

“BECAUSE ACCOUNTING MATTERS AND WE KNOW IT”

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## **4 BUSINESS FUNCTIONS YOU COULD OUTSOURCE RIGHT NOW**

One thing in plentiful supply in today's business world is help. Orbiting every industry are providers, consultancies and independent contractors offering a wide array of support services. Simply put, it has never been easier to outsource certain business functions so you can better focus on fulfilling your company's mission and growing its bottom line. Here are four such functions to consider:

1. **INFORMATION TECHNOLOGY:** This is the most obvious and time-tested choice. Bringing in an outside firm or consultant to handle your IT systems can provide the benefits we have mentioned — particularly in the sense of enabling you to stay on task, and not be diverted by technology's constant changes. A competent provider will stay on top of the latest, optimal hardware and software for your business, as well as help you better access, store and protect your data.

2. **PAYROLL AND OTHER HR FUNCTIONS:** These areas are subject to many complex regulations and laws that change frequently — as does the software needed to track and respond to the revisions. A worthy vendor will be able to not only adjust to these changes, but also give you and your staff online access to payroll and HR data that allows employees to get immediate answers to their questions.

3. **CUSTOMER SERVICE:** This may seem an unlikely candidate because you might believe that, for someone to represent your company, he or she must work for it. However, this isn't necessarily so — internal customer service departments often have a high turnover rate, which drives up the costs of maintaining them and drives down customer satisfaction. Outsourcing to a provider with a more stable, loyal staff can make everyone happier.

4. **ACCOUNTING:** You could bring in an outside expert to handle your accounting and financial reporting. A reputable provider can manage your books, collect payments, pay invoices and keep your accounting technology up to date.

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The right provider can also help generate financial statements that will meet the desired standards of management, investors and lenders.

Naturally, there are potential downsides to outsourcing these or other functions. You will incur a substantial and regular cost in engaging a provider. It will be critical to get an acceptable return on that investment. You will also have to place considerable trust in any vendor — there's always a chance that trust could be misplaced. Last, even a good outsourcing arrangement will entail some time and energy on your part to maintain the relationship.

Is this the year your business dips its toe in the vast waters of outsourced services? Maybe. Our firm can help you answer this question, choose the right function to outsource (if the answer is yes) and identify a provider likely to offer the best value.

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***“Just One Great Partnership  
With the Right Person  
Can Have an Incredible Impact On  
Your Business Success.”  
--Janine Ogg & Joe Foster***

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## **MANY TAX-RELATED LIMITS AFFECTING BUSINESSES**

### **INCREASE FOR 2019**

A variety of tax-related limits affecting businesses are annually indexed for inflation, and many have gone up for 2019. Here's a look at some that may affect you and your business.

#### **Deductions**

- Section 179 expensing:
  - Limit: \$1.02 million (up from \$1 million)
  - Phaseout: \$2.55 million (up from \$2.5 million)
- Income-based phase-ins for certain limits on the Sec. 199A qualified business income deduction:
  - Married filing jointly: \$321,400-\$421,400 (up from \$315,000-\$415,000)
  - Married filing separately: \$160,725-\$210,725 (up from \$157,500-\$207,500)
  - Other filers: \$160,700-\$210,700 (up from \$157,500-\$207,500)

#### **Retirement plans**

- Employee contributions to 401(k) plans: \$19,000 (up from \$18,500)
- Catch-up contributions to 401(k) plans: \$6,000 (no change)
- Employee contributions to SIMPLEs: \$13,000 (up from \$12,500)
- Catch-up contributions to SIMPLEs: \$3,000 (no change)
- Combined employer/employee contributions to defined contribution plans (not including catch-ups): \$56,000 (up from \$55,000)
- Maximum compensation used to determine contributions: \$280,000 (up from \$275,000)
- Annual benefit for defined benefit plans: \$225,000 (up from \$220,000)
- Compensation defining "highly compensated employee": \$125,000 (up from \$120,000)
- Compensation defining "key employee": \$180,000 (up from \$175,000)

#### **Other employee benefits**

- Qualified transportation fringe-benefits employee income exclusion: \$265 per month (up from \$260)

- Health Savings Account contributions:
  - Individual coverage: \$3,500 (up from \$3,450)
  - Family coverage: \$7,000 (up from \$6,900)
  - Catch-up contribution: \$1,000 (no change)
- Flexible Spending Account contributions:
  - Health care: \$2,700 (up from \$2,650)
  - Dependent care: \$5,000 (no change)

Additional rules apply to these limits, and they are only some of the limits that may affect your business. Please contact us for more information.

*"If Opportunity Doesn't Knock,  
Build a Door."*

*-- Milton Berle*



## **DEPRECIATION-RELATED BREAKS ON BUSINESS REAL ESTATE:**

### **WHAT YOU NEED TO KNOW WHEN YOU FILE YOUR 2018 RETURN.**

Commercial buildings and improvements generally are depreciated over 39 years, which essentially means you can deduct a portion of the cost every year over the depreciation period. (Land isn't depreciable.) But special tax breaks that allow deductions to be taken more quickly are available for certain real estate investments.

Some of these were enhanced by the Tax Cuts and Jobs Act (TCJA) and may provide a bigger benefit when you file your 2018 tax return. But there's one break you might not be able to enjoy due to a drafting error in the TCJA.

#### **Section 179 expensing**

This allows you to deduct (rather than depreciate over a number of years) qualified improvement property — a definition expanded by the TCJA from qualified leasehold-improvement, restaurant and retail-improvement property. The TCJA also allows Sec. 179 expensing for certain depreciable tangible personal property used predominantly to furnish lodging and for the following improvements to nonresidential real property: roofs, HVAC equipment, fire protection and alarm systems, and security systems.

Please see [Depreciation-Related Breaks on Business Real Estate](#) on page 3

**Depreciation-Related Breaks on Business Real Estate** from page 2

Under the TCJA, for qualifying property placed in service in tax years starting in 2018, the expensing limit increases to \$1 million (from \$510,000 for 2017), subject to a phaseout if your qualified asset purchases for the year exceed \$2.5 million (compared to \$2.03 million for 2017). These amounts will be adjusted annually for inflation, and for 2019 they're \$1.02 million and \$2.55 million, respectively.

**Accelerated depreciation**

This break allows a shortened recovery period of 15 years for qualified improvement property. Before the TCJA, the break was available only for qualified leasehold-improvement, restaurant and retail-improvement property.

**Bonus depreciation**

This additional first-year depreciation allowance is available for qualified assets, which before the TCJA included qualified improvement property. But due to a drafting error in the new law, qualified improvement property will be eligible for bonus depreciation only if a technical correction is issued.

When available, bonus depreciation is increased to 100% (up from 50%) for qualified property placed in service after Sept. 27, 2017, but before Jan. 1, 2023. For 2023 through 2026, bonus depreciation is scheduled to be gradually reduced. Warning: Under the TCJA, real estate businesses that elect to deduct 100% of their business interest will be ineligible for bonus depreciation starting in 2018.

**Can you benefit?**

Although the enhanced depreciation-related breaks may offer substantial savings on your 2018 tax bill, it's possible they won't prove beneficial over the long term. Taking these deductions now means forgoing deductions that could otherwise be taken later, over a period of years under normal depreciation schedules. In some situations — such as if in the future your business could be in a higher tax bracket or tax rates go up — the normal depreciation deductions could be more valuable long-term.

For more information on these breaks or advice on whether you should take advantage of them, please contact us.

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***“Because Accounting Matters”***

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**HAVE YOU HAD YOUR ANNUAL ESTATE PLAN CHECKUP?**

An annual estate plan checkup is critical to the health of your estate plan. Because various exclusion, exemption and deduction amounts are adjusted for inflation, they can change from year to year, impacting your plan.

**2019 vs. 2018 amounts**

*Here are a few key figures for 2018 and 2019:*

Lifetime gift and estate tax exemption

- 2018: \$11.18 million
- 2019: \$11.40 million

Generation-skipping transfer tax exemption

- 2018: \$11.18 million
- 2019: \$11.40 million

Annual gift tax exclusion

- 2018: \$15,000
- 2019: \$15,000

Marital deduction for gifts to a noncitizen spouse

- 2018: \$152,000
- 2019: \$155,000

You may need to update your estate plan based on these changes. But the beginning of the year isn't the only time for an estate plan checkup. Whenever there are significant changes in your family, such as births, deaths, marriages or divorces, it's a good idea to revisit your estate plan. Your plan also merits a look any time your financial situation changes significantly.

Turn to us for help - If you haven't yet had your annual estate plan checkup, please contact us. Or, if you don't yet have an estate plan, we can help you create one.

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*“Success is the Sum of  
Small Efforts - Repeated  
Day In and Day Out”*

*--Robert Collier*

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## ~ IRS Corner



### **THE IRS CONFIRMS THAT TAX SEASON HAS OPENED ON JANUARY 28**

The IRS has announced that it successfully opened the 2019 tax-filing season on 1/28/19, as planned. It expects the first refunds to go out the first week of February, and many refunds to be paid by mid-to-late February.

The IRS notes that refunds, by law, can't be issued before 2/15/19 for tax returns that claim the Earned Income Tax Credit or the Additional Child Tax Credit. The IRS web tool "Where's My Refund?" has the most up-to-date information available about refunds. The tool is updated daily.

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### **IRS ACTIVITIES FOLLOWING THE SHUTDOWN**

The IRS has reopened following the end of the government shutdown, and IRS employees are working hard to resume normal operations and help taxpayers as much as possible.

As the IRS resumes operations, there are some important pieces of information for taxpayers and tax professionals to keep in mind in several areas:

**Audits.** For taxpayers and tax professionals with questions about examinations affected by the shutdown, we have frequently asked questions.

**Collections.** For taxpayers and tax professionals with a collection issue affected by the shutdown, visit the frequently asked questions. This section includes information related to liens, levies, notices of deficiency, penalties, passports and private debt collection.

**Appeals.** Important information for taxpayers and tax professionals with cases in appeals affected by the shutdown.

**Tax Filing For Individuals.** The IRS successfully opened the 2019 filing season for taxpayers on Jan. 28. The IRS will be doing everything it can to have a smooth tax season and minimize the impact on taxpayers.

**Tax Court.** Important updated information for taxpayers and tax professionals with tax court cases, including mail being returned and issues with court petitions not being processed.

**Taxpayer Advocate Service.** All TAS offices are now open. As always, the taxpayer advocate service is committed to helping taxpayers. All cases matter greatly to us and we need to make sure we are addressing the most serious cases first. Due to the prolonged government shutdown, we will need some time to sort through all of our cases, calls and faxes so that we can address the most critical emergencies first.

Please be aware that if you call our offices your call may go to voicemail. We encourage you to leave your name, phone number, case number (if applicable) and detailed information about your case. Your case is important to us and we will get back to you as soon as we are able to do so. While our response times will be longer than usual, we thank you for your patience.

**TE/GE:** Determination letter and voluntary compliance statement applications for retirement plans. The IRS has resumed processing these applications for retirement plans. We're working to minimize the delays in processing these applications due to the government shutdown. Please visit tax information for retirement plans for additional information.

**TE/GE:** Determination letter applications for tax-exempt status. The IRS has resumed processing applications for tax-exempt status. We're working to minimize the delays that organizations have experienced due to the government shutdown. Please see IRS processing of exemption applications for any actions that you may need to take while you wait for the IRS to issue a determination.

**TE/GE:** Credit payments to qualified bonds issuers. The IRS has resumed processing forms 8038-cp, return for credit payments to issuers of qualified bonds, for refundable credit payments on direct pay bonds. We're working to minimize the delays in processing these forms due to the government shutdown.