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Where has the time gone?!?! Here we are approaching the end of another year so that means it's time to start thinking about tax planning opportunities. I know the new tax laws beginning in 2018 may have brought about some surprises to you, but at least the overall taxes were lower in most cases. We have the same rules in place for 2019, which means this year we shouldn't have as many uncertainties to worry about. Now that we know the impact of the tax law changes, we need to take advantage of the planning opportunities that are available.

Individual Taxes

- With the higher standard deductions in place, many people are no longer able to itemize deductions. There could still be opportunities to itemize through doubling up on charitable donations or using donor advised funds as a vehicle for making charitable donations.

- If you are over age 70 ½ and are required to withdraw funds from your IRAs, you can have distributions paid directly to charities of your choice and those IRA distributions would not be taxable. This is a very powerful tool given that many seniors do not have enough overall deductions to itemize given the higher standard deduction amounts.

- For many taxpayers who no longer have enough deductions for itemizing, it is important to note that you may still receive tax credits on your state income tax return for those deductions. Therefore, we recommend that you continue to track your medical expenses and charitable donations even if you believe they won't total enough to itemize your deductions for federal tax purposes.

- The child tax credits and education related credits and deductions will remain in place for 2019, under the same rules that applied for 2018.

- In 2018, the deduction for unreimbursed employee expenses was eliminated. Many people, especially in the sales fields, lost out on large deductions for unreimbursed mileage. If this impacted you, it may be worth considering switching from an employee to an independent contractor. There are many factors to consider in doing this (i.e. overall taxation, employer approval, and specific requirements that need to be met) so we highly recommend consulting with us before making such a move.

Business Taxes

- Now that the implications of the 2018 tax law changes are clear, it is important to review your entity structure for tax purposes (i.e. Sole Proprietor, Partnership, S-Corporation or C-Corporation) to determine which structure is most tax efficient for you. The new laws have slightly changed the determining factors related to entity structure.

- We still have the 100% bonus depreciation and section 179 deductions to take advantage of to reduce taxable income. As a reminder, businesses can write off the entire cost of qualifying assets. These deductions apply to new and used assets with depreciable lives of 20 year or less. The section 179 direct write offs can be taken on qualifying assets up to $1 million. Also, new farm equipment can be depreciated over 5 years instead of 7 years.

- There are various retirement planning opportunities that can be done through your business. If you currently do not have a retirement plan, it is never too late to set one up. If you do have a plan in place, it is good idea to review that plan to make sure it is the best option for your current situation. We would be happy to discuss the different options with you.

<u>Miscellaneous Tax Issues Business Owners Don't Want to Miss</u>

This is a great time to determine whether you can take advantage of any tax saving strategies, such as maximizing depreciation deductions or maximizing retirement plan contributions. Please remember also that for related companies, it is important that you pay the correct amounts of rent between the companies to allow for maximizing your deductions. It is also a great time to review your income and equity accounts as this could determine whether or not any personal distributions taken during the year might become taxable. ***Remember, if we don't identify any potential issues prior to the end of the year, there isn't anything that we can do to minimize your tax burden after the fact!***

Please refer to the attached checklist for some examples of tax planning strategies that may be beneficial to you. Please note that it is not an all-inclusive list and your situation may present other tax saving strategies that could work for you.

I would like to invite you to participate in a year-end tax planning meeting with one of our consultants so we can discuss your unique situation and make sure that you implement any necessary tax strategies to maximize your savings. Our fee for such a meeting and related projections would be based on our hourly rates. From my past experience, the benefits gained from such a meeting can easily outweigh the cost.

Your trust and confidence in allowing us to assist you with your tax and financial needs is greatly appreciated. With the current staff that we have in place, we are in a position to grow our firm and continue to provide the quality service that you deserve. If you know any friends or colleagues who might need tax or financial assistance, or would just be interested in a second opinion regarding their unique situation, we would be more than happy to help them.

Tax rates are currently at an all time low, and there is a lot of uncertainty related to what the future will hold regarding taxes. To schedule your year end planning meeting, please call our office as soon as possible in order to ensure a meeting prior to December 31st. I strongly encourage you to schedule your meeting as soon as possible to allow for ample time to implement any strategies prior to year end.

Sincerely,

Integrated Management & Accounting, LLC

Kevin Lorge, CPA, Managing Partner

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Importance of Tax Planning – Missed Opportunities

Failing to do some tax planning before the end of the year can often result in missed opportunities. For example…

1. For someone who has negative taxable income possibly due to low income and high deductions for the year, there could be a good opportunity to convert a portion of their traditional IRA to a Roth IRA without having to pay any income tax. Then, the money can grow tax free in the Roth IRA and you can take it out tax free during retirement. Another option for someone in this situation, who might not have a Traditional IRA, could be to take additional money out of other investments such as annuities without paying any income tax. These are things that need to be done before the end of the year, and it takes proper planning to determine the amounts that can be done tax free.

2. Another thing that can be determined through planning can be whether to make a contribution to a Traditional IRA or a Roth IRA. Sometimes it can be more tax efficient to do one vs. the other. In either case, you may be eligible for a retirement saver's credit. That's right…. the government is willing to pay people for funding their retirement accounts!

3. For business owners, tax planning can also be used to maximize the depreciation deductions that were mentioned earlier. For example, a business owner who has multiple entities will need to know which entity to purchase equipment through to get the most benefit from the section 179 deduction. The reason for this is that the deduction is only allowed to the extent that the business has income. If an asset is purchased through an entity with little income, the deduction might not be allowed. In a case like this, the business owner will want to purchase the asset through a different business entity of theirs that might have enough income to allow the full deduction. This will allow them to effectively minimize their overall taxable income for the year. But again, these are decisions that need to be made before the end of the year.

4. This also could be a great time to review your investment portfolio and consider taking capital gains to lock in at current rates, or harvesting capital losses to offset future gains.

5. A little bit of tax planning can also help a business owner determine if they are taking advantage of the best retirement vehicle available. There are several options available that could allow these people to contribute a lot more towards their retirement, and at the same time significantly reduce their tax liability.

All of the things that have been discussed are only a few good examples of why year end planning can be very beneficial. Everyone's circumstances might be different, but with proper planning there could potentially be tax savings available for just about anyone.

TAX STRATEGIES CHECKLIST

ARE YOU DOING EVERYTHING YOU CAN TO SAVE TAX?

Making sure you keep your tax liability to a minimum is key to your overall financial health. Fortunately, there are some tried and true ways to help you achieve that goal. Below are common tax-reduction strategies for individuals and businesses.

Personal Strategies:	*Business Strategies:*
Accelerating or deferring income	Selecting a tax-advantaged business structure
Maximizing or bunching deductions	Claiming all credits for which you are eligible
Watch out for Net Investment Tax triggers	Deducting all eligible business expenses
Contributing to a retirement plan	Accelerating or deferring income
Donating to charity	Using a tax-smart depreciation method
Claiming all possible credits	Considering cost segregation
Taking child-related tax breaks	Qualifying expenditures as repairs
Planning for retirement distributions	Evaluating the merits of leasing
Contributing to a flex plan or HSA	Choosing a proper inventory method
Contributing to education accounts	Setting up a retirement plan
Making timely estimated tax payments	Making timely estimated tax payments
Incorporate tax planning with estate planning	Incorporate tax planning with exit plan

We would welcome the opportunity to help you pay as little tax as necessary. Please call us today to talk about ways to put these and other strategies to work for you.