

HUDSON POPE PLLC

CERTIFIED PUBLIC ACCOUNTANT
310 New Street, New Bern, NC 28560
252-635-1330; Fax: 252-634-2772

Year End News

With one year complete under the new tax laws we have a better idea of how the changes impact each individual situation. It has been our privilege to work with you in this year of change. We thank you for your continued support and allowing us to serve you and wish you all a very safe and joyous holiday season.

Please note that our office hours will vary around the Holidays. Beginning January 6, 2020 our hours will be 8:30 am to 5:00 pm Monday through Friday, at a minimum, to better serve you.

REMINDERS:

Individual Estimated Income Tax payments are due January 15, 2020.

You may want to consider paying your North Carolina estimate by December 31, 2019.

PAYROLL REPORTING REMINDERS:

E-Verify – Required in NC if you employ 25 or more full time employees.

1099-MISC – E-file required if filing 250 or more information returns during the year.

W-2 – E-file required if filing 250 or more forms W-2 or W-2c.

NCUI-101 – NC unemployment – CD or e-file is required if reporting 10 or more wages per quarter.

IMPORTANT REMINDERS AND KEY ITEM UPDATES

As we approach the new year, we are beginning to prepare for a new payroll reporting and tax season. This newsletter will focus on important reminders and planning strategies that can make the upcoming season a success.

Year-End Payroll Reporting – As a reminder to our business clients, you are required to furnish W-2's and most 1099's by January 31, 2020. It is very important that we receive the correct names, social security numbers, and addresses for your employees and 1099 recipients as soon as possible.

Watch for your IRS PIN – If you are a victim of IRS identity theft, you will be mailed a one-time use personal identification number (PIN) as added security. You should receive it via mail in December. Please save to provide to us as we will need this information to file your return.

Tax Organizers – Many of our clients receive tax organizers to help in gathering their information to complete their individual tax returns. If you do not receive an organizer and would like to or would prefer to receive your organizer by email, please let Wendy Reid know by January 6, 2020 at wendy.reid@hudsonpope.com

Gather tax documents – As a reminder we are approaching the time of year to receive mail labeled "tax documents included". Please be sure to maintain all documents received in one location and provide to us at one time as much as possible. The most common forms received include:

W-2 (from employers), 1099 (from banks and other payers), 1095-A (from the marketplace), 1098 (mortgage interest), SSA 1099 (from Social Security Administration), and K-1's.

Exempt Salaried Employees – The base salary for an exempt salary employee increases effective January 1, 2020. If you believe you have an employee whom qualifies as exempt from overtime rules and is paid a salary please contact your CPA to be sure you are in compliance.

Take Required Minimum Distributions (RMDs) – If you are age 70 ½ or older you need to take RMDs from certain retirement accounts prior to December 31 to avoid penalties.

Consider taking a Qualified Charitable Distribution (QCD) from your IRA directly to a qualified charity. This strategy is helpful if you are no longer able to itemize on Schedule A. You must be 70 ½ or older to be eligible. Any amount processed as a QCD counts toward your RMD requirement and reduces the taxable amount of your IRA distribution.

Due to the current cap of taxes paid on Schedule A “Itemized Deductions” you may want to consider the timing of your real estate tax payments. Call your CPA to discuss if you could benefit from this strategy.

Reduce taxable income if possible, to maximize the Qualified Business Income deduction (QBI / Section 199A) – If taxable income exceeds \$ 321,400 for married filing joint, \$ 160,750 for married filing separate or \$ 160,700 for all other taxpayers, the deduction is subject to multiple limits and/or phase outs.

Remember casualty losses are ONLY deductible if the losses were incurred in a federally declared disaster area.

HEALTH INSURANCE

Health insurance is on many of our minds as we are reviewing our options for insurance in 2020. Whether enrolling in coverage through your workplace or buying a plan on your own, there's a lot to consider. One choice could be a health savings account (HSA).

HSAs are tax-advantaged arrangements that can be used to manage your health deductibles and out of pocket costs as well as allow you to save for future health care expenses. Many employers have an HSA option available for their employees.

Eligibility for HSAs is restricted. You must have a high-deductible health plan to qualify. The minimum allowable deductible for 2020 is \$ 1,400 for individual coverage and \$ 2,800 for family coverage. Out of pocket costs, including copayments can't exceed \$ 6,900 a year for individual coverage and \$ 13,800 for family coverage.

People enrolled in Medicare can't contribute to HSAs. However, if you have a balance in an existing HSA, once you turn 65, you can use HSA money on a tax-free basis to pay monthly Medicare premiums. Also, while you're on Medicare you can continue to take tax-free payouts from your HSA for out-of-pocket medicals.

Contributions to HSAs are deductible pre-tax to a limit. For 2020, the annual cap on contributions to HSAs is \$ 3,550 for individual coverage and \$ 7,100 for family coverage. People born before 1966 can put an additional \$ 1,000 into an HSA. Excess contributions aren't deductible and incur a 6% yearly excise tax until withdrawn.

Earnings inside an HSA build tax-free for the account owner. HSAs don't have a use-it or lose-it rule, unlike flexible spending accounts.

Any withdrawals that are used to pay medical expenses are not taxed. Distributions from HSAs for other purposes are taxed and subject to a 20% penalty with a few exceptions.