2019 Year-End Tax Planning Checklist

Presented by Blystone & Bailey, CPAs, PC

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KEY CHANGES

With the 2018 tax year being the first year impacted by The Tax Cuts and Jobs Act of 2017 (TCJA) there are no new significant legislation affecting the 2019 tax year.

The following business and individual checklists have various strategies to consider before December 31 to reduce your 2019 tax liability.

BUSINESS CHECKLIST

Code Sec. 179 Expense Deduction and Bonus Depreciation

Two of the biggest deductions available to a business are the Code Sec. 179 expense deduction and bonus depreciation.

Code Sec. 179 expense for the 2019 returns, the maximum amount of qualifying property that can be expensed is $1,020,000. That amount is reduced one-for-one to the extent qualifying property purchased exceeds $2,550,000. .

Bonus depreciation was extended through the end of 2026. The first-year 100-percent depreciation deduction write off is available for qualifying assets (new and used) that are place in service through the end of 2022. The 100-percent allowance is phased down by 20 percent per calendar year in tax years beginning after 2022.

A purchase of a vehicle for your business could result in a substantial tax write-off. If the vehicle is more than 6,000 pounds, up to $25,500 of the cost of SUV type vehicles can be immediately expensed, and under 6,000 pounds the expense is limited to $18,100 for 2019. Qualifying pick-up trucks more than 6,000 pounds are not limited to an expense amount.

Qualified Business Income Deduction

If you are a sole proprietor, a partner in a partnership, a member in an LLC taxed as a partnership, or a shareholder in an S corporation, you may be entitled to a deduction of up to 20 percent on qualified business income from a qualified trade or business.

A qualified trade or business means any trade or business other than (1) a specified service trade or business, or (2) the trade or business of being an employee. A "specified service trade or business" is defined as any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, including investing and investment management, trading, or dealing in securities, partnership interests, or commodities, and any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees. Engineering and architecture services are specifically excluded from the definition of a specified service trade or business.

However, there is a special rule which allows you to take this deduction even if you have a specified service trade or business. Under that rule, the provision disqualifying such businesses from being considered a qualified trade or business for purposes of the qualified business income deduction does not apply to individuals with taxable income of less than $160,700 ($321,400 for joint filers). After an individual reaches the threshold amount, the restriction is phased in over a range of $50,000 in taxable income ($100,000 for joint filers). Thus, if your income falls within the range, you are allowed a partial deduction. Once the end of the range is reached, the deduction is completely disallowed.

Changes in Accounting Method Rules

A business may be eligible to use the cash method of accounting as long as the business satisfies a gross receipts test. This test allows businesses with annual average gross receipts that do not exceed $25 million for the three-prior tax-year period to use the cash method. A similar gross receipts threshold provides an exemption from the following accounting requirements/methods: (1) uniform capitalization rules; (2) the requirement to keep inventories; and (3) the requirement to use the percentage-of-completion method for certain long-term contracts (thus allowing the use of the more favorable completed-contract method, or any other permissible exempt contract method).

Rental Real Estate

Rental real estate enterprises operated by individuals and owners of passthrough entities may also qualify for the qualified business income deduction if certain criteria are met. For example, a taxpayer's rental activity must be considerable, regular, and continuous in scope.

For rental real estate enterprises and real estate professionals it is important to maintain contemporaneous record. This includes time reports, logs, or similar documents, regarding the following: (i) hours of all services performed; (ii) description of all services performed; (iii) dates on which such services were performed; and (iv) who performed the services. If services with respect to the rental rea estate enterprise are performed by employees or independent contractors, the taxpayer may provide a description of the rental services performed by such employee or independent contractor, the amount of time such employee or independent contractor generally spends performing such services for the enterprise, and time, wage, or payment records for such employee or independent contractor.

COST SEGREGATION STUDY

- A Cost Segregation Study allows a taxpayer that owns real estate to reclassify certain assets to a shorter tax lives (5,7 and 15 years) from real property lives (27.5 and 39 years). The shorter tax lives will qualify for bonus depreciation and therefore will reduce your current tax liability.

De Minimis Amounts That May Be Expensed

- Under a safe harbor in the repair and capitalization rules, amounts under $2,500 that a business pays for tangible property acquired or produced during the tax year may be deducted, rather than capitalized. The threshold is increased to $5,000 if you have an applicable financial statement. The threshold applies to items substantiated by an invoice or item.

Miscellaneous Business-Related Items

- If you are self-employed and haven't done so yet, set up a self-employed retirement plan.
- Depending on your particular situation, you may also want to consider deferring a debt-cancellation event until 2020, and disposing of a passive activity to allow you to deduct suspended losses.
- If you own an interest in a partnership or S corporation you need to be sure you have adequate basis in the entity so you can deduct a loss from it for this year.
- Cash basis businesses may early pay business expenses, provided it doesn't result in "distortion" of income. Use of a <u>bank</u> credit card (VISA, Master Card, etc.) to fund payments is also considered a "cash payment" for this purpose.
- Accelerate to 2019 purchases for supplies, repairs, maintenance, etc. that might normally have been made during early 2020.
- Cash basis businesses may defer invoicing and related collection of sales receipts until early 2020. Be careful to avoid a flurry of sales deposits immediately after New Year’s Day though, as it might be construed as payments received and merely held out from deposit.

- Consider adding children to payroll as wages to minor (under 18) children of sole proprietors are exempt from payroll taxes and make a nice college fund. The first $9,525 is federal tax free, and the excess is taxed at only 12% personal income rate on the next $29,175 per year. State of Michigan (or other resident state) taxes generally apply. Amount of compensation must be "reasonable" for the age and capabilities of the "employee".
- A self-employed individual (or a partner or a more-than-2%-shareholder of a S corporation) can deduct as a business expense 100% of the amount paid during the tax year for medical insurance on himself, spouse, dependents and to any child of the taxpayer who has not attained age 27 as of the end of the year. Medicare Part B premiums can be used in figuring the self-employed deduction for health insurance costs.
- No self-employed health insurance deduction is allowed to the extent the deduction exceeds the individual's earned income derived from the trade or business for which the plan providing the coverage is established. For purposes of applying the earned income limit to the deduction of a more-than-2% S corporation shareholder, that shareholder's wages from the S corporation are treated as his earned income.
- Alternatively, self employed (unincorporated) individuals could save further by employing their spouse and providing him/her with family health insurance benefits, rendering the payment 100% deductible for income AND self-employment (social security) tax.
- Consider maximizing deductions for automobiles used in business**.** If, in 2019, you purchased and placed in service an automobile used in your business, you have two choices on how to deduct expenses related to the vehicle: (1) you can use a standard mileage rate (for 2019, 58¢ per mile for travel), or (2) you can deduct actual expenses, including depreciation. *The standard mileage deduction is relatively easy to compute. Simply multiply the number of miles the vehicle was driven for business purposes by 58¢ per mile for travel. Determining actual expenses requires more work. All of the expenses for the vehicle, for example, insurance, gas, repairs, garage rent, etc., must be added up. In addition, a depreciation deduction is allowable under the actual expense method (the standard mileage rate has an amount for depreciation built into it). Whatever method is used it is important to maintain vehicle logs for miles driven (business and personal) for the year.*
- Before yearend be sure to be reimburse for business related expenses not already being paid the business. Those expenses include, cell phone, home office, mileage, travel, etc.
- Reminder that distributions that are from debt refinance need to be reinvested or the interest paid may not be deductible.

CORPORATIONS:

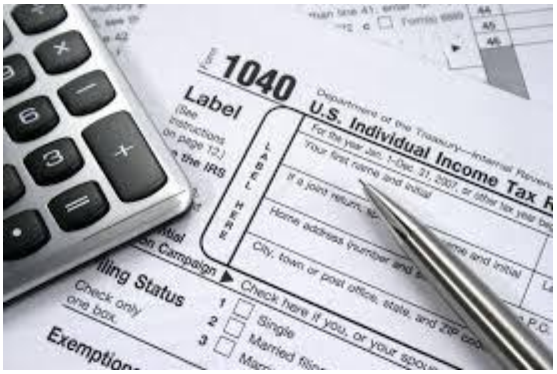
- For tax year 2019, a flat 21% rate applies and includes Personal Service Corporations.
- Balance C-Corp income with 50+% shareholders salaries, rents, etc. with cash payments (no accruals allowed) in order to optimize utilization of lower tax brackets for corporations and individuals.

- Double check for Personal Holding Company status on C-Corps.
- Increase your basis in a partnership or S corporation if doing so will enable you to deduct a loss for this year. A partner's share of partnership losses is deductible only to the extent of his/her partnership basis as of the end of the partnership year in which the loss occurs. An S corporation shareholder can deduct his pro rata share of an S corporation's losses only to the extent of the total of his basis in (a) his S corporation stock, and (b) debt owed to him by the S corporation.
- Review S-Corp shareholder / officer compensation to make sure adequate.

  The IRS has been scrutinizing the salaries, and lack thereof, paid to S shareholder employees. Some shareholders prefer to take out money as a distribution as opposed to a salary on which employment tax must be paid. If you are actively involved in an S corporation, you must be paid a reasonable salary based on the type of work you do for the corporation. If you are in this situation, document the factors that support the salary you are being paid.

- Review loans to and from shareholders and intercompany; be sure to document transactions with agreements, and interest is paid annually.
- S–Corporations - the IRS loosened the rules relating to S corporation shareholder debt. Under the new rules, it is easier for such debt to give the shareholder basis against which to deduct losses coming from the S corporation. The rules generally eliminated the "actual economic outlay" doctrine replacing it with a clearer "bona fide debt" requirement, and made the changes retroactive. Thus, if a shareholder previously could not deduct losses because the actual economic outlay doctrine wasn't met, amended returns may be in order.
- For accrual basis corporations, accrue bonuses to a) non-50+% shareholder employees for C-Corps, b) non 2+% shareholders of S-Corporations, or c) non "employee-owners" of personal service corporations. Allowable accruals are deductible as long as paid within two and one-half months following the year end (generally March 15, 2020).
- Double check $25,000,000 average gross receipts test for cash basis C-Corporations. If this average is exceeded, taxpayer may be forced to adopt accrual basis accounting.

INDIVIDUAL CHECKLIST



- The tax rates are now 10%, 12%, 22%, 24%, 32%, 35%, and 37%

- The increase in the standard deduction to $12,200 (up from $12,000 in 2018) for single individuals, $18,350 (up from $18,000 in 2018) for head of household, $24,400 (up from $24,000 in 2018) for married filing jointly and surviving spouses, and $12,200 (up from $12,000 for 2018) for married filing separately.;

- Increased AMT exemption to (1) $111,700 (up from $109,400 in 2018) for joint returns or a surviving spouse; (2) $71,700 (up from $70,300 in 2018) for an individual who is unmarried and not a surviving spouse; (3) $55,850 (up from $54,700 in 2018) for a married individual filing a separate return; and (4) $25,000 (up from $24,600 in 2018) for an estate or trust. In addition, the phaseout thresholds (i.e., the adjusted gross income thresholds at which the exemption amount begins to phase out) were also increased to (1) $1,020,600 (up from $1,000,000 in 2018) for married taxpayers filing a joint return; (2) $510,300 (up from $500,000 in 2018) for unmarried taxpayers and married individuals filing a separate return; and (3) $81,900 (up from $81,900 in 2018) for an estate or trust.

- For tax year 2019, Form 8995, Qualified Business Income Deduction Simplified Computation, and Form 8995-A, Qualified Business Income Deduction, will be available and will replace the worksheets found in the Form 1040 instructions and Publication 535, respectively.

- No penalty for not having health insurance coverage for the full year. Previously $695 for each adult and $347.5 for each child without health insurance.

- 401(k) Hardship rules have changed to allow early withdrawal without penalty if the money is being used for the following: medical expenses, preventing eviction or foreclosure, purchasing a home, funeral expenses, or federal disasters. Also, you are now able to contribute to your 401(k) after a hardship withdrawal. Previously, you were required to wait a six-month waiting period before contributing.

- Alimony for divorces finalized after January 1, 2019 will no longer be a deduction on the paying spouse or included in the recipient's income.

INCOME AND DEDUCTION INCLUSIONS / DEFERRALS

Accelerating Income into 2019

It may be prudent to accelerate income into 2019 if you will have more income in 2020, with the potential of being in a higher tax bracket and/or being subject to one or more of the additional taxes, investment income / Medicare tax. Some options to accelerate income into 2019 include:

- Harvesting gains from your investment portfolio. However, take into consideration whether or not such acceleration will cause the taxpayer to be subject to the 3.8% investment income tax.
- Converting a traditional IRA or a SEP IRA into a Roth IRA and recognizing the conversion income this year.
- Consider taking IRA distributions this year as opposed to next year.
- If self-employed with receivables on hand, try to get customers to pay before year end, but be mindful of the .9 percent additional Medicare tax.
- Settle lawsuits and insurance claims that will generate income.

Accelerating Deductions into 2019

If your income is expected to decrease in 2020, accelerating deductions into 2019 may be prudent. Some options for accelerating deductions into the current year include:

- Prepay property taxes and state income taxes in December, keeping in mind the $10,000 limitation on deducting state income and property taxes and the fact that the property taxes must have been assessed in order to be deductible.
- Make January mortgage payment in December.
- Medical deduction is only to the extent they exceed 10% of AGI, bunching large bills not covered by insurance into one year may help overcome this threshold.
- Make any large charitable contributions in 2019 as opposed to 2020
- Review portfolio for stocks with unrealized losses. A sale at a loss in 2019 is deductible against other capital gains and excess losses are deductible against other income up to $3,000.
- If you qualify, consider setting up a health savings account and making the maximum allowable contribution.

Deferring Income into 2020

If expecting high-income in 2019, and may be subject to the 3.8 percent net investment income tax or the .9 percent Medicare tax, it may make sense to defer income into the 2020 tax year if you expect a decrease in income in 2020 or to generally be in a more advantageous tax situation. Some options include:

- Defer a year-end bonus, having the employer pay the bonus in January 2020.
- Postpone gain generating asset sales until 2020.
- Delay the exercise of any stock options.
- Consider an installment sale if property is being sold.
- Parking investments in deferred annuities.
- Establish an IRA, if income requirements are met.
- Put the maximum allowed into a 401(k) before year end.

Deferring Deductions into 2020

If you expect to move into a higher tax bracket in 2020, or anticipate a substantial increase in taxable income or net investment income next year, deferring deductions into 2020 might be the right approach. Two alternatives to consider are:

- Postpone yearend charitable contributions, property tax payments, and medical and dental expense payment until next year.
- Postpone sale of any loss generating property.
- Review portfolio for stocks with unrealized losses. A sale at a loss in 2019 is deductible against other capital gains and excess losses are deductible against other income up to $3,000.
- If you qualify, consider setting up a health savings account and making the maximum allowable contribution.

PENSION PLAN OPTIONS

Simplified Employee Pension (SEP):

Consider establishing SEP-IRA plans. They can be established up to the due date of the return (including extensions); no costly 5500 form filings required. The administration costs are very low. Maximum allowable contributions made by an employer to a SEP on behalf of an employee for any year cannot exceed the lesser of: (1) 25% of compensation from the employer includible in the employee's gross income for the year, or (2) the dollar limitation for defined contributions plans ($56,000 for 2019).

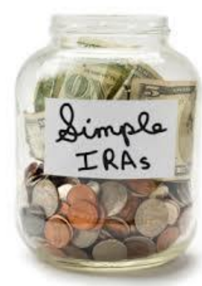
401(k):

Consider establishing a Cash or Deferred Arrangement (CODA), popularly known as "401(k)" plans. The plan must be established by the end of the taxpayers plan year. Special rules regulate the amounts shareholder employees and the self-employed can contribute, and these plans require annual 5500 forms to be filed, together with careful monitoring for compliance with law changes. An employee may elect to defer a maximum of $19,000 for 2019 on a pre-tax basis under a 401(k) plan, SEP, or Code Sec. 403(b) tax-sheltered annuity.

Individuals who attain age 50 by the end of the plan year may make additional pre-tax "catch-up" contributions of up to $6,000 for 2019 (maximum catch-up amounts apply to all qualified plans, tax sheltered annuity plans, SEPs and SIMPLE plans of an employer on an aggregated basis, as if all plans were a single plan).

Maximum deferral amounts in later years will be adjusted for inflation.

Savings Incentive Match Plan for Employees (SIMPLE IRA):



Consider establishing a SIMPLE Retirement Plan - Qualified Salary Reduction Arrangement. Eligible firms are generally those with less than 100 employees earning more than $5,000 with no pre-existing SEP or other retirement plans. Elective deferrals roughly parallel those of conventional 401(k) type plans, but have lower maximum deferrals. The amount that an employee may elect for any year can't exceed $13,000 for 2019.

Individuals who attain age 50 by the end of the plan year may make additional pre-tax "catch-up" contributions of up to $3,000 for 2019 (maximum catch-up amounts apply to all qualified plans, tax sheltered annuity plans, SEPs and SIMPLE plans of an employer on an aggregated basis, as if all plans were a single plan). Maximum deferral amounts in later years will be adjusted for inflation and are expected to approach 401(k) deferral amounts in the near future. Like the SEP-IRA, they also enjoy a very low administration cost, with no requirement for 5500 forms. Limited matching employer contributions are required with this plan; however, they must be established by October 1 of the tax year.

Individual Retirement Account (IRA):

Employees and self-employed individuals who aren't active participants in an employer-maintained retirement plan can set aside and deduct up to $6,000 for 2019 for contributions to an IRA. Individuals who turn age 50 before the close of the tax year may increase the maximum permitted annual contribution by $1,000 for 2019. IRA contributions can be based on excludable combat pay.

If you are an active participant in an employer retirement plan, you still may be eligible to make an IRA contribution but for 2019, for joint filers, deduction phase out begins at modified adjusted gross income (AGI) of $103,000 and is fully phased-out at modified AGI of $123,000 for joint filers.

Couples with at least $10,000 of combined earned income can contribute up to $6,000 to each person's IRA, even if all income is attributable to only one spouse. Same deduction and catch-up 50+ rules above apply.

Non-active participants whose spouse is an active participant, the deduction phase-out for 2019 begins at modified AGI of $193,000 and is fully phased-out at modified AGI of $203,000.

Roth IRA:

Consider making contributions up to $6,000 for 2019, plus an additional $1,000 for those 50 and older to Roth IRAs instead of traditional IRAs. Roth IRA payouts are tax-free and thus immune from the threat of higher tax rates, as long as they are made (1) after a five-year period, and (2) on or attaining age 59-1/2, after death or disability, or for a first-time home purchase.

The allowable contribution phases out in 2019 for single taxpayers with adjusted gross income between $122,000 and $137,000, and for joint filers, between $193,000 and $203,000 of adjusted gross income.

Taxpayers, including married filing separately, may convert amounts in a traditional IRA to amounts in a Roth IRA without regard to their modified adjusted gross income (AGI) or filing status.

The conversion is subject to tax as if it were distributed from the traditional IRA and not re-contributed to another IRA, but isn't subject to the 10% premature distribution tax.

As mentioned above, contributions to Roth IRAs are made with after-tax dollars. However, after a 5-year period that begins with the year for which you make a contribution to any Roth IRA, certain withdrawals are tax-free. So to start this 5-year period, it's important that you make a Roth IRA contribution this year (if you're eligible under the rules), even if the contribution is small.

MISCELLANEOUS / IMPORTANT ITEMS

Reminder of the two high-profile taxes-

- 3.8 percent tax on net investment income. Income taken into consideration in calculating net investment income includes most rental income and net gain attributable to the disposition of property other than property held in a trade or business.

- 0.9 percent additional Medicare tax on wages and self-employment income above a threshold amount. Additional withholding on wages in excess of $200,000 regardless of filing status or other income. Self-employed persons must take it into account in figuring estimated tax.

- The threshold amount for both of these taxes is $200,000 for single filers ($250,000 for joint returns, and $125,000 for married filing separately).

- The 20 percent tax rate for capital gains and dividends that would otherwise be taxed at the 37 percent rate. Thus, tax rates of 0, 15, and 20 percent apply to capital gain and dividend income, depending on the taxpayer's tax bracket. These rates apply for alternative minimum tax purposes also.

- Spend all health flexible spending account balances before year end (unless employer allows them to go until March 15, 2020, in which case you'll have until then).
- If you have a vacation home that was rented out during the year, determine the number of days it was used for business versus pleasure to see if there is anything that can be done to maximize tax savings with respect to that property. For example, if you spent less than 14 days at the home, it may make sense to spend a couple more days and have the house qualify as a second residence, with the interest being deductible. As a rental home, rental expenses, including interest, are limited to rental income.
- Consider having taxpayers shift income to a child so that the tax on the income is paid at the child's rate.
- Disclose any foreign asset holdings so that the proper tax forms can be prepared and the onerous penalties for not disclosing such assets avoided.
- Increase the amount you set aside for next year in your employer's health flexible spending account (FSA) if you set aside too little for this year.
- Consider using a credit card to prepay expenses that can generate deductions for this year.
- Realize losses on stock while substantially preserving your investment position. There are several ways this can be done. For example, you can sell the original holding, then buy back the same securities at least 31 days later.

- Take an eligible rollover distribution from a qualified retirement plan before the end of 2019 if you are facing a penalty for underpayment of estimated tax and the increased withholding option is unavailable or won't sufficiently address the problem. Income tax will be withheld from the distribution and will be applied toward the taxes owed for 2019. You can then timely roll over the gross amount of the distribution, as increased by the amount of withheld tax, to a traditional IRA. No part of the distribution will be includible in income for 2019, but the withheld tax will be applied pro rata over the full 2019 tax year to reduce previous underpayments of estimated tax.

- The Child Tax Credit is a (generally) non-refundable credit available for each dependent child (including stepchildren and eligible foster children) who is under the age of 17 at the end of the taxable year. For 2019 the credit is $2,000 and in certain circumstances is refundable. The credit is reduced and eventually eliminated as family income exceeds $400,000 for joint filers. For non-married taxpayers and married filing separate, the credit begins to phase out at an AGI of $200,000.

- The American Opportunity Tax Credit (AOTC) is a personal tax credit, 40% of which is refundable. It is equal to 100% of up to $2,000 of qualified higher-education tuition and related expenses plus 25% of the next $2,000 of expenses paid for education furnished to an eligible student in an academic period. The maximum credit is $2,500 a year for each eligible student for the first four years of undergraduate education.

- The Lifetime Learning Credit is available for qualified expenses of any post-high school education at "eligible educational institutions." Taxpayers may elect a Lifetime Learning credit equal to 20% of up to $10,000 of qualified tuition and related expenses paid during the tax year. The maximum credit is $2,000. Unlike the AOTC, which is available for the qualifying expenses of each qualifying student, the Lifetime Learning credit is available only per taxpayer. Expenses for a student for whom an AOTC credit is allowed for the tax year don't qualify for the Lifetime Learning credit.

- Contributions to qualified tuition programs (529 plans and Coverdell Education Savings plans) offer substantial estate tax savings with control and are income tax free to the extent funds are used on qualified college expenses. They are treated as present gifts that can qualify for the gift tax annual exclusion by electively spreading contributions in a single year over a five-year period. Funding of up to $140,000 (joint gift) in the first of a five-year program can be made gift/estate tax free.

- Other education related tax breaks include tax-free treatment for prepaid tuition plans, penalty-free withdrawals from individual retirement accounts (IRAs) for education expenses, $2,000 non-deductible contributions to Education IRAs, exclusion for employer-provided educational assistance and interest deductions for certain student loans.

- Take advantage of tax breaks for sales of principal residences. Single taxpayers who sell their principal residence may exclude up to $250,000 of gain that they realize on the sale or exchange. Married taxpayers filing a joint return can exclude up to $500,000. Taxpayers may use this exclusion once every two years. Only taxpayers who have owned and occupied a home as a principal residence for at least two of the five years prior to any sale or exchange may take full advantage of the exclusion. In certain cases, gain from the sale of your main home is no longer excludable from income if it is allocable to periods after 2010 when neither you nor your spouse (or your former spouse) used the property as a main home.
- You may want to pay contested state and local taxes to be able to deduct them this year while continuing to contest them next year.
- Take required minimum distributions (RMDs) from your IRA or 401(k) plan (or other employer-sponsored retired plan) if you have reached age 70-1/2. Failure to take a required withdrawal can result in a penalty of 50% of the amount of the RMD not withdrawn. If you turned age 70-1/2 in 2019, you can delay the first required distribution to 2019, but if you do, you will have to take a double distribution in 2020—the amount required for 2019 plus the amount required for 2020. Think twice before delaying 2019 distributions to 2020—bunching income into 2020 might push you into a higher tax bracket or have a detrimental impact on various income tax deductions that are reduced at higher income levels. However, it could be beneficial to take both distributions in 2020 if you will be in a substantially lower bracket that year, for example, because you plan to retire late this year.
- Consider accelerating adoption expenses in 2019. The maximum nonrefundable adoption credit for 2019 is $14,080, and begins phasing out when modified AGI exceeds $211,160 and is fully eliminated at $251,160**.**
- Standard mileage rates for 2019:

Business	58	cents
Charitable	14	cents
Medical	20	cents
Moving	20	cents

KIDDIE TAX:

- A child is subject to the kiddie tax if:
  - the child either
    - is under age 19 at the end of the tax year, or
    - is age 18, or 19-24 if a full-time student, at the end of the tax year and his earned income doesn't exceed one-half of his support;
  - either parent is alive at the end of the tax year;
  - the child doesn't file a joint tax return for the tax year; and
  - the child's unearned income is more than $2,200 for 2019.

ESTATE, GIFT AND GENERATION-SKIPPING TRANSFER TAXES:

- The maximum estate, gift and generation-skipping tax rate is 40%.
- The exclusion amount for estates, and the exemption amount for GSTs, is $11,400,000 for 2019.
- Make gifts sheltered by the annual gift tax exclusion before the end of the year and thereby save gift and estate taxes. You can give $15,000 in 2019 ($30,000 per couple, $60,000 per couple donors and donees) to each of an unlimited number of individuals but you can't carry over unused exclusions from one year to the next. The transfers also may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax.
- The gift tax does not apply to an amount a donor pays on behalf of an individual to a qualifying educational organization for tuition and amounts paid for medical care on behalf of an individual. The payment must be made directly to the educational organization / medical provider and not the individual. The medical and educational exclusions are allowed without regard to the relationship between the donor and the donee.

MICHIGAN INCOME TAX INFORMATION

- The 2019 annualized rate is 4.25%
- The 2019 personal exemption rate is $4,400

TAX BENEFITS FOR INVESTMENTS IN QUALIFIED OPPORTUNITY FUNDS

- Under Tax Cuts and Jobs Act of 2017 there are tax benefits for investments in a Qualified Opportunity Fund (QOF). One is to defer gain from the sale of property that is reinvested in an investment in a QOF and another to permanently exclude gain from the sale or exchange of the investment in the QOF.

Please contact us for more information regarding a cost segregation study, investment in an opportunity fund, or any of the above referenced tax liability reducing strategies.

Blystone & Bailey

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