have a separate car or cars just for business. Even then, you will have some personal miles on it.

Deduction options:

1) Mileage      or      2) Actual Expenses.

- To have a mileage choice must use mileage the first year. Then can change each year unless it is a leased car.
- Some clients can not take mileage - if they have 5 or more vehicles.

*Don't forget that you will need the date the vehicle is placed into service – and the cost. Get a copy of the long purchase document.*

# Standard Mileage – and Related Depreciation

Standard Mileage Rate Per Mile	2019	2018
Business	58.0¢	54.5¢
Medical and moving	20.0¢	18.0¢
Charitable	14.0¢	14.0¢
Depreciation	26.0¢	25.0¢

## Depreciation Adjustment For Standard Mileage

Year	Depreciation cents per mile
2019	26
2018	25
2017	24
2016	24
2015	24
2014	22
2012-2013	23
2011	22
2010	23
2008-2009	21
2007	19
2005-2006	17
2003-2004	16
2001-2003	15

Best source – the IRS master page :

<https://www.irs.gov/tax-professionals/standard-mileage-rates>

# Vehicle Depreciation Limits - 2019

Depreciation on autos is limited. For vehicles first placed in service in 2019 there are three tables and the limit depends on when the auto was purchased and whether bonus depreciation applies. See the examples below.

## Depreciation Limits for Passenger Automobiles Acquired After September 27, 2017 and Placed in Service During Calendar Year 2019 for which Additional First Year Depreciation Applies

Tax Year	Depreciation
First	\$18,100
Second	16,100
Third	9,700
Subsequent	5,760

## Depreciation Limits for Passenger Automobiles Placed in Service During Calendar Year 2019 for which Additional First Year Depreciation Does Not Apply

Tax Year	Depreciation
First	\$10,100
Second	16,100
Third	9,700
Subsequent	5,760

## Depreciation Limits for Passenger Automobiles Acquired Before September 28, 2017 and Placed in Service During Calendar Year 2019 for which Additional First Year Depreciation Applies

Tax Year	Depreciation
First	\$14,900
Second	16,100
Third	9,700
Subsequent	5,760

# SUVs and the 6,000 lb.. loophole

## Loopholes big enough to drive an SUV through!

Congress intended to exempt work trucks and commercial vehicles to the 'luxury auto depreciation limitation'

However ANY 6000 lb.+ vehicles, which include SUV's, can use a percentage based depreciation - another lecture - and may even qualify for an extra \$25,900 bonus depreciation – *or more – under the TCJA.*

*However specialized vehicles can be exempted from even the \$25,900 limit.*

- *Qualifying Buses, Hearses, Fire Trucks, Cherry pickers*
- *Delivery Vans, Certain Sized Cargo vehicles.*

**What about all those BMW's, Porsche's, and Mercedes?**

**What loophole do they use?**

*They are generally leased and use actual expenses.*



# Listed Property Updates

- Passenger automobiles
- Any other property used for transportation, unless it is an excepted vehicle.
- Property generally used for entertainment, recreation, or amusement (including photographic, phonographic, communication, and video recording equipment).

## REMOVED from Listed Property:

**Computers and related peripheral equipment.** Computers and related peripheral equipment placed in service after 2017, in tax years ending after 2017, are no longer treated as listed property. (Cell phones were removed several years ago.)

# Section 179 Depreciation

	2019	2020
Regular 179 limits*	\$1,020,000	\$1,040,000
SUV limits	\$25,500	\$25,900
Investment phaseout begins	\$2,550,000	\$2,590,000

\* *Sec 124 makes it permanent and adjusted for inflation*

# Bonus Depreciation – New or Used Assets

Placed in Service Year <sup>500</sup>	Bonus Depreciation Percentage	
	Qualified Property in General/Specified Plants	Longer Production Period Property and Certain Aircraft
<b>Portion of Basis of Qualified Property Acquired before Sept. 28, 2017</b>		
Sept. 28, 2017 – Dec. 31, 2017	50 percent	50 percent
2018	40 percent	50 percent
2019	30 percent	40 percent
2020	None	30 percent <sup>501</sup>
2021 and thereafter	None	None
<b>Portion of Basis of Qualified Property Acquired after Sept. 27, 2017</b>		
Sept. 28, 2017 – Dec. 31, 2022	100 percent	100 percent
2023	80 percent	100 percent
2024	60 percent	80 percent
2025	40 percent	60 percent
2026	20 percent	40 percent
2027	None	20 percent <sup>502</sup>
2028 and thereafter	None	None

As a conforming amendment to the repeal of corporate AMT, the conference agreement repeals the election to accelerate AMT credits in lieu of bonus depreciation.

# Depreciation Election

Folks who bought business or rental assets after Sept. 27, 2017 and didn't depreciate them fully on your tax returns. You must file an election to NOT use the 100% depreciation deduction. (What a bizarre requirement.)

So, for assets purchased in 2019 – remember to include the election to NOT use the 100% depreciation deduction if you're not going to use it.

*“Taxpayers who elect out of the 100-percent depreciation deduction, as well as the 50-percent deduction available under prior law, must do so by attaching a statement to a **timely-filed return**.”*

Acceptable to add it to an amended return filed by the due date of the original return (including extensions, if extended).

<https://www.irs.gov/newsroom/new-rules-and-limitations-for-depreciation-and-expensing-under-the-tax-cuts-and-jobs-act>

TaxMama® Tip - A good reason to always extend business (and Schedule C, E, F) returns

# Charitable Contributions

- The limit on charitable contributions of cash has increased from 50 percent to 60 percent of adjusted gross income.
- **RMD to Charity** - Sec. 408(d)(8), which allows taxpayers to distribute up to \$100,000 in qualified charitable distributions from individual retirement plans without including the distributions in income. **Sec. 112 of PATH Act – makes this permanent**
  - Note: This doesn't mean someone must be rich or make a \$100,000 contribution.
  - The distribution is excluded from income
  - There is no charitable deduction
- No charitable deduction for college athletic event seating rights
- More info <https://www.irs.gov/publications/p526>

# Charitable Contributions – TaxMama® Tip

For clients who cannot itemize – and won't be able to use/carry over the deduction within the 5-year limit:

- Have them gift their donations to family members who can itemize
- Family member can make the donation and get the deduction
- The donation can be made in honor of the parent (or family member) so they still get the standing in the community

# Kiddie Taxes

- Reporting investment income on parents' return – Form 8814 - <https://www.irs.gov/pub/irs-pdf/f8814.pdf> - still available for income up to \$11,000
- Reporting income on child's return – Form 8615 - <https://www.irs.gov/pub/irs-dft/i8615--dft.pdf>
- Use the trust tax tables on the previous page – if

## Who Must File

Form 8615 must be filed for anyone who meets all of the following conditions.

1. You had more than \$2,200 of unearned income.
  2. You are required to file a tax return.
  3. You were either:
    - a. Under age 18 at the end of 2019,
    - b. Age 18 at the end of 2019 and didn't have earned income that was more than half of your support, or
    - c. A full-time student at least age 19 and under age 24 at the end of 2019 and didn't have earned income that was more than half of your support.
- ([Earned income](#) is defined later. [Support](#) is defined below.)
4. At least one of your parents was alive at the end of 2019.
  5. You don't file a joint return for 2019.

# ITIN Updates

Due to the PATH Act of 2015, ITINs are expiring in a three-year cycle. The first complete cycle just ended.

- ITINs expire in two ways
  - Not filing a tax return for at least three years
  - Not renewing during the renewal cycle
- Each summer, the IRS sends the [CP48 Notice, You must renew your Individual Taxpayer Identification Number \(ITIN\) to file your U.S. tax return](#), to the last known address of the ITIN holder.
- Renewing ITIN – the taxpayer can renew for the entire family, even if only one ITIN is expiring. Here are three ways to renew:
  1. Send in Form W-7 and submit all required documentation (originals)
    - Renewals do not require submission of a tax return – new applications do.
  2. To avoid sending originals to the IRS – taxpayers can work with a **Certifying Acceptance Agent** – that could be YOU! <https://www.irs.gov/individuals/international-taxpayers/how-to-become-an-acceptance-agent-for-irs-itin-numbers>
  3. Or make an appointment at an IRS Taxpayer Assistance Center (if they can find one).



# Become a Certifying Acceptance Agent

Form 13551, Application to Participate in the IRS Acceptance Agent Program, is now accepted year-round. <https://www.irs.gov/individuals/international-taxpayers/how-to-become-an-acceptance-agent-for-irs-itin-numbers>

- 1) Complete the mandatory online training PPT (89 pages), and the quiz - <https://www.irs.gov/pub/irs-utl/itin-online%20pre-application%20training%2011-16-16.ppt> (still the same 2016 ppt)
- 2) Read - (Publication 1915 Understanding Your IRS ITIN <https://www.irs.gov/pub/irs-pdf/p1915.pdf> rev-1/2018 - 34 pages)
- 3) Complete the Forensic Course - <https://www.irs.gov/individuals/international-taxpayers/forensic-training> (**cost \$190 - \$195**) This is the only cost
- 4) Fill in Form 13551 online, and print it out. <https://www.irs.gov/pub/irs-pdf/f13551.pdf> (2019) (no fee)
- 5) Send in a fingerprint card (not needed if you're an EA or other Circular 230 practitioner) **Be sure to tell IRS you expect to file for at least 200 clients.** You will need an EIN

# Basic Foreign Tax Issues

The Foreign Earned Income Exclusion (FEIE) (Form 2555) allows American taxpayers working outside the US to exclude up to \$105,900 (\$107,600 – 2020) (plus housing allowance).

<https://www.irs.gov/pub/irs-pdf/f2555.pdf>

When you exclude this income, you may not count it as earned income for any credits – like child tax credits, dependent care credits, OR Foreign Tax Credits! Or towards IRA or other retirement account contributions – which may be helpful in the long run.

- If the taxpayers are paying taxes in the country where they work, consider reporting the income in full and using the Foreign Tax Credit to offset the US taxes.
- **Option:** You may report part of the income and exclude some of it. If you do, only use that percentage of the foreign taxes paid on Form 1116.
  - Taxpayers can avoid using Form 1116 to claim foreign tax credits if the total foreign taxes paid are \$300 or less (\$600 married filing jointly)
- Note: Both of these tax breaks are only available in countries recognized by the US
- When using the FEIE, if they are not on payroll, *they are subject to SE taxes.*
- Only earned income is excluded – retirement and other income is all taxable.
- Remember, the income tax, when using FEIE is based, essentially, on the tax rate on the total taxable income (without taking the FEIE into account) x % of taxable income. i.e., \$25K taxable income/\$150K total income x tax on \$150K

# Sec 199A 20% QBI Deduction Updates

For 2019 (2020) , the threshold is taxable income of \$160,700 (\$163,300) or \$321,400 (\$326,600) if married filing jointly.

Phase-in range equals the threshold amount plus \$50,000 (S, HOH, MFS) or \$100,000 if married filing jointly – For 2019:

- More than \$160,700 to \$210,700 (S, HOH)
- More than \$160,725 to \$210,725 (MFS)
- More than \$321,400 to \$421,400 if married filing jointly.

These amounts are adjusted annually for inflation.

# QBI Adjustments

## QBI Does Not Include

- Items that are not properly includable in taxable income
- Investment items such as capital gains or losses or dividends
- Interest income not properly allocable to a trade or business
- Wage income
- Income that is not effectively connected with the conduct of a business within the United States

## QBI is reduced by

- Any deductions attributable to the trade or business including, but not limited to, the deductible portion of:
  - Self-employment tax,
  - Self-employed health insurance,
  - Contributions to qualified retirement plans,
  - Deductible unreimbursed partnership expenses, and
  - Business interest allocable to S corporation or partnership, deducted on Schedule E.

# Personal Service vs SSTB (Sec 199A)

- **Personal services for PSC.** Personal services include any activity performed in the fields of accounting, actuarial science, **architecture**, consulting, **engineering**, health (including veterinary services), law, and the performing arts.  
(red – are not in the definition of SSTB)
- **Specific Service Trade or Business (SSTB).** Services in the fields of health, law, accounting, actuarial science, performing arts, consulting, **athletics**, **financial services**, **investing and investment management**, trading, dealing in certain assets or any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners.  
(Green – are not in the definition of personal services)

Note: C corporations do not qualify for the Sec 199A deductions. The purpose of this page is simply to explain these distinctions.

# Additional/Alternative Computation

For those businesses with income in excess of the SSTB limits,

- 20% of QBI or the *greater* of
- 50% of the W-2 wages paid by the business;

or

- The sum of:
  - 25% of the W-2 wages paid by the business; **plus** 2.5% of the unadjusted basis immediately after acquisition of depreciable property.

# Two New DRAFT Forms for 2019

- Form 8995 A – Qualified Business Income Deduction (was 5 pages in first draft – now only 3)  
<https://www.irs.gov/pub/irs-dft/f8995a--dft.pdf>
- Form 8995 – Qualified Business Income Deduction  
<https://www.irs.gov/pub/irs-dft/f8995--dft.pdf>

# New Form 8995 – QBI Deduction

Form <b>8995</b>		<b>Qualified Business Income Deduction</b> <b>Simplified Computation</b>		OMB No. XXXX-XXXX
Department of the Treasury Internal Revenue Service		▶ Attach to your tax return. ▶ Go to <a href="http://www.irs.gov/Form8995">www.irs.gov/Form8995</a> for instructions and the latest information.		<b>2019</b> Attachment Sequence No. <b>55</b>
Name(s) shown on return			Your taxpayer identification number	
<b>1</b>	(a) Trade, business, or aggregation name	(b) Taxpayer identification number	(c) Qualified business income or (loss)	
<b>i</b>				
<b>ii</b>				
<b>iii</b>				
<b>iv</b>				
<b>v</b>				
<b>2</b>	Total qualified business income or (loss). Combine lines 1i through 1v, column (c)	<b>2</b>		
<b>3</b>	Qualified business net (loss) carryforward from the prior year	<b>3</b>	( )	
<b>4</b>	Total qualified business income. Combine lines 2 and 3. If zero or less, enter -0-	<b>4</b>		
<b>5</b>	Qualified business income component. Multiply line 4 by 20% (0.20)			<b>5</b>
<b>6</b>	Qualified REIT dividends and publicly traded partnership (PTP) income or (loss) (see instructions)	<b>6</b>		
<b>7</b>	Qualified REIT dividends and qualified PTP (loss) carryforward from the prior year	<b>7</b>	( )	
<b>8</b>	Total qualified REIT dividends and PTP income. Combine lines 6 and 7. If zero or less, enter -0-	<b>8</b>		
<b>9</b>	REIT and PTP component. Multiply line 8 by 20% (0.20)			<b>9</b>
<b>10</b>	Qualified business income deduction before the income limitation. Add lines 5 and 9			<b>10</b>
<b>11</b>	Taxable income before qualified business income deduction	<b>11</b>		
<b>12</b>	Net capital gain (see instructions)	<b>12</b>		
<b>13</b>	Subtract line 12 from line 11. If zero or less, enter -0-	<b>13</b>		
<b>14</b>	Income limitation. Multiply line 13 by 20% (0.20)			<b>14</b>
<b>15</b>	Qualified business income deduction. Enter the lesser of line 10 or line 14. Also enter this amount on the applicable line of your return ▶			<b>15</b>
<b>16</b>	Total qualified business (loss) carryforward. Combine lines 2 and 3. If greater than zero, enter -0-			<b>16</b>
<b>17</b>	Total qualified REIT dividends and PTP (loss) carryforward. Combine lines 6 and 7. If greater than zero, enter -0-			<b>17</b>

For Privacy Act and Paperwork Reduction Act Notice, see instructions.

Cat. No. 37806C

Form **8995** (2019)



# Form 8995-A

Form **8995-A**

## Qualified Business Income Deduction

OMB No. XXXX-XXXX

**2019**

Attachment Sequence No. **55A**

Department of the Treasury  
Internal Revenue Service

▶ Attach to your tax return.  
▶ Go to [www.irs.gov/Form8995A](http://www.irs.gov/Form8995A) for instructions and the latest information.

Name(s) shown on return

Your taxpayer identification number

### Part I Trade, Business, or Aggregation Information

Complete the schedules for Form 8995-A, (A, B, C, and/or D), as applicable, before starting Part I. Attach additional worksheets when needed. See instructions.

1	(a) Trade, business, or aggregation name	(b) Check if specified service	(c) Check if aggregation	(d) Taxpayer identification number	(e) Check if patron
A		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
B		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
C		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

### Part II Determine Your Adjusted Qualified Business Income

		A	B	C
2	Qualified business income from the trade, business, or aggregation. See instructions . . . . .			
3	Multiply line 2 by 20% (0.20). If your taxable income is \$160,700 or less (\$160,725 if married filing separately; \$321,400 if married filing jointly), skip lines 4 through 12 and enter the amount from line 3 on line 13 . . . . .			
4	Allocable share of W-2 wages from the trade, business, or aggregation . . . . .			
5	Multiply line 4 by 50% (0.50) . . . . .			
6	Multiply line 4 by 25% (0.25) . . . . .			
7	Allocable share of the unadjusted basis immediately after acquisition (UBIA) of all qualified property . . . . .			
8	Multiply line 7 by 2.5% (0.025) . . . . .			
9	Add lines 6 and 8 . . . . .			
10	Enter the greater of line 5 or line 9 . . . . .			
11	W-2 wage and qualified property limitation. Enter the smaller of line 3 or line 10 . . . . .			
12	Phased-in reduction. Enter amount from line 26, if any. See instructions . . . . .			
13	Qualified business income deduction before patron reduction. Enter the greater of line 11 or line 12 . . . . .			
14	Patron reduction. Enter the amount from Schedule D (Form 8995-A), line 6, if any . . . . .			
15	Qualified business income component. Subtract line 14 from line 13 . . . . .			
16	Total qualified business income component. Add all amounts reported on line 15 . . . . . ▶			

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 71661B

Form **8995-A** (2019)

THANK YOU FOR ATTENDING

if you have questions,  
please go to TaxMama.com  
and click on Ask A Question

<http://iTaxMama.com/AskQuestion>

I answer questions on weekday mornings