



DEBORAH L. PENCE, LLC

INCOME TAX PREPARATION SERVICES

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Following new IRS security recommendations I will no longer be able to send your tax return or related documents to any third party, either by email, fax, or USPS. This includes any banks or financial institutions, as well as any family members or friends. If you are needing a copy of your tax return I will be happy to upload your return to your secure online portal. You can easily access this on my website under the “Portal” tab. Please call if you have any questions.

2019 Tax Law Highlights

- **Health insurance mandate:** You will no longer incur a penalty for not carrying health insurance. HOWEVER, if you still receive your health insurance through the government marketplace I will need your 1095-A form to complete your tax return.
- **Virtual Currency (Bitcoin):** You must report whether you have sold, sent, acquired, or exchanged virtual currency. The IRS is beginning to pay more attention to this form of legal tender. I am required to ask about this for every return this year!
- **Medical Expenses:** Congress has changed the threshold back to 7.5% of your income for this deduction. (It was set to be 10% for 2019.) In order to qualify you must be able to itemize and you can only deduct expenses that *exceed* 7.5% of your income.
- **Early Retirement Withdrawals:** Effective January 1, 2020, each spouse may take up to \$5000 from their retirement accounts following the birth or adoption of a child and not have to pay the 10% early withdraw penalty. Any amount taken out will count as income for that year, and will still be subject to income tax.
- **HSA/FSA:** For H.S.A. accounts, you can save up to \$3550 for individual accounts and \$7100 for family accounts. Those that have F.S.A plans can save \$2750 for 2019.
- **Estate Tax and Gift Giving.** The annual gift exclusion for 2019 is \$15,000 (\$30,000 if a married couple each give). This is the max amount within the calendar year that can be given from one individual to another, family member or otherwise. If you gift an individual (or they gift you) more than this amount within the calendar year it may be subject to the estate and gift tax. A Gift Tax return is required to be filed. Please let me know if this applies to you. The estate tax exclusion for 2019 is \$11,580,000.
- **Energy Credits are Back:** Made retroactive for 2018 tax returns and good through December 31, 2019.
- **SECURE Act:** If you have a 529 account, this law allows you to use funds to pay for non-tuition related items.
 - ⇒ Student loans—up to \$10,000 (lifetime amount) per child can be used tax free from your 529 plan to pay towards student loans. Recipients can not double dip and take the student loan interest deduction on their tax return AND also use 529 funds to payoff student loans.
 - ⇒ Apprenticeships— Students can now use 529 funds to pay for supplies, equipment, fees, and textbooks related to any registered apprenticeship programs they take part in.
 - ⇒ Grandparent owned 529 – Prior to the SECURE act funds used from a grandparent owned 529 plan would result in a reduction in student aid on a student’s FAFSA form. Now they can wait and use the funds to pay for post-graduation student loans and avoid having to count withdraws as income while the student is in school.

2019 Retirement Changes

- IRA and Roth IRA Contributions: You have until April 15, 2020 to put money in your accounts be counted on your 2019 return. New this year, those over age 70 1/2 can still make contributions if you otherwise qualify.
- CAUTION: If you are **currently** 70 1/2 or older (as of December 31, 2019) and have IRAs, you **MUST** begin your annual withdraw. Ask me if this applies to you and you have questions.
- New RMD Age: Beginning January 1, 2020 and after, the required minimum distribution must be done beginning at age 72. If you turned 70 1/2 before this date, you fall under the old rules and still must take your RMD before age 72.

Retirement Savings Contribution Limits

ACCOUNT	2019 LIMIT	2020 LIMIT
401k, 403b, Thrift Savings Plan, most 457 plans	\$19000	\$19500
Catch-up contributions for 401k, 403b, Thrift Savings Plan, most 457 plans for those 50 and over	\$6000	\$6500
SIMPLE retirement accounts	\$13,000	\$13,500
Traditional IRA and Roth IRA plans	\$6000	\$6000
Catch-up contributions for IRAs for those 50 and over	\$1000	\$1000

Tax Tip: If you are needing to take an early distribution from your retirement account (before age 59 1/2) consider checking with your employer to see if your company allows loans or borrowing money from the account as opposed to taking a distribution. The money would have to be paid back (usually with interest), but you will be paying it back to yourself since it goes back into your account. This way you avoid the 10% withdraw penalty AND by borrowing it as a loan you don't have to add the money as taxable income on your tax return.



New W-4 Forms

If you have not filled out one of the new updated W-4 forms I strongly encourage you to do so. Both the Federal and Missouri withholding tables went through several updates in 2018 and 2019 following the tax law overhaul at the end of 2017. Many clients ended up unhappy when it came time to file their 2018 tax returns as a result of having a decrease in withholding due to these changes.

The new forms have been updated to reflect changes in the tax law that did away with allowances and exemptions, and have been simplified (their words) to make it easier for you to fill out. You can find the new W-4 forms at <https://www.irs.gov> (Federal) and <https://dor.mo.gov> (Missouri).

Business Income and QBI

- √ Partnerships: The deadline for filing a form 1065 tax return for your partnership (including LLCs taxed as partnerships) is now March 15th each year.
- √ Entertainment Expenses: There is no longer a deduction for entertainment expenses or membership dues to any club organized for business, pleasure, recreation, or other social purpose. This includes buying tickets to sporting events through your business.
- √ QBI Deduction: Partnerships, S-Corporations, Farmers, Trusts, Estates, and sole proprietorships are allowed to deduct 20% of business related income, subject to certain wage limits and exceptions. The remaining income is subject to normal rates. The 20% deduction is not allowed in computing adjusted gross income (AGI) but rather is allowed as a deduction reducing taxable income.
- √ If you have income from a source that provides you a K-1 for your personal return, I will need "Statement A-QBI Pass Through Entity Reporting", along with your K-1. This is a statement that shows your business' QBI deduction information and is required to be completed with the business tax return. It corresponds to Box 17 Code V on the K-1. If I handle your business accounting and taxes I will have this on file. If I don't, whomever completes the business return is **required** to provide this to you.

Where's My Refund?

This is one of the most common questions we get asked every year! The short answer is: we don't know. Assuming that everything on your tax return is correct, once we submit it electronically to the IRS and states it is completely out of our control. Sometimes refunds get delayed due to the volume of submissions or lack of money, other times it's because your return was randomly selected for review. I have links posted on my website for you to check the status of your IRS, Kansas, and Missouri returns. You will need to have your EXACT refund amount, the social security number of the primary person on your return, as well as your filing status. Starting in 2019, the IRS now has a separate refund tracker for amended returns as well.

2019 STANDARD MILEAGE RATES:
BUSINESS: 58 CENTS PER MILE
RELOCATION: NO LONGER DEDUCTIBLE
MEDICAL: 20 CENTS PER MILE
CHARITABLE: 14 CENTS PER MILE



2020 STANDARD MILEAGE RATES:
BUSINESS: 57.5 CENTS PER MILE
RELOCATION: NO LONGER DEDUCTIBLE
MEDICAL: 17 CENTS PER MILE
CHARITABLE: 14 CENTS PER MILE

IRS Scams!

Email: They use very official looking email and tell you that your tax payment was rejected or that you owe back taxes, often threatening legal action. If you receive an email like this, PLEASE do not click on any of the links and immediately delete it. Other email scams include attachments labeled as “Tax Account Transcript” from the sender “IRS Online”. Once you open the attachment your computer becomes infected with malware.



Telephone: Callers claiming to be from the IRS contact you saying you owe money, which must be immediately paid via wire-transfer or with a prepaid debit card. If you refuse the caller often threatens arrest or suspension of the victim’s business or driver’s license. In many cases they have been able to manipulate the caller ID to look as if it really is the IRS calling. If you receive such a phone call the best thing to do is just hang up.

Mail: Scammers send letters claiming there has been a discrepancy on your return or that you owe a balance in connection to your Affordable Care Act credit. While the IRS does send out discrepancy notices, official notices with amounts due will be payable to “US Treasury” NOT “IRS”. **If you receive a letter please contact my office before making any payments.**

IRS WILL NEVER MAKE INTIAL CONTACT WITH YOU BY WAY OF EMAIL OR PHONE CALLS! They will always first attempt to reach you with a letter in the mail. In addition you will never be asked t pay immediately without being given the opportunity to appeal the amount you owe, and **you will never be asked to pay with a debit or credit card over the phone.** You can report these incidents to the Treasury Inspector General for Tax Administration at 1-800-366-4484 or online at www.tigta.gov. You can also email a report to phishing@irs.gov.

Identity Theft and your Tax Return

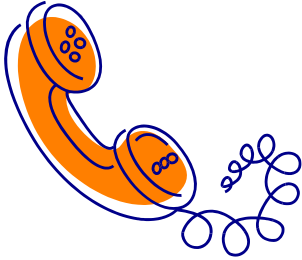
In the past several years tax-related identity theft has been on the rise. This is when someone uses your social security number and other personal information to file a tax return and claim a fraudulent refund. Thieves will usually file these returns early in the tax season, so that when you file your legitimate return it prompts the IRS to send out a notice that multiple returns have been submitted with your SSN number. You will still be able to file your return, but there are extra steps we will have to take, and if you are due a refund be aware that it will take much longer than normal (usually around 6 months). According to www.irs.gov you should be alert to any letters or notices that state:

- More than one tax return was filed using your SSN;
- You owe additional tax, refund offset or have had collection actions taken against you for a year you did not file a tax return.
- IRS records indicate you received wages from an employer unknown to you

If you discover you are a victim of identity theft go online to identitytheft.gov to report it and get a personal recovery plan. I have several pamphlets in my office for your convenience should you need them.

As far as your tax return goes, per IRS, there is nothing that can be done to prevent your personal information from being used on a fraudulent return ahead of time. The IRS can only take corrective measures AFTER a fraudulent return has been filed. There is a new program to opt-in to get an ID Protection Pin issued to taxpayers that request one. This prevents anyone else from using your information. Missouri and Kansas are not currently part of this program but more states are expected to be added in 2020.

Appointments



TAX SEASON OFFICE HOURS

**(JAN 27 TO APR
14TH)**

**MONDAY THROUGH
THURSDAY 9:00
AM TO 7:00 PM**

**FRIDAY 9:00 AM TO
5:00 PM**

**SATURDAY 9:00
AM TO 2:00 PM**

**CLOSED ON
SUNDAY**

***PLEASE NOTE THAT
I DO NOT TAKE
APPOINTMENTS ON
WEDNESDAYS**

- Please call my receptionist to schedule your appointment. This is the fastest way to get it taken care of.
- I see clients by appointment only for your convenience. If you prefer to drop off your information with the receptionist instead of making an appointment, I (or my assistant Megan) will need to call you at a later time to discuss your return with you. This policy will help keep the waiting time for those with appointments to a minimum. **The turn around time for drop-offs can be up to three weeks (or longer if there is missing information) so you may want to consider that when deciding to do so.**
- Also, it is very helpful if you will let the receptionist know when scheduling appointments if you will be bringing in more than one return, i.e. a child's return, or a parent's return, so that we will have enough time to complete those returns during the allotted appointment time. Otherwise, you may need to leave the extra returns to be completed later.

****Please note that our phone system has changed slightly – you no longer need to hit the # key when choosing an extension. If you do, it will not recognize your command and will keep you on the auto attendant loop.****

OFFICE PHONE: 816-795-9882 OFFICE FAX: 816-795-9883

CONTACT DEBBIE: Phone Ext–2 Email–dlpence@gmail.com

CONTACT MEGAN: Phone Ext–4 Email–assistant.dlpence@gmail.com

CONTACT RECEPTIONIST Phone Ext–0

Over the past couple of years I began using a secure online portal to upload your tax return instead of printing out a hard copy. Your personal portal will remain available to you as long as you are an active client of mine. Besides your tax return, the portal can also be used to send and receive documents with sensitive information. I can no longer use email for this for security reasons. If you need your portal to be reset, please call my assistant Megan.

During tax season getting ahold of me can sometimes be difficult. The fastest way to reach me is to leave a voicemail on my phone extension, but know that at times it may be several hours (or the next day if you call in the evening) before I am able get back to you. My assistant can also answer most questions if you cannot reach me and need more immediate assistance.

I appreciate the opportunity to assist with all of your accounting and tax needs and am grateful for the many referrals of new clients I receive each year. I look forward to meeting with each of you again this year!

-Debbie

WHAT TO BRING LIST

- NEW CLIENT? Copy of last year return, dates of birth for yourself, spouse and dependents
 - Estimated tax payments, if any
 - Wage and Tax statements (W-2)
 - Interest Income (1099-INT)
 - Dividend Income (1099-DIV)
 - Pension Income (1099-R)
 - Unemployment Compensation (1099-G)
 - Social Security Benefits (SSA-1099)
 - Distributions from Profit-Sharing-401(k)- IRA's, etc. (1099-R)
 - Alimony income/expense—will need date of divorce
 - Commissions-Independent-Contractor-Self Employment income and expenses
 - Railroad Retirement Benefits (RRTA-1099)
 - Long Term Care Insurance Premiums (even if you don't itemize)
 - Active Military moving expenses
 - Rental property income and expenses
 - Income from Partnerships, estates, trusts, S-Corps, etc. (K-1 and Statement A for QBI)
 - Did you sell any real estate; securities: stocks, mutual fund shares, etc? You will need:
 - ⇒ Date of sale and sales price
 - ⇒ Records of date of purchase and original cost
 - ⇒ Cost of improvements (real estate)
 - Did you sell your personal residence? You will most likely not have to report this, but please bring in:
 - ⇒ 1099-S Proceeds from Real Estate Transactions
 - ⇒ Closing statement from original purchase of home
 - ⇒ Closing statement from sale of home
 - ⇒ Records of any improvements
 - Did you buy a new personal residence? Please bring in the closing statement.
 - Educators -Classroom expenses incurred
 - IRA/SEP/ KEOGH contributions/rollovers/withdrawals
 - Gambling/Lottery Winnings (W2-G)
 - Child care expenses so you could work - need name, address, SSN, and full amount paid to each day care provider even if you did pre-tax
 - National Guard & Reserve Members - Travel expenses for overnight meetings more than 100 miles from home.
 - Jury pay - prizes - awards
 - Any other income from any other source!
 - Do you make payments on Student loans? Form (1098E)
 - Adoption expenses
 - Did you sell or trade in any business assets e.g., car, computer, rental property? You will need:
 - ⇒ Date of purchase and original cost
 - ⇒ Records of prior depreciation-for a vehicle you will need prior mileage information
 - ⇒ Any settlement statements
 - ⇒ Date of sale and amount sold for
 - Do you pay any higher education tuition for yourself, your spouse, and your dependents? Bring book receipts separately. You will also need a 1098-T.
 - Are there any contributions to or distributions from state tuition programs? Form (1099-Q)
 - **Do you have Health Insurance coverage and are you enrolled in the Health Insurance Marketplace? I will need Form 1095-A. I cannot process the return without this.**
- To itemize your deductions, we will need:**
- Out of pocket medical expenses (must exceed 7.5% of income to help) Health Insurance counts **only if not paid through a pre-tax payroll deduction. Medical expenses include- doctor, dentist, hospitals, co-pays, prescriptions, X-rays, contacts, glasses, etc.**
 - Home mortgage interest (1098)
 - Real Estate/Personal property tax receipts
 - Charitable contributions