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The VOS Voice

“Because Accounting Matters And We Know It”

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Inside This Issue

Congress Gives a Holiday Gift in the Form of Favorable Tax Provisions - As part of a year-end budget bill, Congress just passed a package of tax provisions that will provide savings for some taxpayers. The White House has announced that President Trump will sign the Further Consolidated Appropriations Act of 2020 into law. It also includes a retirement-related law titled the Setting Every Community Up for Retirement Enhancement (SECURE) Act.

Here’s a rundown of some provisions in the two laws.

The age limit for making IRA contributions and taking withdrawals is going up. Currently, an individual can’t make regular contributions to a traditional IRA in the year he or she reaches age 70½ and older. (However, contributions to a Roth IRA and rollover contributions to a Roth or traditional IRA can be made regardless of age.)

Under the new rules, the age limit for IRA contributions is raised from age 70½ to 72.

The IRA contribution limit for 2020 is $6,000, or $7,000 if you’re age 50 or older (the same as 2019 limit).

In addition to the contribution age going up, the age to take required minimum distributions (RMDs) is going up from 70½ to 72.

It will be easier for some taxpayers to get a medical expense deduction. For 2019, under the Tax Cuts and Jobs Act (TCJA), you could deduct only the part of your medical and dental expenses that is more than 10% of your adjusted gross income (AGI). This floor makes it difficult to claim a write-off unless you have very high medical bills or a low income (or both). In tax years 2017 and 2018, this “floor” for claiming a deduction was 7.5%. Under the new law, the lower 7.5% floor returns through 2020.

If you’re paying college tuition, you may (once again) get a valuable tax break. Before the TCJA, the qualified tuition and related expenses deduction allowed taxpayers to claim a deduction for qualified education expenses without having to itemize their deductions. The TCJA eliminated the deduction for 2019 but now it returns through 2020. The deduction is capped at $4,000 for an individual whose AGI doesn’t exceed $65,000 or $2,000 for a taxpayer whose AGI doesn’t exceed $80,000. (There are other education tax breaks, which weren’t touched by the new law, that may be more valuable for you, depending on your situation.)

Some people will be able to save more for retirement. The retirement bill includes an expansion of the automatic contribution to savings plans to 15% of employee pay and allows some part-time employees to participate in 401(k) plans.

Also included in the retirement package are provisions aimed at Gold Star families, eliminating an unintended tax on children and spouses of deceased military family members.

Stay tuned

These are only some of the provisions in the new laws. We’ll be writing more about them in the near future. In the meantime, contact us with any questions.

2020 Q1 TAX CALENDAR: KEY DEADLINES FOR BUSINESSES AND OTHER EMPLOYERS: Here are some of the key tax-related deadlines affecting businesses and other employers during the first quarter of 2020. Keep in mind that this list isn't all-inclusive, so there may be additional deadlines that apply to you. Contact us to ensure you're meeting all applicable deadlines and to learn more about the filing requirements.

January 31

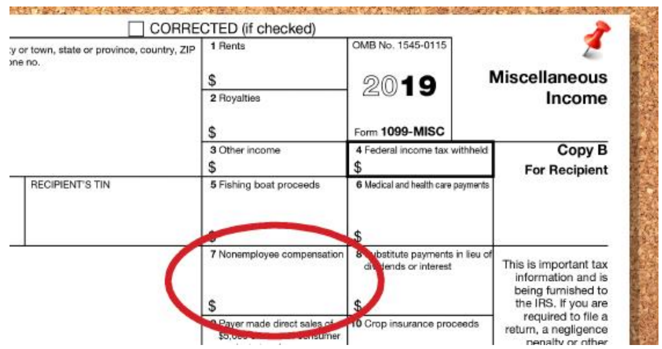
- File 2019 Forms W-2, "Wage and Tax Statement," with the Social Security Administration and provide copies to your employees.
- Provide copies of 2019 Forms 1099-MISC, "Miscellaneous Income," to recipients of income from your business where required.
- File 2019 Forms 1099-MISC reporting nonemployee compensation payments in Box 7 with the IRS.
- File Form 940, "Employer's Annual Federal Unemployment (FUTA) Tax Return," for 2019. If your undeposited tax is $500 or less, you can either pay it with your return or deposit it. If it's more than $500, you must deposit it. However, if you deposited the tax for the year in full and on time, you have until February 10 to file the return.
- File Form 941, "Employer's Quarterly Federal Tax Return," to report Medicare, Social Security and income taxes withheld in the fourth quarter of 2019. If your tax liability is less than $2,500, you can pay it in full with a timely filed return. If you deposited the tax for the quarter in full and on time, you have until February 10 to file the return. (Employers that have an estimated annual employment tax liability of $1,000 or less may be eligible to file Form 944, "Employer's Annual Federal Tax Return.")
- File Form 945, "Annual Return of Withheld Federal Income Tax," for 2019 to report income tax withheld on all nonpayroll items, including backup withholding and withholding on accounts such as pensions, annuities and IRAs. If your tax liability is less than $2,500, you can pay it in full with a timely filed return. If you deposited the tax for the year in full and on time, you have until February 10 to file the return.

February 28

- File 2019 Forms 1099-MISC with the IRS if 1) they're not required to be filed earlier and 2) you're filing paper copies. (Otherwise, the filing deadline is March 31.)

March 16

- If a calendar-year partnership or S corporation, file or extend your 2019 tax return and pay any tax due. If the return isn't extended, this is also the last day to make 2019 contributions to pension and profit-sharing plans.



SMALL BUSINESSES: GET READY FOR YOUR 1099-MISC REPORTING REQUIREMENTS - A month after the new year begins, your business may be required to comply with rules to report amounts paid to independent contractors, vendors and others. You may have to send 1099-MISC forms to those whom you pay nonemployee compensation, as well as file copies with the IRS. This task can be time consuming and there are penalties for not complying, so it's a good idea to begin gathering information early to help ensure smooth filing.

Deadline

There are many types of 1099 forms. For example, 1099-INT is sent out to report interest income and 1099-B is used to report broker transactions and barter exchanges. Employers must provide a Form 1099-MISC for nonemployee compensation by January 31, 2020, to each noncorporate service provider who was paid at least $600 for services during 2019. (1099-MISC forms generally don't have to be provided to corporate service providers, although there are exceptions.)

A copy of each Form 1099-MISC with payments listed in box 7 must also be filed with the IRS by January 31. "Copy A" is filed with the IRS and "Copy B" is sent to each recipient.

There are no longer any extensions for filing Form 1099-MISC late and there are penalties for late filers. The returns will be considered timely filed if postmarked on or before the due date.

Please see *Small Businesses: Get Ready for Your 1099-MISC Reporting Requirements* on page 3

Small Businesses: Get Ready for Your 1099-MISC Reporting Requirements
from page 2

A few years ago, the deadlines for some of these forms were later. But the earlier January 31 deadline for 1099-MISC was put in place to give the IRS more time to spot errors on tax returns. In addition, it makes it easier for the IRS to verify the legitimacy of returns and properly issue refunds to taxpayers who are eligible to receive them.

Gathering information

Hopefully, you've collected W-9 forms from independent contractors to whom you paid $600 or more this year. The information on W-9s can be used to help compile the information you need to send 1099-MISC forms to recipients and file them with the IRS. Here's a link to the Form W-9 if you need to request contractors and vendors to fill it out: https://bit.ly/2NQvJ5O.

Form changes coming next year

In addition to payments to independent contractors and vendors, 1099-MISC forms are used to report other types of payments. As described above, Form 1099-MISC is filed to report non-employment compensation (NEC) in box 7. There may be separate deadlines that report compensation in other boxes on the form. In other words, you may have to file some 1099-MISC forms earlier than others. But in 2020, the IRS will be requiring "Form 1099-NEC" to end confusion and complications for taxpayers. This new form will be used to report *2020* nonemployee compensation by February 1, 2021.

Help with compliance

But for nonemployee compensation for *2019*, your business will still use Form 1099-MISC. If you have questions about your reporting requirements, contact us.

"Because Accounting Matters"

YEAR-END ACCOUNTING RECAP

The Financial Accounting Standards Board (FASB) hasn't issued any major new accounting rules in 2019. But there have been some important developments to be aware of when preparing annual financial statements under U.S. Generally Accepted Accounting Principles (GAAP).

Deferral of major accounting rules

Accounting Standards Update (ASU) No. 2019-09 delays the effective date of the updated guidance for long-term insurance contracts. For public business entities, except smaller reporting companies (SRCs), the effective date is delayed until fiscal years beginning after December 15, 2021. For all other entities, the effective date is postponed until fiscal years beginning after December 15, 2023.

In addition, ASU 2019-10 defers the effective dates for three other ASUs as follows:

1. ASU 2016-02, *Leases*. For public business entities (including SRCs) and certain nonprofit organizations and employee benefit plans, the effective date remains as fiscal years beginning after December 15, 2018. For all other entities, the effective date is deferred to fiscal years beginning after December 15, 2020.

2. ASU 2016-13, *Financial Instruments — Credit Losses: Measurement of Credit Losses on Financial Instruments.* For public business entities that don't meet the definition of an SRC, the effective date remains fiscal years beginning after December 15, 2019. For all other entities, the effective date is deferred to fiscal years beginning after December 15, 2022.

3. ASU 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities*. For public business entities (including SRCs) the effective date remains as fiscal years beginning after December 15, 2018. For all other entities, the effective date is deferred to fiscal years beginning after December 15, 2020.

Effective dates going forward

ASU 2019-10 also updates the FASB's philosophy for setting the effective dates for all major ASUs *going forward*. It will group entities into two overall buckets, as follows:

Bucket 1. Large public companies that are SEC filers and don't meet the SEC definition of SRCs, and

Bucket 2. Entities other than large public companies, including SRCs, private companies, nonprofit entities and employee benefit plans.

In general, the FASB plans to set the effective dates of *major* ASUs for Bucket 2 entities at least two years after the initial effective dates for entities in Bucket 1.

Revenue recognition

Starting in 2019, private companies that follow GAAP must use an updated five-step method to recognize revenue from long-term contracts. Public companies that made the switch in 2018 report that the process was more difficult than expected.

Please see *Year-End Recap* on page 4

Year-End Recap **from page 3**

Unfortunately, many private companies underestimate the amount of work it takes to apply the updated rules — and many accounting software solutions can't effectively handle the changes, including the disclosure requirements. If you haven't started implementing the updated revenue recognition guidance, contact us to get you back on track.

Other developments

Throughout 2019, the FASB has issued some other narrow-scope accounting rules, including guidance that 1) updates the rules for reporting share-based payments to customers and nonemployees, 2) extends the scope of private company alternatives for reporting goodwill to nonprofit organizations, and 3) clarifies major accounting standards updates. Contact us to discuss how the changes to GAAP, including various proposed amendments, will affect your financial statements in 2019 and beyond.

"Expect the Best. Prepare for the Worst. Capitalize on What Comes."

-- Zig Ziglar

~ *I R S Corner*

TREASURY OFFSET PROGRAM Taxpayers who owe certain debts may have their refunds reduced or even entirely taken by the federal government. Under the Treasury Offset Program, refunds can be seized to pay past-due federal tax, state income tax, state unemployment compensation debts, child support, spousal support or other federal nontax debts, such as student loans. If only part of a refund is taken, whatever is left will be issued in a check or direct deposit to the taxpayer as originally requested on his or her tax return.

FINAL 2019 ESTIMATED TAX PAYMENT DUE: The end of the year is here, so it's time to start planning for tax filing season. If you own a pass-through entity and pay tax on your share of business profits on your personal income tax return, the final installment of your 2019 estimated taxes is due on Wednesday, January 15, 2020. You may also need to make estimated payments if the amount of income tax withheld from your salary or pension isn't enough, or if you receive income such as interest, dividends, alimony, self-employment income, capital gains, prizes and awards, Contact us with questions.

2020 OPTIONAL STANDARD MILEAGE RATES: The IRS has issued the 2020 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, medical and charitable purposes. Notice 2020-5 provides that the 2020 standard mileage rate for transportation or travel expenses is 57.5 cents (down from 58 cents per mile for 2019) for all miles of business use. For medical driving, the 2020 standard mileage rate is 17¢ per mile. The standard mileage rate is 14 cents per mile for use of an auto in rendering services to a charitable organization.

"Coming Together Is A Beginning;

Keeping Together Is Progress;

Working Together Is Success."

~ Henry Ford