

June 2019 TaxInsight



Mid-year Checkup

As you reviewed your tax return this year, were you surprised by the results? Many people were shocked by their balance due. So many, in fact, that the IRS implemented some penalty relief.

Two things affect your balance due or refund: withholding and estimated taxes. The IRS develops withholding tables to assist your employer in determining the correct amount of tax to withhold from your paycheck. This was a problem in 2018. With the new tax law, the IRS tables were wildly inaccurate. The good news is that you can change your withholding whenever you want. By completing a Form W-4, you can take additional withholding from each paycheck to minimize your balance due. If you're not great at saving, taking \$50 out of each paycheck in the last half of the year is often easier than coming up with \$600 at tax time. In much the same way, you can make an estimated tax payment during the year. This is helpful if you have extra cash during the year.

Generally, taxpayers do not incur a penalty unless they have a balance due of more than \$1,000 after deductions, credits, and payments. There are a few exceptions, however. We know the tax rates for 2019. If you bring in your paycheck closest to July 1, you can double the income and withholding to get approximate numbers

for the full year. Together, we can go through your usual deductions and credits to determine the amount that you must withhold to get to where you want.

Important Tax Date

- June 17 – Second quarterly estimated tax payment due

Tax Notes

Business taxpayers must use depreciation to deduct the cost of property purchased for use by the company. Basically, depreciation spreads the cost across the useful life of the property. Two options can allow you to take the expense earlier or faster. One is the §179 depreciation; the other is bonus depreciation. Section 179 depreciation allows a taxpayer to deduct up to \$1,000,000 of the cost in the first year for many kinds of property.

Bonus depreciation allows businesses to deduct a large percentage of the cost of eligible purchases the year they acquire them, rather than depreciating them over a period of years.

It used to be that you could only take bonus depreciation for new property, but the *Tax Cuts and Jobs Act* expanded that option to used property. See me to determine the best way to expense business property.

Did You Know?

Juneteenth is a festival that commemorates the ending of slavery after the Civil War. It dates back to June 19, 1865, when news arrived in Galveston, Texas, that the civil war was over, and all slaves were freed. Stories differ on why this was delayed from the actual end of the war in April of that year. Juneteenth celebrates African-American freedom and achievement, while encouraging self-development and respect for all cultures. Rodeos, fishing, barbecuing and baseball are just a few of the typical Juneteenth activities you may witness today.

Quote Corner

“The best way to cheer yourself up is to try to cheer somebody else up.”

~ Mark Twain

