THE SMALLBIZ BUILDER

Your Monthly Newsletter Update

PADGETT BUSINESS SERVICES

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This Month:

- The 2019 Tax Filing Season Will Be Like No Other!
- Limit on Deduction of Business Interest Expense
- Benefits of a Power of Attorney

The 2019 Tax Filing Season Will Be Like No Other!

As if the Tax Cuts and Jobs Act (TCJA) wasn't enough to make the 2019 tax filing season complicated, add a government shutdown to the mix and we are in for an unprecedented filing season!

What can you expect when filing your 2018 tax return? For starters, there might be a possible filing delay. Although the filing season officially begins on January 28th, not all the tax forms and schedules have been finalized for changes related to the TCJA. The partial government shutdown could delay the IRS in finalizing these forms, which means some may not be able to file right away. State taxing authorities will also face similar issues finalizing their forms.

Secondly, taxpayers will see a new Form 1040 for 2018. The new form is condensed, making it easier for simple filings, but not exactly as small as the "postcard-sized" originally promised, given the six new schedules. We expect individuals with somewhat complex filings to face challenges navigating the new forms.

The TCJA lowered tax rates, so the amount of federal tax withheld from paychecks decreased in 2018. That, coupled with the elimination of personal exemptions and limitations on certain itemized deductions, could result in smaller refunds, and some may even owe! However, with the higher standard deductions, larger child tax credits, and the new 20% qualified business income (QBI) deduction, others may see a boost in their refunds.

Lastly, after the dust settles on this first year under the new tax law, many will benefit from tax planning in 2019 and beyond. For some, it may be as simple as adjusting payroll withholdings or estimated tax payments to prevent owing penalties and interest next year. For others, especially those who are eligible for the new 20% QBI deduction, tax planning may be more complicated and time sensitive. Give us a call to schedule a meeting on how you can be better prepared under the new tax law.

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Limit on Deduction of Business Interest Expense

A provision of the Tax Cuts and Jobs Act (TCJA) places a limitation on the amount of business interest expense which can be deducted beginning in 2018. In general, there is an exception to the limitation of business interest expense for most businesses which have annual gross receipts of less than $25 million over the prior three years. For those businesses which are subject to the limitation, their allowed business interest deduction may be capped. The calculation of the limitation considers the businesses' interest income, adjusted taxable income and financing options.

In addition to the exception for businesses which have less than $25 million in annual gross receipts, there are also exceptions to the interest expense limitation for many service-based businesses.

Please contact us for more details if you feel that your business may be affected by the business interest expense limitation.

Benefits of a Power of Attorney

Only Certified Public Accountants (CPAs), enrolled agents (EAs) and attorneys may represent you in front of the IRS. In order for the IRS to discuss your tax issues with your tax preparer, a completed Form 2848, *Power of Attorney and Declaration of Representative,* must be on file to give the preparer power of attorney (POA). Checking the box on your tax return to let the IRS speak to the person who prepared the return gives limited authority to discuss IRS questions that arise in the processing of that return and this authorization automatically expires on the due date of the return for the following year.

Having a POA form on file with the IRS means both you and the preparer will be notified of any issues on your returns. This can be helpful if you travel, given IRS notices are usually time-sensitive. Also, if the notice concerns a mismatch of income your tax preparer may be able to resolve it easily, saving you work and anxiety. Lastly, a POA will remain in effect until either party revokes it. Therefore, if you have changed preparers, you should revoke your POA with your previous tax preparer and create a new one with your current preparer. For your convenience, tax preparers are now routinely asking clients to sign the POA form when they prepare a return. Contact us to learn more about the benefits of this form.