

### This Month:

- IRS Delays Changes to Form W-4
- IRS Makes Changes to Taxpayer Transcript Requests
- 2019 Social Security Wage Base and Nanny Threshold
- New Rules for Like-Kind Exchanges Under the Tax Cuts and Jobs Act
  - 'Tis the Season of Gifting

### IRS Delays Changes to Form W-4

Following feedback from the payroll and tax communities, the Treasury Department and the IRS have decided to implement the new version of the Form W-4, Employee's Withholding Allowance Certificate, in 2020, rather than 2019. The 2019 version of the Form W-4 will be similar to the current 2018 version. While the new form is intended to assist the taxpayer in more accurately estimating withholdings, the implementation delay provides employers with additional time to consider the impact of the changes, how to communicate the change with employees and time to modify their internal processes.

### IRS Makes Changes to Taxpayer Transcript Requests

Did you know the IRS will no longer fax copies of taxpayer's transcripts to their tax preparers? In an effort to protect taxpayer information and prevent identity theft, beginning in January 2019, when taxpayers or third parties call the IRS with an individual or business transcript request, the transcript will be mailed to the taxpayer's address of record. This change may cause delays in a tax professional's ability to complete client tax returns, especially if the address on file is no longer accurate. We recommend taxpayers diligently keep relevant tax documents in a safe place to avoid needing to request transcripts. If you have concerns about your tax return records, please contact us for assistance.

### 2019 Social Security Wage Base and Nanny Threshold

**Social Security Wage Base:** The maximum amount of wages subject to the 6.2% Social Security tax will rise from \$128,400 to \$132,900 in 2019. Medicare tax rates and wages bases will remain the same as 2018.

**Nanny Tax Threshold:** The maximum wages that can be earned by a household employee without being subject to Social Security or Medicare tax, often referred to as the "nanny tax", will remain at \$2,100, the same as it was in 2018. Amounts paid above this threshold to anyone who works in and/or around your home such as babysitters, housekeepers and yard workers, are subject to payroll tax.

## New Rules for Like-Kind Exchanges Under the Tax Cuts and Jobs Act



In the past, taxpayers have reaped the benefits of deferring gain on a sale by entering a like-kind exchange of personal property, such as vehicles including machinery and equipment (ie: farm machinery). The Tax Cuts and Jobs Act has eliminated this perk beginning January 1, 2018. Congress felt that taxpayers received the benefit of direct expensing through the use of 100% bonus depreciation and section 179 deductions, so they shouldn't also be eligible to defer any gain or loss through a like-kind exchange. The new law applies to business property only and a gain deferral through a like-kind exchange is still allowed for real property. If you're considering buying and selling real estate in the near future,

contact us for help.

## 'Tis the Season of Gifting

Whether you gift to employees for their hard work or to your customers as a thank you for their business, holiday gifting is a traditional way to spread cheer and recognize the people who are important to your business. Only certain types of gifts are deductible, so make sure you follow the rules to avoid a Grinch-like spoiler come tax filing season.

**Employee Gifts:** The IRS does NOT recognize the traditional ham, turkey, or other item of nominal value given at Christmas or other holidays as taxable income, but rather as a de minimis fringe benefit. However, if an employer gives cash or a cash equivalent, the gift is taxable regardless of the amount and must be included in wages. Cash equivalents include gift certificates, gift cards, store cards, prepaid cards, debit cards, or any other similar card or device, including those provided electronically.

**Customer Gifts:** Deductible business gifts are limited to \$25 per recipient per year. There isn't a limit on the number of people you can gift nor the amount you can spend, just the amount you can deduct! The \$25 limitation doesn't include incidentals like gift wrapping, since it doesn't add value to the gift and therefore wouldn't be deductible. Also, married couples and partners of a partnership are each considered one recipient.

And what about the holiday party? The holiday party is fully deductible if it is thrown for the benefit of employees and their families only. If clients or customers attend the holiday soirée, entertainment rules apply and only 50% of the cost associated with these party-goers is deductible. Just don't get too lavish. The IRS always keeps an eye on business deductions and the costs associated with an extravagant event.

Thinking of spreading holiday cheer this year? Give us a call to discuss the proper treatment of such expenses.

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**Planning For Your Dreams**

