

Most of the big changes in tax law occurred last year, but the following are a few changes for the 2019 tax year:

**No more federally required health care insurance**

The penalty for not having health insurance no longer applies for 2019 tax returns. Some states still require it though.

**Alimony deduction eliminated for divorce decrees signed after 12/31/18**

If you got divorced in 2019, you will not be allowed to deduct any alimony payments, and the spouse will not have to declare the alimony received as income. For divorces finalized prior to 2019, this does not apply, instead alimony will continue to be deducted by the payer and reported as income by the recipient.

**Kiddie Tax changed back to parent's tax rate**

In 2018, children's unearned income was taxed at the trust & estate tax rates. For 2019 it reverts back to being taxed at the parent's tax rates.

**New Form 1040-SR**

Seniors aged 65 and older now have their own tax return option. The new form is a simplified version of the regular 1040, and with a larger font size, making it easier to read.

**New IRS Identity Protection PIN Opt-In Program**

The Identity Protection Personal Identification Number (IP PIN) is a 6-digit number assigned by the IRS. It helps prevent identity thieves from filing fraudulent tax returns with stolen Social Security numbers. Previously, if you were a victim of identity theft, the IRS would issue this PIN to you. Now, you can get one even if you have not had your identity stolen. To opt-into this program and get an IRS IP PIN, you need to go to [www.irs.gov/ippin](http://www.irs.gov/ippin) and use the "Get an IP PIN" tool. You will need to know your e-mail address, SS#, tax filing status, mailing address, a financial account number linked to your name (like a credit card or bank loan), and a cell phone number in your name. If your cell phone is not in your name, there is an option to receive an activation code by mail. You will also need to create an account and register with the IRS if you don't already have an account. If you do decide to get an IP PIN, please be sure to give the number to us, as we will need to input it into our software in order to e-file your return. This number is good for one year only. Keep in mind to avoid being scammed if you do receive an IP PIN – the IRS will never email, text, or call you to request your IP PIN. Do not give your IP PIN to anyone other than a trusted tax preparer.

**Annual Gift Tax Exclusion** for 2019 and 2020 is **\$15,000**. This means you do not have to file a gift tax return for gifts to any one individual that do not exceed \$15,000. If you have given money to one individual in excess of that amount, please let us know so we can file a gift tax return for you.

**Virtual Currency Transactions** need to be reported on your tax return. The IRS is initiating efforts to find people who have this type of income and don't report it. This would include Bitcoin, Ether, Litecoin, etc. Please inform us of any virtual currency transactions so we can properly prepare your return.

## **Updated 2019 Numbers:**

**Mileage** deduction for business use is **.58/mile**. For medical/moving it's **.20/mile**, and for charitable mileage it's **.14/mile**.

**401k Contribution** is \$19,000, with an additional \$6,000 allowed for taxpayers over 50.

**IRA Contribution** is 6,000, with an additional \$1,000 allowed for taxpayers over 50.

**Standard Deduction** is \$12,200 for Single and Married Filing Separately, \$18,350 for Head of Household, and \$24,400 for Married Filing Jointly.

**HSA Contribution** is \$3,500 for self-only coverage, and \$7,000 for family coverage. (For 2020 these amounts increase to \$3,550 and \$7,100.)

## **Some Expired Provisions That Were Extended for 2019 through 2020:**

1. Income exclusion for discharge of up to \$2,000,000 of qualified principal residence debt.
2. Deduction for qualified higher education expenses.
3. Premiums for mortgage insurance deductible as qualified residence interest, also called the qualified mortgage insurance premiums deduction.
4. Credit for qualified energy-efficient home improvements, however the maximum lifetime credit limit remains \$500.

## **New Rules for Retirement Plans, effective 1/1/2020**

1. Individuals are no longer prohibited from contributing to traditional IRA's after age 70 ½. Now there is no age limit on contributing to a Roth or a Traditional IRA
2. RMD's (required minimum distributions) now delayed until age 72, for those who turn 70 ½ after 2019.
3. Up to \$5,000 can be withdrawn penalty free for childbirth or adoption expenses. The money withdrawn will still be included in income, but there will be no 10% penalty. The withdrawal must be within 1 year following the birth or adoption.

## **CT Tax Law Changes:**

**New Retirement deduction:** CT-1040 has a new **14%** credit for pension and annuity income that is included in your Federal adjusted gross income (AGI). IRA distributions do not qualify for the credit. The deduction is available for single filers with Federal AGI of less than \$75,000 and married filing jointly filers with Fed AGI of less than \$100,000.

**Pass-through entity tax changes:** Guaranteed payments are now included in the calculation of the pass-through entity tax. Pass-through entities with liability of less than \$1,000 are no longer required to make estimated payments. The pass-through entity tax credit claimed by individuals and corporations has been reduced to **87.5%**.

**No more Business Entity Tax -** CT eliminated the \$250 every other year Business Entity Tax (Form OP-424). The last fee was for the 2017/2018 year.