

Kram, McCarthy, Ayers & Frost, LLC
1704 Main Street
P.O. Box 426
Chester, Maryland 21619
410-643-4477

PLEASE UPDATE:

CURRENT MAILING ADDRESS:

CURRENT PHYSICAL LOCATION OF ASSETS OWNED BY COMPANY:

BEST PHONE NUMBER TO CONTACT:

(____) _____ - _____

E-MAIL TO CONTACT:

_____@_____

RE: 2019 YEAR END INFORMATION

In 2018 Congress passed the largest over-haul of our tax system in over 30 years. We would like to thank our clients for making the 2018 filing season a huge success. As we gear up for the second year of the tax law changes, we are asking all our clients to be timely in the submission of your tax information due to the law's complexity, which requires more time and effort to prepare each tax return.

- If Kram, McCarthy, Ayers & Frost, LLC (KMAF) prepares IRS Form 1099's for your business or rental, the subcontractor summary should include:
 - o Full Name / Address / Social Security # or Federal ID # / and the total amount paid to the subcontractor.
 - o **1099's are due January 31, 2019.**
 - o KMAF can provide an excel schedule for you to populate upon request at taxdept@krammccarthy.com
 - o NOTE: A 1099 is required to be issued to all subcontractors / vendors who were paid in excess of \$600.00 and are not incorporated, i.e. LLC's, Partnerships, and individuals, etc.
 - Only payments to corporations are exempt from the 1099 requirement.
 - Attorneys & Lawyers are required to be issued a 1099 even if the firm is incorporated and paid \$600 or more.
 - Please request all your subcontractors / vendors to fill out an IRS Form W-9 (<https://www.irs.gov/pub/irs-pdf/fw9.pdf>)

- Kram, McCarthy, Ayers & Frost is a Partnership for Federal Income tax purposes. Please call the office to obtain a copy of our W-9
- If your employer offers a 401-k plan, America's #1 tax shelter continues to be a great way of deferring the maximum amount the IRS allows to your 401-k this and every year.
- The Kaiser Family Foundation reports this year that 41% of American W-2 employees will be covered by a health savings account at work. If your employer does not deposit the maximum amount allowable into this plan, you have until April 15, 2020 to add the remaining amount (up to the 2019 maximum) to this, the 2nd best tax planning move of all time.
 - Some employers allow you to deposit your health savings account amounts through a cafeteria or Section 125 plan. If available to you, this is the best way to put your own money in because of the additional tax savings available by avoiding Social Security / Medicare tax. You may be too late for this year, but make this your 2020 New Year's resolution.
- Fewer Americans are now able to itemize deductions because of the huge benefit received from the increased standard deduction. However, there are some resources available to you. One simple tool to get the best "bang for your buck" would be to practice what we call "bunching of charitable contributions". This trick guides you to make charitable contributions every other year in order to double up and get a deduction in some without giving it up in others. First, make your 2020 contributions as early as possible in 2020. Then, make your 2021 contributions at the very end of 2020. This will "bunch" all of your amounts in one year to potentially get the best itemized deduction amount.
- This year the IRS has demanded substantially more information if you own a rental property. For each property separately we now need the physical location, type of property (single-family, duplex, etc.), and Forms 1099-K received. As well as a record, by property, of the number of days rented and the number of days used for personal purposes.
- All deductions of any amount must have a receipt. Any individual contribution over \$250 must also have an acknowledgement letter from the charity and the letter must be dated by the date we file your return. The letter should show the date and amount of any individual contribution over \$250 and should also state that no goods or services were received in return for the contribution. Remember, if you charge a charitable contribution to a credit card by 12/31/19, we are able to deduct it in 2019.
- We must obtain Form 1098 from you when you pay mortgage interest. Additionally, we must obtain refinancing closing statements. According to the IRS, if you drew money out on a home mortgage or refinancing, we must have general information on the use of the money.
- You must carefully read your employer's handbook to see if they offer a reimbursement program for job-related expenses since there is no longer deductions for work related expenses such as licenses, dues, uniforms, supplies, etc.
- We continue to worry about unreported foreign investments. We suggest that you very carefully consider whether you have control over a foreign checking account or hold stock outside the United States. These must be reported, or they essentially face 50% penalties each year.
- This year the IRS and Congress have become very concerned about crypto/virtual-currency (like Bitcoin) and you must be certain to report any of these transactions. There is a new question on every tax return concerning this.
 - Please see our attached letter regarding virtual currencies.

- Because state tax deductions and credits are often totally different than Federal items, we want to remind you to please completely fill out any organizer we provide for your return.
- If you are considering retirement, starting a small business, selling an investment or business, or a college savings program, we strongly suggest you contact us for a planning meeting for these items, as well as for any of the ideas discussed in this year-end letter. We do appreciate your business.
- For tax year 2019, the amount you may give to one person in one year without any return filing requirements was \$15,000. Very few Americans need to worry about Federal estate taxes because of changes in the estate tax limit at the Federal level.
- We highly recommend that when you are getting your information to us for your 2019 Federal tax return, you set up an appointment for an after tax season “Tax Tune Up” to examine tax and estate planning strategies. It is almost mandatory that we meet for future tax planning because of surtaxes if your income is over \$200,000.

Please call our office if you have any questions at 410-643-4477 or email us at taxdept@krammccarthy.com

Sincerely,

Kram McCarthy Ayers & Frost LLC