Member: AICPA **Member: GSCPA**

6065 Roswell Road, Suite 400
Atlanta, Georgia 30328
Office (404) 917-2700
Fax (404) 917-2701

Certified Public Accountants

cpa@rusenkocpa.com

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Happy Holidays! As we close out this decade and look forward to the 20's, now is a great time to reflect on the last ten years and update your plan for the decade to come. We appreciate the trust and confidence you have placed in our firm and for allowing us to guide you along your financial journey. As always, thank you for your continued referrals! Below is the 2019 edition of our compendium of tax, finance and other random musings. Enjoy!

Editorials from your CPA

Our firm is constantly evaluating feedback from our clients and staff to increase our value to you. So much of our relationship depends on our ability to effectively and efficiently communicate with one another. That is why we are excited to be rolling out a new communication protocol over the next 90 days, which will help us process client requests and get information out to you more efficiently! Be on the lookout for more information from us in the coming weeks and months.

Our primary goal is to help you legally and ethically minimize your tax liability each year. To do this, we must spend adequate time reviewing your tax information and researching applicable tax laws and strategies. We understand that finalizing your business books and organizing personal tax documents can be a hassle and lead to procrastination in getting this information over to us to prepare your returns. However, in order to provide you with the best value and service, we have updated our document intake deadlines as follows:

- For corporate and partnership returns due on March 15, tax information received after February 1st will likely need to be extended.
- For personal tax returns and corporate returns due April 15th, tax information received after March 15th will likely require an extension as well.

If you send us your tax documents after these dates and we are unable to complete them by the filing deadline, we will file the extension automatically for you. We appreciate your understanding as we work to improve the quality of service we provide you!

Top Tips to Minimize Your 2019 Tax Liability

1.) **Maximize Contributions to Employer Sponsored Retirement Plans.** This may seem obvious but maxing out contributions to your employer sponsored retirement plan is the easiest way to get a tax deduction now, while also building wealth for the future. If you run your own business and have not yet set up a retirement plan to make tax-deductible contributions, reach out to us as soon as possible, and we will go over the potential benefits. See the table on page 7 for the contribution limits for each type of plan, in some cases you can contribute up to $56k for 2019.

2.) **Maximize your Qualified Business Income (QBI) deduction.** One of the biggest new deductions in the last 2 years is the 20% deduction for qualified business income from trade or business income. This deduction is calculated from income received from REIT dividends, Publicly Traded Partnership income, sole proprietorships, partnerships, S-corps, and other pass-through business entities. The calculation of this deduction is complex and has several limitations, but our office can help you maximize your QBI deduction before the end of the year if you receive income from one of the above business types.

3.) **Take advantage of new depreciation rules for new business asset purchases.** Bonus depreciation rules were expanded in 2018 to allow for 100% deduction of business asset purchases (used or new) and certain qualified real property improvements. In prior years, this was limited to new equipment purchases only. This expanded bonus depreciation also applies to heavy SUV (over 6,000 pounds) purchases. 100% of the cost of these business vehicle purchases can be deducted in the first year under the new law.

4.) **Defer capital gains by investing in an opportunity fund zone.** If you are considering selling assets that would generate substantial capital gains, you can defer this gain by investing an equal amount in an opportunity zone fund within six months. You can have up to 15 percent of the deferred gain forgiven entirely for holding for specified time periods, and you will pay no tax on any additional gain if you hold the investment for 10 years.

Real Estate continues to be a good investment in much of the United States. While prices in the Atlanta market have slowed their ascent, there are still good values to be found in certain areas around town. For investment and potential cash flow you may have to go outside the metro Atlanta area to find a good deal. Some of our clients have found some good properties in South Carolina, Alabama and other states in the Southeast. While most of you are probably locked into low rate mortgages on your properties, it may still be worthwhile to reach out to a mortgage broker and check current rates. Rates in 2019 have come back down to the high 3% range. We know some great mortgage brokers and Realtors if you need a referral.

2019 stock picks

Owning a **stock portfolio** is another method of saving for future goals and retirement. Your priority should be deferring income into an employer sponsored **401k or IRA**. At the very least, you should be contributing enough to receive the employer match; if offered by your employer. By putting pre-tax dollars to work in the market, you are giving yourself the best chance to achieve an adequate return. Do not watch these accounts on a day-to-day basis. Contribute to them consistently throughout the year and utilize the expertise of a good financial advisor to help you rebalance them as necessary. Since your time horizon for the funds invested is generally longer term in nature, fluctuations in the market will be averaged the longer the funds are invested.

Last year, the average one-year return for the stocks in our "stock pick" portfolio was 21.92%. Our biggest gainers were: Ferrari (RACE), Disney (DIS), and Morgan Stanley (MS), with one year returns of 64.18%, 33.93% and 31.67%, respectively. In keeping with traditions of this storied letter, pure gut instinct was our number one determining factor for the picks published herein. That's right; absolutely no math or science was used in the selection of these picks.

Consumer goods					Healthcare	Services	
Auto manufacturers	**Auto parts**	**Retail**	**Technology**		**Drug manufacturers**	**Home improvement stores**	**Variety stores**
Ford (F)	Johnson Controls Intl (JCI)	Baidu Inc. (BIDU)	Netflix (NFLX) Snapchat (SNAP)		Eli Lilly and Company (LLY)	Lowe's (LOW)	Costco Wholesale (COST)

Tax law changes

Social Security Wage Base

In 2019, the social security wage based increased from $128,400 to $132,900.

Tuition and Fees Deduction

The American Opportunity Credit and Lifetime Learning Credit are both still available to qualified taxpayers.

Deduction for Medical Expenses

Beginning January 1st, 2019 unreimbursed medical expenses that exceed 10% of Adjusted Gross Income threshold are allowed for deducting medical expenses.

Businesses

Business Standard Mileage Rate Increases

The standard business mileage rate is 58 cents per mile for 2019, an increase over 54.5 cents per mile allowed for 2018. Remember that you can deduct the cost of parking and tolls in addition to the mileage allowance.

Health Care Flexible Spending Accounts

Employees can contribute up to $2,700 to Qualified Health Care Spending Accounts in 2019.

Accelerated Due Dates for Informational Returns (W-2s, 1099s, etc.)

Forms W-2, W-3 and 1099-MISC must be filed by January 31st of the following year to which they apply. There is no longer an extension of time to file for electronically filed returns.

Sec. 179 expense deduction

For 2019, the maximum amount of qualifying property a business can expense is $1,000,000. That amount is reduced dollar for dollar by the amount of property purchased over $2,500,000.

100% Bonus Depreciation

First year depreciation deduction for qualified property increased from 50% to 100% until 2022 where it will be phased down over the next 4 years will be allowed from property placed in service. The decrease follows as such, 2023: 80%, 2024: 60%, 2025: 40%, 2026: 20%.

Renewable Energy Tax Credits

Renewable energy tax credits are for fuel cells, small wind turbines and geothermal heat pumps. A tax credit of 30% is allowed for systems installed by December 31, 2019.

Surviving the IRS, your filing and payment requirements

Taxes aren't just about using planning strategies to affect how much you'll owe. Some of the most important filing due dates and payment deadlines are detailed in this section.

Filing deadlines

The IRS offers automatic extensions for many of the biggest filing deadlines, including annual income tax returns for corporations, individuals, partnerships, trusts, estates and nonprofits. If you are not going to meet a filing deadline, don't worry. Filing for an automatic extension is painless and can spare you penalties for missed deadlines. **But remember that filing an extension extends only the deadline for filing your return, not for paying tax. You must pay any outstanding balance in your income tax in full by April 15th, 2020 to avoid interest and potential penalties.**

Paying your tax

Although you don't file your return until after the end of the year, remember you must pay tax throughout the year with quarterly estimated tax payments or withholding. Shortfalls will generate a nondeductible penalty.

Annual return due dates for calendar-year taxpayers

	Form Number	Deadline	Extended deadline
C corporations	1120	April 15	Oct. 15
S corporations	1120S	March 15	Sept. 16
Partnerships	1065	March 15	Sept. 16
Trusts and estates	1041	April 15	Sept. 30
Individuals	1040	April 15	Oct. 15

Estimated tax payments due for individuals

1st quarter	April 15
2nd quarter	June 15
3rd quarter	Sept. 15
4th quarter	Jan. 15

Tax planning for individuals

"The hardest thing in the world to understand is the income tax" – Albert Einstein

The top rate on ordinary income is 37%, while the top rate on long-term capital gains and qualifying dividends is 20%. We've included tables with the full tax brackets for investment and ordinary income; plus, many important tax rules and benefits for the individual taxpayer.

2019 individual income tax rates

Rate	Married, filing joint		Married, filing separate		Single		Head of household	
10%	0 -	$ 19,400	0 -	$ 9,700	0 -	$ 9,700	0 -	$ 13,850
12%	$ 19,401	$ 78,950	$ 9,701	$ 39,745	$ 9,701	$ 39,475	$ 13,851	$ 52,850
22%	$ 78,951	$ 168,400	$ 39,746	$ 84,200	$ 39,476	$ 84,200	$ 52,851	$ 84,200
24%	$ 168,401	$ 321,450	$ 84,201	$ 160,725	$ 84,201	$ 160,725	$ 84,201	$ 160,700
32%	$ 321,451	$ 408,200	$ 160,726	$ 204,100	$ 160,726	$ 204,100	$ 160,701	$ 204,100
35%	$ 408,201	$ 612,350	$ 204,101	$ 306,175	$ 204,101	$ 510,300	$ 204,101	$ 510,300
37%	$ 612,351	+	$ 306,176	+	$ 510,301	+	$ 510,301	+

2018 individual income tax rates

Rate	Married, filing joint		Married, filing separate		Single		Head of household	
10%	0 -	$ 19,050	0 -	$ 9,525	0 -	$ 9,525	0 -	$ 13,600
12%	$ 19,051	$ 77,400	$ 9,526	$ 38,700	$ 9,526	$ 38,700	$ 13,601	$ 51,800
22%	$ 77,401	$ 165,000	$ 38,701	$ 82,500	$ 38,701	$ 82,500	$ 51,801	$ 82,500
24%	$ 165,001	$ 315,000	$ 82,501	$ 157,500	$ 82,501	$ 157,500	$ 82,501	$ 157,500
32%	$ 315,001	$ 400,000	$ 157,501	$ 200,000	$ 157,501	$ 200,000	$ 157,501	$ 200,000
35%	$ 400,001	$ 600,000	$ 200,001	$ 300,000	$ 200,001	$ 500,000	$ 200,001	$ 500,000
37%	$ 600,001	+	$ 300,001	+	$ 500,001	+	$ 500,001	+

Capital gains tax

	2019	2018
Long term	15%/20%	15%/20%
Lower-income taxpayers	0%	0%
Short term	Ordinary rates	Ordinary rates

Qualified dividends

	2019	2018
Qualified dividend rate	15%/20%	15%/20%
Lower-income taxpayers	0%	0%
Nonqualified dividends	Ordinary rates	Ordinary rates

Tax on net investment income

A 3.8% tax is imposed on the lesser of net investment income or the excess of modified AGI over the following threshold amounts:

2019		2018	
Single	$ 200,000	Single	$ 200,000
MFJ	$ 250,000	MFJ	$ 250,000
MFS	$ 125,000	MFS	$ 125,000
HOH	$ 200,000	HOH	$ 200,000

Alternative minimum tax (AMT)

	AMT exemption amounts		AMT phase-out	
	2019	2018	2019	2018
Single	$ 71,700	$ 70,300	$ 510,300	$ 500,000
MFJ	$ 111,700	$ 109,400	$ 1,020,600	$ 1,000,000
MFS	$ 55,850	$ 54,700	$ 510,300	$ 500,000
HOH	$ 71,700	$ 70,300	$ 510,300	$ 500,000

Standard Deduction

	2019	2018
Single	$ 12,200	$ 12,000
MFJ	$ 24,400	$ 24,000
MFS	$ 12,200	$ 12,000
HOH	$ 18,350	$ 18,000

Take advantage of extra benefits for disaster relief charitable contributions. Extra tax benefits are available for qualified contributions made to qualified charities for relief efforts in the Hurricane Florence, Hurricane Michael, or California Wildfire disaster areas. You may be able to offset more of your income with a charitable deduction than is normally allowed. Consult your tax advisor for additional information.

Consider using vacation rental property personally to qualify it as a second residence. Passive loss rules are restrictive and may be limiting the tax benefit that you're currently receiving. If you or a family member uses the property personally for more than the greater of 14 days or 10% of the total rental days, you may be able to classify it as a second residence. Doing so would allow you to deduct mortgage interest while only forfeiting deductions for the personal use portion of other routine expenses such as repairs, maintenance, homeowner's fees, and insurance.

Tax planning in an uncertain tax environment:

Group your business activities

If you have more than one business activity, you may be able to group these activities together in order to meet material participation requirements and save yourself from NII tax. This is especially helpful for taxpayers who can't spend more than 500 hours per year on each separate business.

Top deductions and credits often overlooked

- State taxes paid
- Self-employed health insurance
- Out-of-pocket charitable contributions
- Student loan interest
- Personal property taxes
- Refinancing mortgage points
- Child and dependent care tax credit
- Miles driven in service of charitable organizations, at rate of 14 cents per mile

Tax planning for businesses

This section includes important business strategies as well as important tax tables, planning tips, and tax law updates.

2019 corporate income tax rates

Tax rate	Type of corporation
21%	C corporation
21%	Personal service corporation

CONUS per diem rates

Effective date	Daily rate*
Oct. 1, 2019 through Sept. 30, 2020	$ 200 ($140 lodging + $60 meals)
Oct. 1, 2018 through Sept. 30, 2019	$ 195 ($135 lodging + $60 meals)

* See Notice 2019-55 for 2019-20 and Notice 2018-77 for 2018-19 high-cost locality per-diem rates.

2019 estate and trust income tax rate schedule

Tax rate	Taxable income between:	
10%	0 -	$ 2,600
24%	$ 2,601	$ 9,300
35%	$ 9,301	$ 12,750
37%	$ 12,751	+

Standard business mileage rate

Effective date	Daily rate
Jan. 1, 2019	$ 0.580/mi.
Jan. 1, 2018	$ 0.545/mi.

Dealing with healthcare reform:

In 2016, the ACA imposed excise taxes on employers with at least 50 full-time or full-time equivalent employees, if they do not offer healthcare coverage to at least 95% of full-time employees, or if the coverage offered does not meet minimum value and affordability requirements.

Failing to meet these requirements can be costly for a business. It is important for business owners with more than 50 employees to understand what it means to meet the 95% coverage threshold, and how to determine who is a full-time employee.

- Healthcare information must be reported to employees on Form 1095-C by March 2, 2020. New this year the IRS will not issue a penalty for failure to furnish Form 1095-C to any employee enrolled on an ALE member's self-insured health plan that is not a full-time employee for any month in 2019.
- The information on all employees must be reported to the IRS on Form 1094-C by Feb. 28, 2020 (if paper filing) or Mar. 31, 2020 (if electronically filing).
- Employees not covered under a fully insured plan will receive Form 1095-B from the insurance company.

Planning tips:

Make an S election, or revert to a C corporation

Change your tax status from a C corporation to an S corporation or change your tax status to a C corporation from an S corporation. Each entity type is taxed under a different sub-section of the tax code; check with any of the tax professionals in our office to find out more about using these elections to your advantage.

Loan additional capital to your S corporation

S corporation owners who need additional capital can obtain credit individually and lend the capital to their company. Not only will this increase working capital, but it will also add to the tax basis of the company, allowing for the recognition of additional losses on their tax return.

Take advantage of special depreciation allowances

Certain sections of the tax code allow for special depreciation allowances. For example, Section 179 allows a business to deduct up to $1,000,000 of certain qualifying capital acquisitions in the current tax year. 2019 is offering a 100% Bonus Depreciation deduction on new and used equipment. Reduce taxable income by taking advantage of these special allowances.

Classify your employees

If you pay an individual for services rendered, including household employees, you have a requirement to prepare Form 1099 for non-employee compensation, or form W-2 for employee wages. If you own rental properties this requirement also applies. W-2's and 1099's are due to recipients by January 31, 2020.

Make use of an "accountable plan"

Employers can reimburse employee business expenses before year-end when the employer has an "accountable plan" in place. There is a 50% deduction allowance for meals. This can reduce salaries and create savings on employment taxes, while also reducing an employee's taxable income.

Take advantage of the standard mileage deduction

Generally, the standard mileage deduction allows for a larger deduction than the actual expenses incurred for driving those miles. In 2019 the mileage rate is 58 cents per mile. For example, not including repairs and depreciation, the cost of gas per 1,000 miles is approximately $160; the standard mileage deduction per 1,000 miles is $580, equal to an extra deduction of $420 per 1,000 miles.

Quick planning tips:

- Cash basis taxpayers should pay all outstanding bills before year-end to maximize deductions.
- Cash basis taxpayers can reduce taxable income by writing-off obsolete inventory before year-end.
- Cash basis taxpayers' revenue is taxable when deposited and recorded to the register.
- Accrual basis taxpayers can reduce taxable income by writing-off uncollectible A/R before year-end.
- Document "Who, What, When, and Where" for business travel and meals.
- The IRS does not require receipts for cash expenses costing less than $75; save time by recording these expenses in a "business diary" instead.
- Set-up a retirement plan before year-end to defer taxable income.

Reminder to discuss and reference the following items in your year-end board meeting:

- Charitable contributions
- Year-end bonuses, retirement plans, or profit-sharing arrangements
- Reasons for retaining earnings
- Changes to organizational structure that occurred during the year
- Insurance changes (disability, life, health, etc.)

Retirement savings

Lawmakers have loaded the tax code with valuable retirement savings incentives, and with careful planning, these incentives can offer you some of the best tax savings in the code. This section includes tables, tips, and tax law updates for some of the most heavily used retirement savings options.

Comparison of tax-preferred retirement savings vehicles

	Maximum employee contribution		Catch-up contributions for age 50+		Maximum combined employee and employer contribution		AGI limit for deduction phase-out[1]	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Qualified plan: 401(k), 403(b)	$ 19,500	$ 19,000	$ 6,500	$ 6,000	$ 57,000 ($63,500 age 50+)	$ 56,000 ($62,000 age 50+)	-	-
Traditional IRA	$ 6,000	$ 6,000	$ 1,000	$ 1,000	-	-	$65,000 (S/HOH) $104,000 (MFJ)[2]	$ 64,000 (S/HOH) $103,000 (MFJ)[2]
Roth IRA	$ 6,000	$ 6,000	$ 1,000	$ 1,000	-	-	-	-
Simple IRA	$ 13,500	$ 13,000	$ 3,000	$ 3,000	$ 27,000[4] ($33,000 age 50+)	$ 26,000[4] ($32,000 age 50+)	-	-
SEP IRA	N/A[3]	N/A[3]	-	-	$ 57,000	$ 56,000	-	-

[1] IRA deduction limit only applies to active participants in employer-sponsored plans.

[2] AGI limit for deduction phase-out is $196,000 for 2020 and $193,000 for 2019, for non-covered spouses.

[3] For plans created prior to 1997, employee contribution limits are $19,500 and $19,000 for 2020 and 2019, respectively.

[4] Employer matching contribution is equal to 100% of employee's contribution, not to exceed 3% of compensation. Employer alternatively may opt to make 2% nonelective contributions.

Social Security

The social security tax rate for 2019 is 12.4% divided evenly between employers and employees. Self-employed pay employer and employee portions, but only on 92.35% of net business earnings. The taxable wage limit (or cap) is $132,900. In 2019 if you were born 1957 or after full retirement age is now 66 plus six months. If you are between 62.5 and 66 and collect Social Security benefits while you continue to work, you can earn up to $17,640 without any loss of benefit (for every $2 over the limit, $1 is withheld from benefits). For individuals continuing to work, after having reached the full retirement age of 66, there is no earned income limit.

Health savings accounts (HSAs)

Those who are covered by a high deductible health plan ($1,350 single/$2,700 family), or their employer, can make tax deductible contributions to an HSA. Funds accrued are tax deferred. Until age 65, withdrawals are limited to medical expenses, but are tax free. After age 65, all funds can be withdrawn and used for non-medical purposes but will be subjected to the individuals' income tax rate. The following contribution and out of pocket expense limitations for 2019 are listed below:

- Contributions are limited: $3,500 self/ $7,000 family
- Out-of-pocket expense limited: $6,750 self/ $13,500 family

"IRA One-Rollover-Per-Year" rule

Beginning in 2015, you are limited to one IRA-to-IRA rollover (traditional-to-traditional, or Roth-to-Roth) per year. For transactions in excess of this limit; there is a 10% penalty on the distribution and 6% per year (over the life of the IRA) penalty on the contribution. Rollovers from traditional to Roth IRAs ("conversions") are not limited, and trustee-to-trustee transfers between IRAs are not limited.

State of Georgia – Tax Planning

529 Plans

These government-monitored savings programs are designed to encourage saving for your dependents' future education costs. Parents, grandparents, and relatives of your dependent may deduct up to $4,000 per year per beneficiary of their contributions from their 2019 Georgia taxable income. You may deduct up to $8,000 per year per beneficiary if filing a joint return.

In addition, the new tax bill now allows up to $15,000 per year of the 529 Plan to be spent on qualified K-12 education tuition (Private/Religious Schools). Prior to the change the 529 Plan could only be spent on qualified secondary education tuition and expenses.

2020 GOAL Scholarship Program Tax Credit

GOAL is Georgia's leading student scholarship organization, providing scholarships to more than 6,500 Georgia students. Individuals, and businesses are eligible to contribute to GOAL in exchange for a Georgia income tax credit. The Georgia legislature has placed a $58 million annual cap on the amount of available credits, so the credit runs out quickly.

Due to the competitive nature of this credit, you need to start the process of applying for the credit in the year prior to the one in which you will contribute and take the credit. Meaning you must apply for the 2020 credit before December 2019. Based on the anticipated timeline for the 2020, all available credit will be consumed on January 1, 2020. The 2019 tax credit limits, based on filing status, are outlined below:

- Single individual or head of household – any amount up to $1,000
- Married couple filing a joint return – any amount up to $2,500
- Married couple filing a separate return – any amount up to $1,250
- S corporation shareholder, LLC member, or partnership partner – any amount up to $10,000
- C corporation or Trust – any amount up to 75% of annual Georgia income tax liability

Film, Television and Digital Entertainment Tax Credit

Most Georgia residents have noticed that our state has become a major hub for the film and entertainment industry over the last several years. This is due, in no small part, to legislation enacted in 2005 allowing a Georgia film tax credit for companies investing in and developing the entertainment industry in Georgia.

Individuals can benefit from the Georgia film tax credit, on average $1 of credit can be purchased for $0.85 to $0.92. Every dollar of tax credit purchased can be applied dollar for dollar against current or future Georgia income tax and equates a savings of 8% to 15% per dollar in state income tax paid.

Rural Hospital Organizations Expenses Credit

Referred to as HEART Individuals and corporations that make donations to qualified rural hospital organizations are allowed a credit in determining their Georgia income tax liabilities dependent on their donation are approved by the Georgia Revenue Commissioner. The maximum tax credit allowed for individuals and head of household is $5,000 and married filing jointly $10,000 for corporations it is the lessor of 90% of the contribution or 75% of the income tax liability for the corporations. Any unused credits are carried forward for the next 5 years.

Seasons' Greetings! See y'all soon.