CPA
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CERTIFIED PUBLIC ACCOUNTANTS

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Reminder: 1st Quarter 2020 Estimated Payments AND any taxes owed for 2019 are due April 15th.

If you believe your taxable income will change significantly this year, our team at Hartman, Blitch & Gartside stand ready to help.

Please contact us to discuss adjusting your estimated payment.

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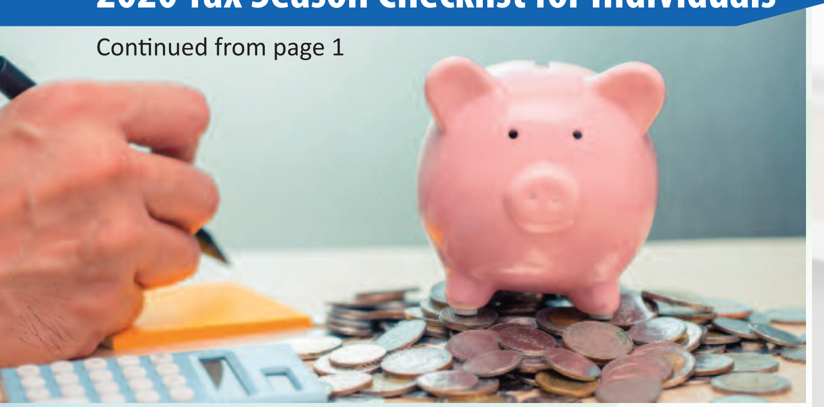
2020 Tax Season Checklist for Individuals

Continued from page 1



- Childcare Expenses
- Tuition/Education Fees *(Form 1098-T)*
- Alimony Paid
- State Income Tax Refund Amount *(if applicable)*
- Sale of Stocks/Bonds
- Record of Purchase/Sale of Residence

Start Early!

Please give us your paperwork early: February is best; first half of March is fine; after mid-March likely means filing an extension.

THE 2020 TAX SEASON:

Continued from page 2

residence, but it expired last year. Congress restored the waiver for another year and also covered last year. Those who paid the tax last year can file an amended return, and it will likely represent a significant refund.

- The adjusted gross income (AGI) threshold to claim medical expenses was scheduled to increase from 7.5% to 10%, reducing the number of people who could claim it. Congress extended the 7.5% for another year, so medical expenses above 7.5% of AGI *can* be deducted.

Not too bad...

Given the huge changes in the past few years, most of these revisions and extensions prove highly manageable, and some, even desired. We've learned the tax code—and its interpretations—continually changes, so we constantly monitor IRS rulings and will notify you if we see problems ahead.

As always, if you anticipate an issue or aren't sure about some aspects of this new normal, contact us any time—we're here for you.

Beyond THE NUMBER$...

A Publication of
Hartman, Blitch & Gartside
Winter/Spring 2020

IN THIS ISSUE

2020 Tax Season
Checklist for Individuals

- ☐ Previous Year's Tax Return *(if we didn't prepare your return last year)*
- ☐ Wage Statements
  - Form W-2
  - Form 1099-MISC *(if applicable)*
- ☐ Additional Income
  - Interest and Dividend Income *(Form 1099-INT/Form 1099-DIV)*
  - Unemployment Income *(Form 1099-G)*
  - Social Security Income *(Form SSA-1099)*
  - Pension/Retirement *(Form 1099-R)*
  - Rental Property
  - Trusts/Estates
  - Alimony Received
- ☐ Itemized Deductions *(if they exceed: $12,200/single; $18,350/head-of-household; $24,400/married)*
  - Mortgage or Home Equity Loan Interest Paid *(Form 1098)*
  - Real Estate and Personal Property Taxes Paid *(Form 1098)*
  - Medical, Eye Care and Dental Expenses *(above 7.5% of AGI)*
  - Charitable Deductions *(up to 60% of AGI)*
  - Casualty/Theft Losses
  - Rental Property Expenses
  - IRA Contributions

Continued on page 4

CPA HARTMAN, BLITCH & GARTSIDE
CERTIFIED PUBLIC ACCOUNTANTS

Dear Friends,

2020's now firmly underway and we hope this new year started well for you. Of course, we've entered the year's "first" tax season. It's the first because, as the tax code became more complicated and changed, many of our clients now need the extra time of the automatic extension to October.

But the extension to file isn't an extension to pay your tax due. The only way to calculate an accurate amount due—to avoid penalties—is to review all your data, or all you can give us now, and essentially work through a rough return.

So even if you're expecting to file an extension, we really need your tax information by the beginning of April. To help you assemble the necessary forms and documents, we've included a couple checklists in this newsletter; one for individuals and one for businesses. Your particular situation may require more or less documentation, but these lists will serve as a good start as you assemble your materials for us.

This issue also includes information about some of the changes to this year's tax season, as well as starting your 2020 tax planning now. If you'd like to see us cover a specific topic in the future, please let us know.

As always, we sincerely appreciate your business, referrals and friendship. We're honored you trust us to be a member of your financial advisory team.

Sincerely,

Adam

Adam M. Robinson, CPA
Managing Partner

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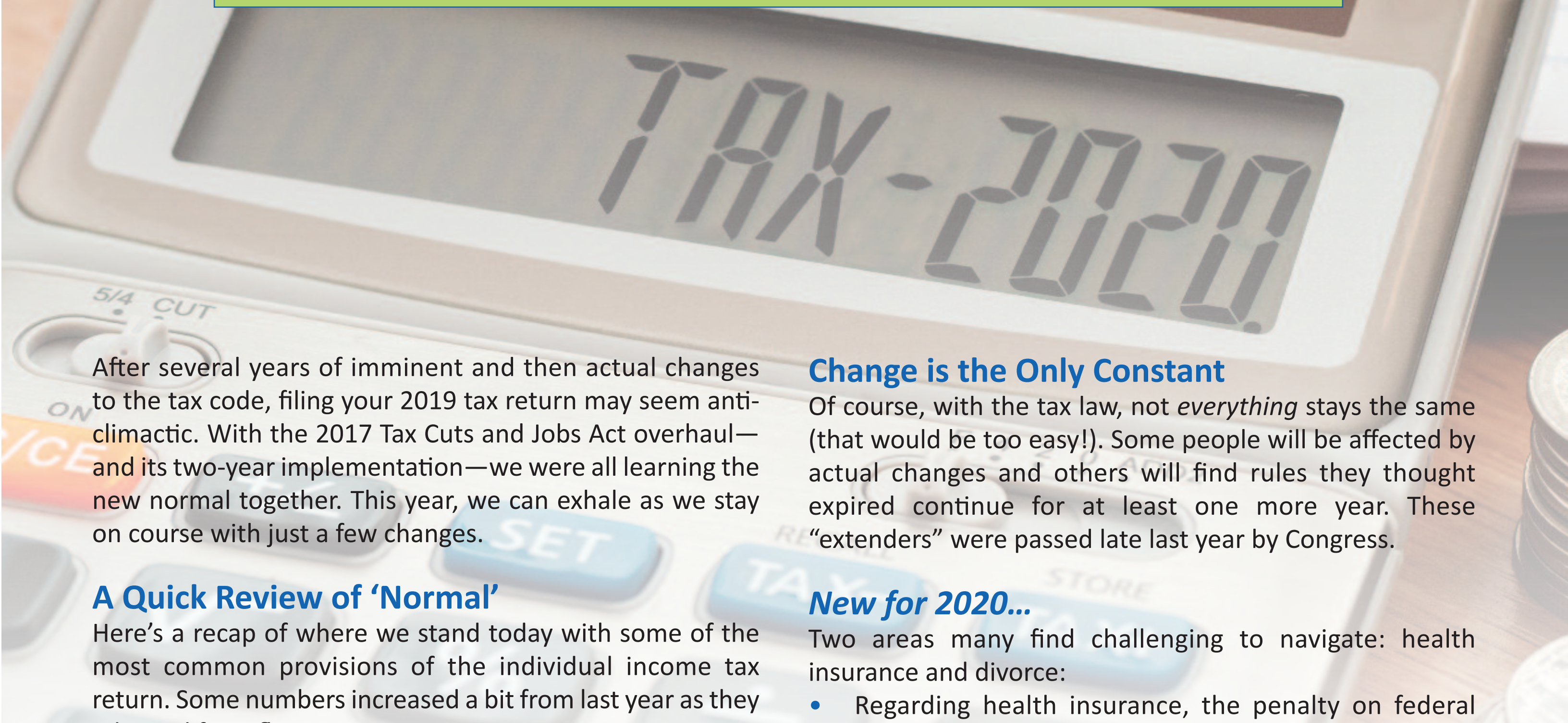
THE 2020 TAX SEASON:

Enjoying a New Normal



After several years of imminent and then actual changes to the tax code, filing your 2019 tax return may seem anti-climactic. With the 2017 Tax Cuts and Jobs Act overhaul—and its two-year implementation—we were all learning the new normal together. This year, we can exhale as we stay on course with just a few changes.

A Quick Review of 'Normal'

Here's a recap of where we stand today with some of the most common provisions of the individual income tax return. Some numbers increased a bit from last year as they adjusted for inflation:

- State and local taxes were limited to the first $10,000.
- The miscellaneous itemized deduction was eliminated for federal purposes and in most states for all employees, even though you may have expenses related to your place of employment.
- Expenses for the preparation of returns, estate planning and investment expenses related to your portfolio are no longer deductible.
- Mortgage interest on your home for loans made after December 31, 2017 is limited to mortgages of $750,000 or less and the money must be used to pay for the home.
- Interest on home equity loans to pay off other debts is not deductible.
- The standard deduction was simultaneously increased to offset the impact of the new tax adjustments. For the 2019 tax year:
  - $12,200 per individual under age 65 unless filing head-of-household, which is $18,350.
  - Married filing jointly is $24,400.
  - If you reached the age of 65 or are blind, you get an additional standard deduction of $1,650 for single or head-of-household, and $1,300 each if filing jointly.

Change is the Only Constant

Of course, with the tax law, not *everything* stays the same (that would be too easy!). Some people will be affected by actual changes and others will find rules they thought expired continue for at least one more year. These "extenders" were passed late last year by Congress.

New for 2020…

Two areas many find challenging to navigate: health insurance and divorce:

- Regarding health insurance, the penalty on federal taxes for not having health insurance is officially eliminated. A component of the Affordable Care Act, it hasn't been enforced since President Trump took office and now it's officially not applicable.
- Who claims what regarding alimony payments changes significantly for anyone who divorced in 2019 and later. The former spouse who pays alimony can no longer deduct those payments and the ex-spouse who receives alimony isn't required to claim it as income. Divorced in 2018 or earlier? The pre-tax-overhaul rules still apply unless your divorce decree is updated to reflect the new tax law.

Extended

- Private mortgage insurance remains deductible; that deduction was scheduled to be eliminated. For some homeowners, savings can be between $2500-$4500.
- Homeowners who make specific energy efficient improvements to their homes still qualify for a $500 one-time credit. (New homeowners may not know this credit exists.)
- The waiver on counting home foreclosure debt as income was renewed retroactively. The IRS classifies cancelled debt as taxable income. A long-time provision waived this rule if the foreclosure was on a primary

Continued on page 4

Start Your 2020 Tax Planning Now: Be Charitable *and* Proactive

We're still early in 2020, the perfect time to map-out your charitable giving strategy. You really *can* do well by doing good—if you plan accordingly.

Think it's too early to worry about your 2020 taxes? Actually, now's the time to consider your needs and charitable support for the coming year. Planning your approach early enables you to maximize your portfolio with minimum tax ramifications.

The charitable contribution gets so much attention because it's one of the few deductions remaining for the average Joe and Jane. Different circumstances require different financial tools to maximize your charitable deduction.

Using Retirement Distributions or Capital Assets

One approach is contributing to tax exempt organizations using your retirement accounts' required minimum distributions. You can reduce the taxable distribution on your tax return, up to $100,000 per taxpayer.

Another effective way to support your favorite causes is to use capital assets (such as stocks), which can be contributed to and liquidated by the charity with no tax effects to you. The gain you had previously deferred is not taxed to you, and you're able to deduct the entire fair market value of the assets contributed. A real win-win.

Benefits Even If You Don't Itemize

The previous examples require you to itemize, but what if you don't have enough additional deductions to justify itemization? Donating stocks higher in value can still save you the capital gains taxes.

For instance, if you own stocks that increased in value and you want to make position changes, you might consider making gifts by stock, and reinvesting with money you already paid tax on. If you're repositioning stock anyway, avoid the gain while you're also making contributions to a cause you wish to help.

Tax Planning: Now a Multi-Year Approach

Wasn't tax reform supposed to make taxes easier? Now your plan really must look ahead more than just one year. Perhaps you combine your charitable donations with other deductions and repositioning this year to benefit from itemizing; then forgo significant contributions next year and simply use the standard deduction.

Bottom line: planning ahead means more now than ever. We'll work with you and your investment advisors to make your money work better for you. ***Call us for more information.***

2020 Tax Season
Checklist for Businesses

- ☐ **Previous Year's Tax Return** (if we didn't prepare it)
- ☐ **Financial Business Reports**
  - Profit and loss statement
  - Balance sheet including assets & liabilities
  - Trial balance report
- ☐ **Asset Information**
  - Receipts, documents or reports related to your assets & fixed assets you've bought, sold or depreciated during last year
- ☐ **Loan Information**
  - New Loan agreement(s)
  - Loan statements as of the end of the year
- ☐ **Statements Supporting Financials**
  - Bank statements
  - Credit card statements
  - 1098 mortgage interest & property taxes form
- ☐ **Other Deductible Expense Information**
  - Home office deduction
    - ☐ Square footage of home & office
    - ☐ Mortgage or rent receipts
    - ☐ Insurance & utility receipts
    - ☐ Repair info & receipts
  - Mileage log (if vehicle used for business)
  - Donations
- ☐ **Payroll data**
  - Copies of employees' W-2s, W-3s and 1099 MISCs
- ☐ **Ownership Changes**
  - Provide name, social security number, and address of any new owners and effective date
  - Provide date any owner had a change in ownership percentage

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