   Gary Koenig, BS CSc, MBA, CCP, IRS-Certified Tax-Aide Volunteer

2 Latest Tax Law Changes
   ● Inflation adjustments
   ● Law changes – including 12/20/19 changes
     ■ Some may warrant prior year amendments
   ● Pending developments

3 Standard Deduction Inflation Adjustments
   ● Standard deduction increased to
     ■ $24,400 Married Filing Jointly and Qualifying Widow(er) (MFJ, QW)
     ■ $18,350 Head of Household (HoH)
     ■ $12,200 Single and Married File Separately (MFS)
   ● Additional standard deduction amount for age 65 and older and/or blind
     ■ $1,650 Single, HoH (changed)
     ■ $1,300 MFJ, MFS, QW (no change)

4 Filing Threshold
   ● Filing thresholds for most taxpayers is their standard deduction
     ● Filing threshold increased by additional standard deduction amount due to age 65 or older
     ■ Filing threshold not increased by additional amount for blindness

5 Filing Thresholds
   1. Single / MFS
      ■ <66: $12,200
      ■ >65: $13,850
   2. Head of Household
      ■ <66: $18,350
      ■ >65: $20,000
   3. Married Filing Jointly
      ■ Both <66: $24,400
      ■ One >65: $25,700
      ■ Both >65: $27,000
   4. Qualifying Widow(er)
      ■ <66: $24,400
      ■ >65: $25,700

6 Other Inflation Adjustments
   ● Earned income credit – $15,570-$55,952 (income), $529-$6,557 (credit)
   ● Student loan interest income phase out – $85,000 (single) / $170,000 (married)
   ● Standard mileage rate – $0.58(business), $0.20(medical), $0.14(charitable)
   ● Education credits income phase out – $90,000 (single) / $180,000 (married)
   ● Foreign earned income exclusion - $107,600

7 Other Inflation Adjustments
   ● Income limits on IRA deductions – $75,000 (single) / $124,000 (married)
● Qualified Business Income (QBI) deduction thresholds (self-employed, REIT, 199A dividends (1099-DIV box 5))
  ■ $321,400 for MFJ
  ■ $160,725 for MFS
  ■ $160,700 for Single or HoH

8 Other Inflation Adjustments
● Health savings account contribution limits
  ■ $3,500 (single) / $7,000 (married) (+$1,000 >55)
● Limit on long term care insurance deduction
  ■ $420 (<40) / $790 (41-50) / $1580 (51-60) / $4220(61-70) / $5270 (>70)
● Kiddie tax kicks in at $2,200 of unearned income (after the filing threshold is met) – (See later slide)
● ACA: federal poverty lines updated for premium tax credit purposes

9 No Inflation Adjustment
● Refundable portion of child tax credit
  ■ Stays at $1,400

10 Alimony – New or Modified
● Alimony treatment for new or modified* orders after 12/31/18
  ■ Alimony payments not deductible
  ■ Alimony received not taxable
  ● Not compensation for IRA purposes

  *Modification must specify that new rules apply

11 Alimony – Grandfathered
● Alimony under existing orders are grandfathered
  ■ Alimony payments continue to be deductible
  ■ Alimony received continues to be taxable
  ● Compensation for IRA purposes

12 ACA (Affordable Care Act)
● Shared responsibility payment amount and percentage reduced to zero beginning tax year 2019
  ■ No exemptions needed

13 Extenders
● Extenders restored retroactively to tax year 2018 and through 2020:
  ■ Exclusion of up to $2 million of discharged qualified principal residence indebtedness
  ■ Tuition and fees adjustment to gross income of up to $4,000
  ■ Residential energy credit of up to 10% of qualifying costs of certain energy-efficient property in principal residences
  ■ Itemized interest deduction for qualified mortgage insurance premiums (PMI)

14 AGI Threshold for Medical Expenses
● Threshold for itemized medical deductions reduced to 7.5% of AGI effective January 1, 2019
● Threshold reverts to 10% on January 1, 2021
• Change also applies to exception to additional tax on early distributions for qualified medical expenses (Form 5329 Code 05)

15 ☐ Kiddie Tax
• “Kiddie tax” reverts to pre-2018 law – child’s unearned income again taxed at parents’ top marginal rates rather than at trust rates
• Effective for taxable years beginning after December 31, 2019
  ■ Taxpayers can elect to have it apply retroactively to taxable years which begin in 2018, 2019, or both

16 ☐ Relief in Declared Federal Disaster Areas
• Access to up to $100,000 (total, not annually) of retirement funds
• Re-contribution over next three years
• Deduction of casualty loss even if not itemizing and with no 10% threshold
• Can use earned income from prior year instead of current year for earned income credit purposes
• Automatic 60-day extension for required tax filings

17 ☐ Section 529 Education Savings Accounts
• Additional permitted distributions from Section 529 education savings accounts
  ■ Expenses associated with registered apprenticeship programs
  ■ Up to $10,000 total (not annually) of principal or interest for any qualified student loan
    ● For designated beneficiary or
    ● Sibling (brother, sister, stepbrother, or stepsister) of designated beneficiary
• Effective for distributions made after December 31, 2018

18 ☐ Increased Penalty
• New law increases penalty for failing to file tax return
• Effective for filing dates after December 31, 2019
  ■ Applies to tax year 2019 filings in 2020

19 ☐ Birth or Adoption of Child
• Can take up to $5,000 “early” withdrawal from IRA or qualified retirement plan to cover expenses associated with birth or adoption of a child without 10% additional tax penalty
  ■ Child generally under age 18
  ■ Does not apply to adoption of a child of taxpayer’s spouse
  ■ One-year period from when child is born, or adoption is finalized
  ■ Taxpayer and spouse may each withdraw up to $5,000 from their individual plans
  ■ Re-contributions of withdrawn amount permitted
• Effective for distributions made after December 31, 2019

20 ☐ Required Minimum Distribution Age
• Age for beginning required minimum distributions from defined contribution plan or IRA increased to 72 from 70½ for individuals who reach age 70½ after December 31, 2019 (turned 70 after 6/30/2019)
• Some or all of first distribution may again be delayed until April 1 of following calendar year

21 ☐ Contributions to IRA
• Repeals maximum age (currently 70½) for making contributions to traditional IRA
• Effective for tax years beginning after December 31, 2019
  (i.e., taxpayer born before July 1, 1949 cannot make 2019 contribution)

22 □ Qualified Charitable Distributions
• Minimum age for qualified charitable distributions from individual retirement plans remains at 70½
• Excludible portion of QCD distribution is reduced by IRA deductions (Schedule 1 Line 19) once the taxpayer attains age 70½
• This provision applies cumulatively for tax years beginning after 2019 as to both distributions and deductions

23 □ Qualified Charitable Distribution
• Tax savings opportunity for taxpayer who:
  ▪ Is age 70½ or older
  ▪ Receives distribution from IRA (not SEP, SIMPLE or Roth IRAs)
  ▪ Donates to qualified charity
• QCD reduces AGI
  ▪ Probably more advantageous than itemized deduction
• An option – taxpayer choice

24 □ Medicaid Waiver Payments (MWP)
• Payments by state or county to caregiver to provide nonmedical support services to an individual if both live in same home and care is for no more than 10 children or 5 adults (19 or older)
• In prior years, these payments were excluded from gross income and could not be used when calculating credits
• Form 1040 Instructions (posted January 8, 2020) allow including all or none of MWP as earned income for credit calculations no matter how or even if payment is reported to taxpayer and not including all or none of MWP as taxable income

25 □ Medicaid Waiver Payments (MWP)
• Taxpayer must provide records of payments if no tax document
• Changes apply to prior three years

26 □ Strike Benefits
• Typically reported on Form 1099-MISC in box 3 – Other Income (and then if more than $600)
• Strike benefits are
  ▪ Taxable income (even if not reported on Form 1099-MISC)
  ▪ Earned income for tax credit purposes
• Awaiting IRS confirmation that strike benefits are not subject to self-employment tax

27 □ Form Changes
• Form 1040 and numbered schedules redesigned
• New Form 1040-SR (same information as on Form 1040 with larger print)
• Schedule C-EZ and Form 2555-EZ obsolete
• Form 8965 (ACA exemptions) obsolete
• New Form 8995 for QBI deduction

28 □ Tax Law Changes - Questions
Tax Law Basics – Who Should File

- Claiming refund of withheld taxes or estimated tax payments
- Claiming any refundable credit (credit independent of taxes owed)
  - Earned Income Credit
  - Additional Child Tax Credit
  - Education Credits
- Desire to help prevent identity theft

Identity Theft (from prior year(s))

- IRS sends notices to taxpayers identified as victims (or potential victims)
- Notice provides Identity Protection PIN victim needs when filing 2019 tax return
- If received IP PIN but lost it, call ID Theft Toll-free Hotline: 800-908-4490

Documents You Need to Collect

1. Employment
   - Social Security
   - Pensions, IRA distributions
   - Interest, dividends, capital gains
   - Unemployment compensation
   - Gambling winnings

2. W-2
   - SSA 1099, RRB 1099
   - 1099-R, RRB 1099-R
   - 1099-INT, 1099-DIV
   - Broker Statement, K-1
   - 1099-G
   - W-2G

Tax Law Basics – Form 1040

- Identity, filing status and exemptions
- Income
- Adjustments (to income)
- Deductions and exemptions
- Tax and nonrefundable credits
- Additional taxes
- Refundable credits

Five Choices for Filing Status

- Married Filing Jointly (MFJ) Best
  - Qualifying Widow(er) (QW) 2nd
    - with dependent children (not grandchildren)
  - Head of Household (HoH) 3rd
  - Single 4th
- Married Filing Separately (MFS) Worst

Filing Status Determination
● Two criteria:
  ■ Marital status on last day of tax year
    ○ Federal definition – “married”
    ○ Legal marriage under laws of any state or country
    ○ Does not include civil unions or registered domestic partners
  ■ Type of dependents, if any

35 □ Living Situation Analysis
● Marital status as of 12/31
● Others living in home, if any
  ■ Their relationship/dependency
  ■ Who paid upkeep
● If widow(er)
  ■ Date of death of spouse
  ■ Any dependent children at home

36 □ Filing Status Importance
● Many tax items affected by filing status
  ■ Necessity to file a return
  ■ Standard deduction
  ■ Tax rate bracket
  ■ Eligibility for certain credits

37 □ Married Filing Jointly
● Married on last day of year
● Common law marriage
  ■ If recognized in state where started
● Spouse died during current year (2020 or 2019) and not remarried

38 □ Qualifying Widow(er)
● Spouse died in 2017 or 2018
  ■ Dependent child and/or stepchild lived in home all year
  ■ Grandchild not eligible
● Maintained home for child
  ■ >50% of cost
● Can file QW for two years only

39 □ Qualifying Widow(er)
● Advantages
  ■ Standard Deduction – same as MFJ
  ■ Uses Married File Jointly tax rates

40 □ Head of Household – Unmarried
● Provided home* for qualified child
  ■ Might not be a dependent
● Provided home* for related dependent
  ■ >50% cost of maintaining home for dependent parents living elsewhere
* Paid more than 50% of cost of keeping up the home

41 □ **Head of Household – Married**
- Lived apart all of last 6 months of year
- Provided home* for:
  - Child, stepchild, or eligible foster child for over six months
- No other relatives qualify
* Paid more than 50% of cost of keeping up the home

42 □ **Head of Household**
- Key advantages
  - Higher standard deduction than Single or Married Filing Separately
  - Advantageous tax rate structure

43 □ **Single**
- Not married as of December 31st, or
- Married, but legally separated
- No dependent children at home

44 □ **Married Filing Separately**
- Taxpayer chooses to file MFS -OR-
- Spouse has already filed MFS -OR-
- Married but separated and not filing MFJ
- Rare cases – more advantageous
  - Generally, no children in home
- TX is a community property state, therefore, this can be messy, and not recommended

45 □ **Where to Find Interest Income**
- Form 1099-INT
- Sub 1099-INT (Brokerage Statement)
- Schedule K-1
- No tax form from payer
  - Seller financed mortgage interest income
  - Private or foreign payer
  - Interest less than $10

46 □ **Interest Income**
- All interest is taxable except:
  - State or municipal obligations; including
    - D.C.
    - U.S. possessions
      - See Pub 17, chapter 7
  - U.S. obligations (T-Bills, Savings Bonds, etc.) are fully taxable for federal tax

47 □ **Dividend Income – What is it?**
- Payment by a corporation
- Paid to its shareholders
- Credit union dividends are not dividends, they are interest
**Dividend Income – What is it?**

- Mutual fund dividends
  - Dividend income from corporations
    - Will be identified as ordinary/qualified
  - Interest income from bonds/accounts
    - Will be identified as exempt if from exempt securities, e.g. state bonds
  - But both are still dividends to the fund’s shareholders

**Dividend Income**

- Ordinary dividend income (not qualified)
  - Taxed at regular tax rates
- Qualified dividend income
  - A subset of Ordinary Dividends
  - Taxed at capital gain rates

**Where to Find Dividend Income**

- Form 1099-DIV
- Substitute 1099-DIV (brokerage or mutual fund statement)
- Schedule K-1

**Dividend Income Reinvested**

- Reinvested dividends
  - Really, two transactions
    - Dividend income
    - Purchase of more shares
  - Payer effects both instantaneously
  - Payers keep track of basis for covered securities (however, always taxpayer’s responsibility to insure correctness)

**Earned Versus Unearned Income**

- Types of unearned income
  - Social security benefits
  - Retirement income
  - Unemployment compensation
  - Land rents
- Without Earned Income, no EI Credit

**Capital Gains / Losses**

- Ordinary income tax rates range from 10% to 37%
- Capital gain tax rates are much lower
  - Usually 0% or 15% rate
  - Could be 20% rate for very high incomes

**Sale of Principal Residence (“Main Home”)**

- Generally not a taxable event if:
  - Residence was main home
  - Taxpayer satisfies ownership and use tests
Gain less than $250,000 ($500,000 MFJ)
Taxpayer did not receive Form 1099-S

55 Sale of Main Home
- Report on tax return if
  - Any part of gain is taxable
  - Any time Form 1099-S is received

56 Types of Retirement Income
- Pensions
- Annuities
- Social Security
- Individual Retirement Arrangement (IRA) Distributions

57 Retirement Income Reported on:
- Form 1099-R – Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, 401(k) plans, etc.
- Form RRB 1099-R – Annuities or Pensions by the Railroad Retirement Board
- Form CSA 1099-R – Statement of Annuity Paid (civil service retirement payments)
- Form CSF 1099-R – Statement of Survivor Annuity Paid

58 “Pension” Distributions
- Reported on Forms
  - 1099-R – company plans *
  - RRB-1099-R – (green) Railroad Benefit
  - CSA-1099-R – civil service, government
* Pension distributions include distributions from 401(k), 403(b) and 457(b) plans

59 Four Types of IRAs
- Traditional
- Roth
- Savings Incentive Match PLans for Employees (SIMPLE)
- Simplified Employee Pension (SEP)

60 Traditional IRA Distributions
- Regular (taxable)
- Required minimum distributions (RMD) (taxable)
- Trustee to trustee transfer (not taxable)
- Rollover (not taxable if done correctly)

61 Traditional IRA Distributions
- Fully taxable in the year taken
- Potential 10% additional tax for distribution prior to 59½ (“too early” penalty)
  - Exceptions may apply

62 IRA RMD Distributions
- Required Minimum Distribution (RMD)
Required Minimum Distribution (RMD)

- Must take required minimum distribution – age 70½ (now age 72)
- Must take by April 15 of year following
- Can avoid two distributions taxed in one year by taking first in year turning 70½/72

**Traditional IRA RMD**

- IRA administrator (trustee) optionally calculates RMD and notifies taxpayer of requirement and amount
- Taxpayer responsible to take RMD (either from one account or multiple accounts)
- 50% additional tax for amount not distributed (“too late” penalty)
- Can request waiver of additional tax using Form 5329 Part IX (I’m 70 & forgetful 😊)

**Roth IRA**

- Contributions not deductible
- Distributions tax free if conditions on the next slide or met

**Qualified Roth IRA Distributions**

- No additional tax on the gains if:
  - Made after the five-year period beginning with first contribution -AND-
  - Made on or after age 59½ -OR-
  - Disabled -OR-
  - Death -OR-
  - To pay up to $10,000 of certain qualified first-time homebuyer amounts

**Other Income**

- Gambling winnings including lotteries and raffles
- Reported on 1099-MISC, Box 3
- Reported on 1099-MISC, Box 7 (but “not a business”)
- 1099-LTC (Long-term care payments)
- Jury duty pay and Poll Worker Pay (not on W-2)
- Prizes and awards
- Medical study subject pay
- Cancellation of credit card debt

**Long Term Care Payments**

- LTC Insurance Contracts –
  - Generally reimbursements not taxable
  - Per diem costs up to an aggregate limit of $330/day are non-taxable
- Reported to taxpayer on 1099-LTC
- Complete Form 8853, Section C

**Accelerated Death Benefits**

1099-LTC

- Insured has been certified by a physician as terminally ill
  - Fully excludible
  - Certified as chronically ill
  - Treated the same as paid under a qualified long-term care insurance contract

**Adjustments to Income**
1. **Educator expenses**
   - Health Savings Account (HSA)
   - Self-employment tax
   - Early withdrawal penalty

2. **Alimony paid**
   - IRA contributions
   - Student loan interest
   - Jury duty pay given to employer
   - * Discussed on further slides

**IRA Deduction – Sch 1 Line 19**
- Can contribute lesser of $5,500 ($6,500 if age 50+) or taxable compensation
- Taxable compensation
  - Wages, tips, bonuses, Sch C income, alimony
  - NOT: interest, dividends, pensions, unemployment, social security
- Taxpayer has until end of filing season to make contribution for current tax year
- Actual amount depends on Taxpayer / Spouse retirement plans, modified AGI, age and filing status

**Deductions-Standard/Itemized**
- Subtractions from a taxpayer’s adjusted gross income (AGI)
- Reduces amount of income taxed
- Most taxpayers have a choice
  - Standard deduction
  - Itemizing deductions
- Use type of deduction that results in lower tax

**Standard Deduction**
- Fixed reduction of AGI based on:
  - Filing status
  - Age (65 or older)
  - Blindness
  - Dependency
- Standard amounts change each year (indexed for inflation as shown earlier)

**Blindness**
- Totally blind taxpayer
  - OR-
- Certified statement from eye doctor that
  - Taxpayer cannot see better than 20/200 in the better eye with glasses or contact lenses
  - Field of vision is not more than 20 degrees

**Possible Itemized Deductions**
(Schedule A)
- Medical or dental expenses paid
- Non-federal taxes paid
- Interest paid
● Gifts to charity
● Miscellaneous expenses

75 Medical Expenses
● Medical expenses include
  ■ Diagnosis, cure, mitigation, treatment, or prevention of disease
  ■ Treatments affecting any part or function of body
  ■ Equipment, supplies, and diagnostic devices
  ■ Premiums for insurance that covers medical care
  ■ Long-term care insurance premiums (limited)
  ■ Transportation/travel to get medical care

76 Medical Expenses
● Not all “medical expenses” qualify
● Examples of not qualified expenses:
  ■ Cosmetic surgery
  ■ Funeral or burial expenses
  ■ Nonprescription drugs (except insulin)
  ■ Weight loss program not prescribed
  ■ Diet food

77 Medical Expenses
● Must be paid during tax year by cash or credit card
  ■ Cannot be reimbursed expenses including expenses claimed for HSA
● Only for taxpayer, spouse, dependents
● 20¢/mile for travel for medical purposes
● Must exceed 7.5% of AGI for 2019/20, 10% for 2021+ to be deductible

78 Taxes
● MUST be imposed on taxpayer
  ■ Can’t pay someone else’s taxes and claim it as a deduction
● MUST be paid in current tax year

79 Taxes – Maximum $10,000
● State and local taxes
  ■ Income tax -OR-
  ■ General sales tax (TX – normally)
● Real Estate tax
  ■ TX RE tax can be paid for two different years
  ■ Personal property tax based on value
● Foreign income tax (if not claiming a credit (normally preferred))

80 Additional Sales Tax
● Any large purchases?
  ■ Motor vehicle (car, motorcycle, motor home, off-road vehicle (golf cart), etc.)
  ■ Boat or airplane
  ■ Home, home addition or renovation
    ● Sales tax must have been separately stated and paid by taxpayer (not the contractor)
81 Taxes
- Line 5b – Real Estate (Property) Taxes
  - May be reported by mortgage company on Form 1098
  - For personal use, not for business use
- The following are not deductible:
  - Itemized charges for services
    (such as trash pickup or sewer fees)
  - Transfer taxes (or stamp taxes)
  - Rent increases due to higher real estate taxes
  - Homeowners’ association charges or dues

82 Non-Deductible Taxes
- Federal income and excise taxes
- Social Security, Medicare
- Federal Unemployment (FUTA)
- Railroad retirement taxes (RRTA)
- Customs duties
- Federal estate and gift taxes

83 Home Mortgage Interest
- Interest on loan secured by main home or second home
- Mortgage to buy or build home or second home (both limited)
- Home equity loan or line of credit (limited)
- Both taxpayer and lender must intend that loan be repaid
- PMI is again allowed (Private Mortgage Ins)

84 Home Mortgage Interest
- Points
  - Paid at loan origination
  - If to buy or build main home, deductible in full
  - Otherwise, spread over life of loan

85 Non-Deductible Interest / Fees
- Personal interest (e.g. car loan, line-of-credit)
- Service charges
- Annual fees for credit cards
- Loan fees
- Credit investigation fees
- Interest to purchase or carry tax-exempt securities
- Fines and penalties paid to a government for violations of law

86 Gifts to Charity
- Qualified charity
  - Churches, governments, schools, etc.
- Approved by IRS
  - U.S. charity
  - irs.gov/charities for list
Limited to % of AGI
- Public charity: <60% of AGI
- Private foundations: <20% or 30% of AGI

87 Gifts to Charity
- Monetary contribution less than $250
  - Bank record (check, credit card or bank statement) or receipt
    - OR-
    - Written acknowledgement from charity
  - If payment is >$75, charity must state value of goods/services provided, if any

88 Gifts to Charity (continued)
- Monetary contribution $250 or more
  - Written acknowledgement from charity
  - Must state value of goods or services provided in exchange for contribution, if any
    e.g., fundraising dinner – value of dinner must be deducted from ticket price paid; only net amount deductible

89 Gifts to Charity (continued)
- Donations of clothing or household items
  - Deduct fair market value
    - Usually thrift store value
    - Good used condition or better
  - Capital gain items or property
  - Car, boat, or plane donations

90 Gifts to Charity (continued)
- Out-of-pocket expenses are also deductible
  - Mileage @ 14¢/mi
  - Tolls and parking
  - Out of pocket expenses when serving as volunteer for qualified charity (e.g., hospital volunteer uniform)

91 Non-Cash Contributions
- Need receipt for all non-cash donations
- Single non-cash gifts $250 or more
  - Written acknowledgement from charity
  - More than $500
    - Complete Form 8283 – Section A, Part 1 only
  - Should always keep detailed list of items donated (pictures help)

92 Non-Deductible Contributions
- Contributions to following types of organizations:
  - Business organizations such as Chamber of Commerce
  - Civic leagues and associations
  - Political organizations and candidates
  - Social clubs
  - Foreign organizations
Foreign organizations

93  Non-Deductible Contributions
- Cost of raffle, bingo, or lottery tickets
- Tuition
- Value of person’s time or service
- Donated blood
- Direct contributions to an individual
- Part of contribution that benefits taxpayer

94  Miscellaneous Deductions
- Gambling losses to extent of winnings
- Unrecovered investment in annuity
- Certain work-related expenses for disabled
- Certain casualty losses

95  Alternating (Bunching) Deductions
- One year file Itemized
  - Paying two years of property taxes
  - Paying two years of contributions
  - Or high medical expenses
- Next year file standard
  - Paying no property taxes
  - Paying minimal contributions & medical

96  Other Taxes Possibly Owed
- Self-employment tax
- Social security and Medicare taxes on tip income
- Additional taxes on IRAs and other qualified retirement plans
- Repayment of first-time homebuyer credit

97  Additional Tax on IRAs, etc.
  Form 5329
- Distributions before 59½ not rolled-over
  ("early distribution") (Pt I) – 10% additional tax
- Required Minimum Distribution (RMD) not taken after 70½/72 (Pt IX) – 50% additional tax
  ➢ There are exceptions

98  Types of Payments
1. Federal income tax withheld
   - Estimated payments
   - Amounts applied from prior year
   - Earned income credit
   - Additional child tax credit (Form 8812)
2. American opportunity credit (Form 8863)
   - Health Premium tax credit (Form 8962)
   - Payments made with request for extension
   - Excess social security or tier 1 RRTA tax withheld
Estimated Payments
- Payments made periodically by taxpayer
- Typically made if:
  - Self-employed
  - Investment income
  - Projected balance due >$1,000 (to avoid penalty)

Refund Options
- Receive refund by check – no action needed
- Direct Deposit
  - One account -OR-
  - Add Form 8888 for split refund
    - Up to three different accounts
    - Can receive a portion in a check
    - Can purchase US Series I Savings Bond
- Apply some or all to next year's tax

Direct Deposits
- Use Direct Deposit
  - Faster (1-2 weeks versus 3+ weeks by mail)
  - Safer
- For checking account, get routing number and account number from bottom of check

Direct Deposits
- IRS will send refund to savings account, but its routing transit number is often not easy to locate
- Direct deposit of refund may only go to account (or accounts) in taxpayer's name
- Financial institutions may not allow joint refund to be deposited into an individual account

Payment Due Options
- Due by April 15 (or later if extended due to weekends or holidays; 2020–April 15)
  1. Check or money order mailed with Form 1040-V, Payment Voucher
  2. Electronic funds transfer (ACH)
  3. IRS Direct Pay
  4. Credit card (may have additional fee)

Line 24 Estimated Tax Penalty
- If tax owed is $1,000 or more AND
- Withholding and estimated payments less than the smaller of:
  - 90% of tax shown on current tax return OR
  - 100% of tax shown on 2018 tax return
- Possible penalty may be due

Record Keeping
- Basic record keeping requirements
  - Taxpayer should keep copy of all records used to file tax return to the later of:
    - Three years from date return was filed
    - Two years from date tax was paid
See Pub 17 for additional requirements

106 ☐ Tax Return Preparation
- Verify and clarify information which appears to have changed from last year’s tax return
- Verify you have all needed documents by comparing to last year’s documents
- Verify accuracy of documents and receipts (e.g. correct year)

107 ☐ Quality Review Your Return
- Look for typos, transposed digits, missing information, misspellings, etc.
- If not using tax software, check your math
- Does the return look similar to last year and does it have similar results?
- Did you do anything new this year that you didn’t include?

108 ☐ AARP Foundation Tax-Aide
- Nationwide non-profit program administered by AARP Foundation
- Helps taxpayers with special attention to age 60+
- Free confidential service
- Committed to high-quality service
- Answers tax questions/prepares returns
- Funding from AARP Foundation and IRS

109 ☐ Introduction to Income Tax

Questions...

Comments...
Please come to my Denton County Appraisal class in April