

2019 TAX UPDATE

YEAR END NEWSLETTER

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Season's Greetings to clients and friends! As the holiday season approaches, the team here at Hua Gao CPA LLC wishes to thank you for your business and your kind referrals! We look forward to serving you in 2020 and beyond. May you and your family have a very happy New Year filled with exciting plans and prosperity!

Taxable Income Brackets for 2019

The income brackets for each tax rate are:

TAX RATE	SINGLE	MARRIED JOINTLY	HEAD OF HOUSEHOLD
10%	\$1-9,700	\$1-19,400	\$1-13,850
12%	\$9,701-39,475	\$19,401-78,950	\$13,851-52,850
22%	\$39,476-84,200	\$78,951-168,400	\$52,851-84,200
24%	\$84,201-160,725	\$168,401-321,450	\$84,201-160,700
32%	\$160,726-204,100	\$321,451-408,200	\$160,701-204,100
35%	\$204,101-510,300	\$408,201-612,350	\$204,101-510,300
37%	Over \$510,300	Over \$612,350	Over \$510,300

Simplified? Not for Most of US!

Tax returns starting from 2018 are filed using a NEW postcard sized form 1040. Unfortunately, the new forms is anything but simplified, and is now more complicated than ever.

- The main form is shorter, but additional schedules create confusion. In fact, the instructions to help complete the new form checks in at 117 pages - 10 more pages than last year. Most of the same information from the previous year is still required, except now it's spread over six NEW schedules.
- Elimination of forms 1040A and 1040EZ make filing difficult. Simple tax returns no longer have simple tax forms. While using the combined 1040 seems like a good plan, now everyone must review the instruction to understand what they DON'T have to do. The result is now EVERYONE must wade through the full Form 1040.

What can you do?

Ask for help. While it may appear to be more straight forward, many do it

yourself filers are making mistakes. If you need help to prepare your tax return, please call us for assistance.

More New Tax Laws in 2019

With one year complete under the new tax laws, you have a better idea of how all the changes impact your situation. Now, 2019 brings its own set of changes to consider.

Medical deduction threshold increases. The threshold to deduct medical expenses as an itemized deduction increase to 10% (up from 7.5% in 2018). Consider to use Health savings accounts if your employer offers one.

Alimony rules change for new divorcees. Beginning in 2019, alimony is no longer a tax deduction for those paying it, nor income for those receiving it. This rule change does not impact prior year divorce documents.

Some Other Big Changes

Lots of major changes were effective from 2018.

- Increased standard deductions: \$12,200 for singles, \$18,350 for heads of households, and \$24,400 for married filing jointly.
- Increased child tax credit: \$2,000 per qualifying child and a new \$500 credit for other qualifying dependents.
- In addition, several itemized deductions were eliminated since 2018. Unreimbursed employee expenses, investment management fees, home equity loan interest, tax return preparation fees, and medical expenses under 10% of your total income, to name a few.
- Personal exemptions are gone.



- Annual itemized deductions for all state and local taxes deductions, including property taxes, to \$10,000. The law limits the mortgage interest deduction to interest paid on the first \$750,000 of acquisition debt from tax years beginning after December 15, 2017.

the amount of the penalty, some exceptions etc., NJ's individual mandate closely mirrors the federal Affordable Care Act. \$695 per adult (\$347.50 per child) or 2.5 percent of a taxpayer's income, whichever is greater (as adjusted).

Health Savings Accounts

Health saving accounts (HSAs) have become more popular in recent years as a tax-saving device. High-deductible health insurance plans with HSAs are intended to reduce rising health insurance premiums. The accounts allow qualifying medical expenses to be paid pretax, with no income limitation. Now the medical expense deduction is limited to expenses that exceed 10% of adjusted gross income, health savings account may be the way to go. With a qualifying high-deductible health insurance plan, medical expenses are paid through funding to an HSA pretax under an employer and/or HSA contribution deduction.



Retirement Savings Limit

IRA contribution limits will be increased in 2019, which last increased in 2013.

Health Saving Account		
Contribution Limits		
Coverage	2020	2019
Self-only	\$3,550	\$3,500
Family	\$7,100	\$7,000
Age 55 and over	+\$1,000	+\$1,000

Retirement Plan Limits		
Plan	2020	2019
401(k)	\$19,500	\$19,000
Age 50 and over	+\$6,500	+\$6,000
IRA	\$6,000	\$6,000
Age 50 and over	+\$1,000	+\$1,000
Simple IRA	\$13,500	\$13,000
Age 50 and over	+\$3,000	+\$3,000

Do You Have to Have Health Insurance?

The individual mandate at the federal level no longer applies starting from 2019. While the national mandate is gone, if you live in the following states, you may have to pay a tax penalty for not having health insurance: New Jersey, Massachusetts, Vermont, DC.

Standard Deduction		
Item	2020	2019
Single	\$12,400	\$12,200
Married - Joint	\$24,800	\$24,400
Head of Household	\$18,650	\$18,350
Married - Separate	\$12,400	\$12,200
Elderly/Blind, Married	+\$1,300	+\$1,300
Elderly/Blind, Unmarried	+\$1,650	+\$1,650

New Jersey Individual Mandate - effective Jan 1, 2019. Under the law, all New Jersey residents will be obligated to maintain some level of health insurance or pay a penalty. In terms of

Max. Earned Income Tax Credit		
	2020	2019
No child	\$538	\$529
One child	\$3,584	\$3,526
Two children	\$5,920	\$5,828
Three+ children	\$6,660	\$6,557

Mileage Rates	
Item	2019
Business	\$0.58 per mile
Medical/ Moving	\$0.20 per mile
Charitable	\$0.14 per mile

Section 179		
Limits	2020	2019
Section 179	\$1.04 M	\$1.02 M
Property Limit	\$2.59 M	\$2.55 M

2019 Meals & Entertainment Deduction for Business

Writing off meals & entertainment for your small business can be pretty confusing.

Some major changes take effect starting 2018. Here are the highlights:

Meals & Entertainment Deduction	
Type of Expense	Deduction
Entertaining clients (concert tickets, golf games, etc.)	0% deductible
Business meals with clients	50% deductible
Office snacks and meals	50% deductible
Dinner provided for employees working late	50% deductible
Company-wide Party	100% deductible

