We hope that 2019 has been a happy and prosperous year for you and your family. It's been an interesting year with important tax changes that will impact you. Here are some of the changes and issues you need to know about.

IRS Withholding Tables: In 2018 the IRS changed the withholding tables to lower the amounts of withholding during the year. This change affected many taxpayers with significantly reduced refunds or owing additional federal taxes due to being under-withheld. The IRS has released a W4 withholding calculator for you to estimate your proper withholding for 2019:

https://apps.irs.gov/app/tax-withholding-estimator

Tax return due dates:

- Individuals must file returns by Wednesday April 15, 2020, for the 2019 tax year;
- Partnerships must file returns by the Monday March 16, 2020;
- C corporation returns are generally due by the 15th day of the fourth month following the close of the taxable year (Wednesday April 15, 2020 for calendar-year taxpayers);
- S corporation returns will remain due by Monday March 16, 2020; and
- W-2s and 1099s must be filed by January 31, 2020, for the 2019 tax year.

Solar credits: The 30% credit for installing solar property on your personal use properties (primary residence, vacation home) is reduced to 26% for property installed after December 31, 2019. The credit drops to 22% for property installed after December 31, 2020, and no credit is available if the solar property is installed after December 31, 2021.

Solar property includes solar panels and can even include home batteries. Please keep these important dates in mind if you are considering installing these items on your personal use property.

Identity theft: Starting in 2019, the IRS permits residents of some states, including California, to obtain an Identity Protection Personal Identification Number (IP PIN) upon request. Taxpayers who are part of the IRS's IP PIN program receive a letter from the IRS every January containing a special PIN number that prevents their income tax return from being filed without that taxpayer's unique IP PIN.

Taxpayers must create an IRS account and request their own IP PIN. If you are interested in obtaining your own IP PIN, you can do so at:

www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin

Virtual currencies: Over the last couple years, the IRS has ramped up its enforcement of virtual currencies, such as Bitcoin. Most taxpayers who own virtual currencies fail to report their taxable transactions when filing their income tax returns. In 2019, the IRS started sending letters to taxpayers with known virtual currency accounts and now requires taxpayers, on their 2019 income tax return, to affirmatively declare whether they engaged in any virtual currency transactions during the year.

Intentionally failing to report taxable income can have severe consequences. Be sure to provide us with all information containing your virtual currency transactions during the year.

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California introduced penalties for failure to carry health insurance: The federal government repealed the penalty for failure to maintain health insurance (referred to as the "individual mandate") starting with the 2019 tax year. In response to the federal government's repeal, the state of California will charge an individual who fails to secure coverage an annual penalty of $695 or more when they file their 2020 California tax return. The minimum penalty for families of four or more individuals is $2,085. The penalty can rise as high as 2.5%of household income, which can be many thousands of dollars. Be sure to maintain your health insurance coverage to avoid this costly California tax penalty.

Rental real estate: The Tax Cuts and Jobs Act (TCJA), the major tax reform bill that took effect in 2018, provides a deduction for up to 20% on business income (referred to as the qualified business income deduction, or IRC §199A deduction). In 2019, the IRS provided guidance for taxpayers to claim the 20% deduction 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.

Property transactions: Did you sell any real estate this year? Be sure to provide copies of escrow statements, as well as the Loan Estimate form, the Closing Disclosure form, and California Form 593, Real Estate Withholding Tax Statement. We need these documents to properly prepare your return. If you can get them to us as early as possible, we can make sure we have everything we need, and make sure that any state withholding documentation is correct.

1099s and K-1s: If you received 1099s or K-1s from investments in 2019, we may extend your return in case these documents are corrected after the original filing deadline. We are seeing increasing numbers of corrected information returns, which require taxpayers to amend their original tax returns to reflect the corrected amounts. In some cases, the amounts are vastly different and can create additional costs in amending the tax returns and potential penalty problems.

Foreign accounts: We must report overseas assets owned by businesses as well as individuals. So, the reporting requirements are increasing and the penalties for failure to report continue to be harsh. Not all foreign holdings must be reported. If, for example, you hold stock in a foreign company through a U.S. broker, those holdings do not have to be separately reported. However, if you hold any other types of foreign assets, including bank accounts and securities accounts, please let us know. If you have any doubt as to whether any of your assets are foreign, please discuss those assets with us. Again, this year we will need information on a business' foreign holdings as well.

Please take extra care in preparing your organizer and documentation so we can do the best possible job to find new tax benefits that are hidden in the law and protect you from more aggressive audit programs and larger penalties.

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