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YEAR-END LETTER FOR 2019 TAX YEAR

January 2020

Happy New Year, everyone! And happy new decade (heavens...) We hope you all had a wonderful year.

The Tax Cuts and Jobs Act of 2017 is in full swing now, and your 2019 tax return will be very similar to your 2018.

Itemizing: Remember that if you itemized on your 2018 Federal return, you will probably continue to qualify to itemize on your 2019 return, so gather and bring all of your information with you. To be clear, itemizing has not gone away. It's simply that the standard deduction has increased to the point that some of you may not need to itemize anymore.

Itemizing for State Returns: Also, for those of you who file state returns and have itemized in the past, you should assume that you will still itemize for state purposes, even if you no longer itemize for Federal purposes. Most states did not conform to the new law, so continue to gather the same information as you've always done.

Virtual Currency: One big change you will see in 2019 is regarding the issue of virtual currency or crypto currency. Over the last couple of years, the IRS has ramped up its enforcement of virtual currencies, such as Bitcoin. In the past, most taxpayers who own virtual currencies have failed to report their taxable transactions when filing their income tax returns. (Not our clients, of course!) Starting with this year's tax return (2019), the IRS is now requiring that taxpayers state under penalty of perjury whether they engaged in any virtual currency transactions during the year.

Intentionally answering the question incorrectly, or failing to report taxable income can have severe consequences. Please be sure to provide us with all information regarding any virtual currency transactions you had during the year. This is not limited to buying and selling the currency itself – it also includes any transactions where you purchased items with virtual currency.

Residential Rental Real Estate: The IRS has provided new guidance to enable qualified taxpayers to claim the Qualified Business Income Deduction (QBID) on rental real estate, but certain requirements must be met, including strict documentation requirements.

If you have income from rental real estate, please be sure to schedule an appointment (or mail in your tax documents) as early as possible so that we can be sure you have maintained the appropriate documentation and can claim this major deduction. ***This documentation may include the need to issue 1099s to your contractors and vendors, and 1099s must be submitted by January 31.***

Alimony: For any divorces that were finalized after December 31, 2018, alimony is no longer taxable income to the recipient or a tax deduction to the payer. Any divorces finalized before that date ***continue*** to be taxable income to the recipient and tax deductible to the payer. If you ***modified*** a divorce agreement after 12/31/18, we'll need to talk.

Using the Secure Portal: Our secure portal system for uploading your tax documents from last year worked very well, so we will be using the same protocol this year.

1. If you used the portal last year, it remains active, and you can sign on as you did last year. ***Just be sure you choose 2019 to upload your documents.***
2. If you have never used the portal before, simply e-mail or call Monica so she can send you the official invite. Once you receive the invite, you'll be able to use the portal for this year and the years to come.

Our office will be open 8:30am to 5:00pm Monday through Friday. Early drop-off of documents can be done either in person or via our secure portal.

It is far better for you if you wait until you have all of your documents, as we can't start on your return until we have everything. You will actually receive your completed return faster if you bring everything in all at once.

The one exception to this is 1099s from brokers. We realize that brokerage houses are notorious for sending corrected statements late in tax season. If you can provide everything, including the original brokerage 1099, we can complete the return, and then hold it until you know if you're going to be receiving a corrected 1099.

If you have a small business (Sch C) or rental (Sch E) please contact the office to request comprehensive custom worksheets, as that will help you and us complete your return faster and more accurately.

Finally, we have to announce that after three years of holding our rates steady, we are going to have to increase them for 2020. Tax returns and consultations will now be billed at \$220/hour (up from \$200/hour), and bookkeeping will now be billed at \$75/hour (up from \$70/hour). We certainly don't relish doing this, but our costs have gone up enough that we have no other choice. We hope you understand.

As always, please do not hesitate to contact us with any questions or concerns. We look forward to seeing you and working with you again this season.

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