

HINES COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



We hope that your new year is off to a great start and that you are looking forward to a wonderful year. We would like to take this opportunity to express our gratitude for your continued partnership!

And, now that we have rung in a new year, it is time to put away the party favors and pull out the books and records to get ready for tax season.

While the year was relatively quiet for tax changes, congress and the IRS left a few retirement and disaster tax law changes under our tree this year.

Hines and Company Engagement Letters

Please

**Download, Print, Fill Out and Sign our Engagement Letter
and return with your tax information for each tax return that we prepare for you.**

www.hinesandcompanypc.com/forms

Hines and Company Deadlines

In order to assure that your returns are completed on or before the due date, we must receive *substantially all* of your information as follows:

February 10th – Partnership, S-Corp Returns

March 10th – C-Corp, Individual & Trust Returns

Additionally, if we are missing information for your return **10 days** prior to the return due date (March 5th for Partnership and S-Corp returns, April 5th for C-Corp, trust and individual returns), your return will be extended and completed after the deadline to allow us ample time to complete your return accurately.

2020 Standard Mileage Rates

The business rate is **57.5** cents per mile (down from 58 cents for 2019).

The charitable rate is **14** cents per mile.

The medical rate is 17 cents per mile (down from 20 cents for 2019).

Strong Passwords

In recent years, cybersecurity experts' recommendations on what constitutes a strong password has changed. They now suggest that people use word phrases that are easy to remember rather than random letters, characters and numbers that cannot be easily recalled.

Given the sensitivity of many of these online accounts, people should consider these password tips to protect devices or online accounts:

- Use a minimum of eight characters; longer is better.
- Use a combination of letters, numbers and symbols in password phrases, i.e., UsePasswordPhrase@30.
- Avoid personal information or common passwords; use phrases instead.
- Change default or temporary passwords that come with accounts or devices.
- Do not reuse or update passwords. For example, changing Bgood!17 to Bgood!18 is not good enough; use unique usernames and passwords for accounts and devices.
- Do not use email addresses as usernames if that is an option.
- Store any password list in a secure location, such as a safe or locked file cabinet.
- Do not disclose passwords to anyone for any reason.
- When available, a password manager program can help track passwords for numerous accounts.
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Whenever it is an option for a password-protected account, users also should opt for a multi-factor authentication process. Many email providers, financial institutions and social media sites now offer customers two-factor authentication protections.

Where's My Refund?

Beginning in 2017, Congress required the IRS to hold refunds on tax returns claiming Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC) until late-February. The IRS must hold the entire refund – even the portion not associated with the EITC and ACTC – until at least February 15th. For the 2020 filing season, the IRS expects refunds to start being direct deposited on February 17th.

As in past years, the IRS will begin accepting and processing most tax returns beginning on January 27, 2020. Even though the IRS cannot issue refunds for some early filers until at least February 15th, the IRS reminds taxpayers that most refunds will be issued within the normal timeframe: less than 21 days, after being accepted for processing by the IRS. The [Where's My Refund?](#) tool on IRS.gov and the [IRS2Go](#) phone app remain the best way to find out the status of a refund.

Tennessee Hall Tax Being Phased Out

Tennessee is slowly becoming a bona fide “no income tax” state – one of only eight states in the country that do not tax individual income. The Tennessee Hall Tax, enacted in 1921, has been imposed on individuals and other entities receiving certain interest, dividends and distributions.

The Hall Tax started being phased out in 2016, by 1% per year, with the total elimination of the tax in 2021.

The tax rate is 2% for 2019 and 1% for 2020.

Strategic Retirement Planning for Workers over 59½

Are you over 59½ and still able to contribute to your employer's 401(k) or similar retirement plan where your employer matches your contribution? If so, are you contributing enough to get the employer's full match?

Employees over 59½ can often withdraw their 401(k) balances without restriction or penalty, so it makes sense to contribute enough to get the company match and then immediately withdraw some of that money if you need it. You will pay taxes on the withdrawal, but you have increased your after-tax income courtesy of your company's match.

Make Charitable Contributions from your IRA to Save Taxes

Retirees who are age 70½ or older can avoid paying income tax on IRA withdrawals of up to \$100,000 per year by doing what the IRS calls a Qualified Charitable Distribution (QCD). A QCD is a distribution from an IRA that is made directly from the trustee to the charitable organization. A qualified charitable distribution may be used to satisfy the minimum distribution requirement.

If you want to make a charitable contribution this way but only have a 401(k) or SEP/SIMPLE IRA, you can do a direct rollover of amount you want to contribute to a traditional IRA and then make the contributions from the traditional IRA.

Transfer IRA Money to an HSA

Did you know that you can make a one-time, penalty- and tax-free rollover of money from your IRA into a health savings account (HSA)? The process is officially known as a qualified HSA funding distribution.

You can move funds from an IRA to an HSA only if you are eligible to make contributions to your HSA. In other words, you need to do the transfer while you are covered by a high-deductible health plan and are otherwise eligible to have an HSA.

What's more, the IRA-to-HSA rollover includes a "testing period" that requires you to remain eligible for your HSA for 12 months following the transfer. This means you must stay in your HDHP at least until the testing period expires. If you don't remain eligible (for example, you switch to a non-HDHP), you'll have to include the money you rolled over as income when you file your taxes. In addition, the amount will be subject to a 10% penalty.

You can only roll over funds from an IRA to an HSA once during your lifetime. The maximum amount you can roll over is the same as your annual HSA contribution limit for that year. For 2020, the limits are:

- \$3,550 for individuals, with an additional \$1,000 catch-up contribution if you're age 55 or older.
- \$7,100 for family coverage, with the same \$1,000 catch-up contribution.

2019 - 2020 Key Numbers

STANDARD DEDUCTION		
	2019	2020
Single	12,200	12,400
Married Filing Jointly	24,400	24,800
Head of Household	18,350	18,650
Married Filing Separately	12,200	12,400
Extra for Age or Legally Blind	1,300	1,300

QUALIFIED RETIREMENT PLAN CONTRIBUTION LIMITS		
SUBJECT TO COMPENSATION LIMITS		
	2019	2020
401(k), 403(b), 457(b)	19,000	19,500
50+ Catch-up Contribution	6,000	6,000
SIMPLE IRAS	13,000	13,500
50+ Catch-up Contribution	3,000	3,000
SEP	56,000	57,000

HEALTH SAVINGS ACCOUNT (HSA)		
	2019	2020
SELF-ONLY COVERAGE		
Minimum Deductible	1,350	1,400
Maximum Out of Pocket	6,750	6,900
Contribution Maximum	3,500	3,550
FAMILY COVERAGE		
Minimum Deductible	2,700	2,800
Maximum Out of Pocket	13,500	13,800
Contribution Maximum	7,000	7,100
Age 55+ Catch-up Contribution	1,000	1,000

INDIVIDUAL RETIREMENT ACCOUNT (IRA)		
SUBJECT TO INCOME LIMITS		
	2019	2020
Under Age 50 at Year End	6,000	6,000
50 or Older at Year End	7,000	7,000

This newsletter is designed to provide general information regarding the subject matter covered. We advise you to speak with your tax advisor about how this general information may apply to your particular situation.