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Tax Season 2019

The Deadline for individual income tax returns this year is Monday April 15th.

We have recently completed corporate returns for the March 15th deadline and continue to process individual returns. We would like to remind those of you who have not yet gathered your 2018 tax information, you may want to consider having us prepare an extension for you which would extend the filing time until October 15th. As long as the tax you owe for the year is paid with the extension, filing for the extension does not have any negative ramification.

REMINDER:

Individual Estimated Income Taxes payments are due by Monday April 15, 2019.

We will take the opportunity in this newsletter to highlight some legislative changes to key provisions under Obamacare. In addition we will review some options to help deal with the skyrocketing price of higher education.

What's New This Filing Season

HEALTH CARE

We'll first turn to key Obamacare tax changes that are in place for 2019. People who forgo health insurance in 2019 won't have to pay a penalty. The new tax law repealed the fines under Obamacare's individual mandate for post-2018 years. Note that this relief does not apply for 2018 returns filed in 2019.

The income levels to qualify for the health premium credit in 2019 have gone up. The credit is available for people with household incomes ranging from 100% to 400% of the federal poverty level...\$12,140 to \$48,560 for singles and \$25,200 to \$100,400 for a family of four, who buy health insurance through one of the exchanges. Individuals eligible for Medicare or other federal insurance don't qualify for the credit. Nor do people who can get affordable health coverage through their employer.

HSA CAP The annual cap on deductible contributions to HSAs rises in 2019 to \$3,500 for self coverage and \$7,000 for account owners with family coverage. Qualifying policies must limit out-of-pocket costs for deductibles and co-payments to \$13,500 for family

health plans and \$6750 for people with individual coverage. Minimum policy deductibles stay at \$2,700 for families and \$1,350 for individuals. The threshold for deducting medical expenses on schedule A jumps from 7.5% of adjusted gross income to 10%, starting with 2019 returns filed in 2020. The new tax law revived the 7.5%-of-AGI threshold, but only for 2017 and 2018.

Long-Term Care Premium are generally higher in 2019. Tax payers who are 71 or older can write off as much as \$1,580. Individuals who are 41 to 50 can take \$790.00 and people age 40 and younger \$420.00. For most, long term care premiums are medical expenses deductible only by itemizers and only to the extent that total medical expenses exceed 10% of adjusted gross income. Self employed can deduct long-term care premiums, subject to the dollar limits, on Schedule 1 of the new 1040 form without regard to the 10%-of-AGI threshold.

EDUCATION

Saving or paying for college can be expensive, as the price of a higher education has skyrocketed. The tax law can help blunt some of the cost. We'll look at key tax breaks for education.

529 PLANS Let's begin with 529 college savings plans. Distributions used for college are tax-free. Eligible expenses include the cost of tuition, books, supplies, fees and computers. Room and board also qualify for students enrolled at least half-time. 529 Plans can pay for K-12 education as well. Tax-free payouts of up to \$10,000 per student per year can be taken to pay tuition for elementary and secondary private and parochial schools.

COVERDELL EDUCATION SAVINGS ACCOUNTS are another option. As with 529 plans, distributions from them are tax-free if the funds are used for education expenses. You can set up both a Coverdell and a 529 college savings plan for the same child.

SAVINGS BONDS you can use them to help pay for college. Generally, interest on savings bonds must be reported as income on the 1040 in the year the instruments mature or whenever they are redeemed, whichever is earlier. Interest on **EE and I BONDS** used to pay for education may be tax-free, provided certain rules are met. The bonds must have been purchased after 1989 by taxpayers age 24 or older and redeemed to pay for college or graduate school tuition and fees for the taxpayer, spouse or dependent. Vocational schools also qualify.

The **AMERICAN OPPURTUNITY TAX CREDIT** is worth up to \$2,500 per student for each of the first four years of college. It phases out for couples with a modified AGI above \$160,000...\$80,000 for individuals and ends when modified AGI tops \$180,000 and \$90,000 respectively. Eligible expenses include tuition, books and supplies.

SCAMS

IRS telephone scams are surging during this filing season, the agency warns. The callers, who claim to be agency employees, alter the caller ID readout to show IRS, or, in some of the most recent scams, the agency's Taxpayer Advocate Service offices. Victims are told they owe taxes and must pay through a wire transfer, gift card or prepaid debit card. They are threatened with arrest, foreclosure or deportation. Seniors and low income individuals are especially at risk from these scams. If you get one of these calls, don't give out any information. Hang up immediately and notify Treasury inspectors at 800-366-4484 and IRS at phshing@irs.gov.