



What is new in 2020 income tax for individuals and businesses

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1



Fast Pace – Follow up Welcomed

It is my normal practice to provide as much material as I can for the attendees. As a result I might not cover every slide included in the presentation. If the slides I do not cover in detail raise questions in your mind, please feel free to either catch me after the presentation or send me an email and I will answer your question.

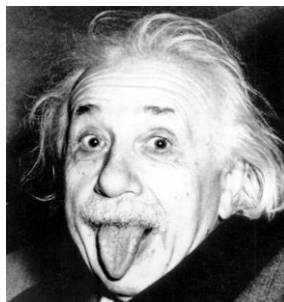
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2

2

Everything should be made as simple as possible...but not simpler.

Albert Einstein



3



Overview of Major Business Tax Changes

- Corporate (C-corporation) income tax rates are now a flat 21% on all corporations, including professional service corporations
- BIG Changes in Depreciation
 - Section 179 deduction allowance greatly expanded,
 - bonus depreciation on certain purchases increased to 100%
- Domestic Production Activities Deduction (DPAD) repealed
- Business interest deduction limited for certain taxpayers
- Use of the cash basis of accounting now available to businesses with revenue up to \$25,000,000

4



Overview of Major Business Tax Changes

- Additional loss limitations imposed on active business losses
- Net operating loss (NOL) deduction rules modified
- Use of like-kind exchanges gain deferral limited to real property
- New Qualified Business Income Deduction (QBID)
- Business entertainment expenses are no longer deductible (Meals still 50% deductible)
- Unreimbursed employee business expenses are no longer deductible on personal tax return (all miscellaneous itemized deductions eliminated)
- Corporate alternative minimum tax (AMT) repealed

5



C-Corp Tax Rate Comparison

TAXABLE INCOMERANGE	OLD	NEW	CHANGE
\$1 to \$50,000	15.0%	21.0%	6.0%
\$50,001 to \$75,000	25.0%	21.0%	-4.0%
\$75,001 to \$10,000,000	34.0%	21.0%	-13.0%
Over \$10,000,000	35.0%	21.0%	-14.0%

6

6



SECURE Act

Key takeaways:

- Repeals the maximum age for traditional IRA contributions, which is currently 70½.
- Increases the required minimum distribution (RMD) age for retirement accounts to 72 (up from 70½).
- Allows long-term, part-time workers to participate in 401(k) plans.
- Offers more options for lifetime income strategies.
- Permits parents to withdraw up to \$5,000 from retirement accounts penalty-free within a year of birth or adoption for qualified expenses.
- Allows parents to withdraw up to \$10,000 from 529 plans to repay student loans.

7

7



Form 1040

- Capital Gains line added
- Signature moved to end
- Third party designee added
- Foreign address line added
- Email and phone number fields added
- Formatting improvements



8

8



Form 1040

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2019** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)

Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial		Last name		Your social security number	
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number	
Home address (number and street), including apartment, suite, or room number, and instructions.			Apt. no.	Prepaid health insurance, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse	Election Campaign contributions, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).					
Foreign country name		Foreign provincial/state/county		Foreign postal code	
If more than four dependents, see instructions and check here <input type="checkbox"/>					

Standard Deduction **Someone can claim:** You as a dependent Your spouse as a dependent Spouse remarries on a separate return or you were a dual-status alien

Age/Blindness You: Was born before January 2, 1955 Are blind Spouse: Was born before January 2, 1955 Is blind

9



Form 1040

SCHEDULE 1 (Form 1040 or 1040-SR) **Additional Income and Adjustments to Income** OMB No. 1545-0074 **2019** Attachment Sequence No. 01

Department of the Treasury Internal Revenue Service **2019** Attach to Form 1040 or 1040-SR. **2019** Go to www.irs.gov/Form1040 for instructions and the latest information. **2019** Your social security number

Names shown on Forms 1040 or 1040-SR

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? Yes No

Part I Additional Income		Yes	No
1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
e	Other income. List type and amount ▶	8	
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	
Part II Adjustments to Income			
10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 5305	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14	Deductible part of self-employment tax. Attach Schedule SE	14	
15	Self-employed SEP, SIMPLE, and qualified plans	15	
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions) ▶		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Reserved for future use	21	
22	Add lines 10 through 21. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 8a	22	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040 or 1040-SR) 2019

10



Form 1040

	1 Wages, salaries, tips, etc. Attach Form(s) W-2				1 Taxable interest. Attach Sch. B if required
	2a Tax-exempt interest	2a			2b Taxable interest. Attach Sch. B if required
	3a Qualified dividends	3a			3b Ordinary dividends. Attach Sch. B if required
	4a IRA distributions	4a			4b Taxable amount
	4c Pensions and annuities	4c			4d Taxable amount
	5a Social security benefits	5a			5b Taxable amount
	6 Capital gain or (loss). Attach Schedule D if required. If not required, check here				6
	7a Other income from Schedule 1, line 9				7a
	b Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your total income				7b
	8a Adjustments to income from Schedule 1, line 22				8a
	b Subtract line 8a from line 7b. This is your adjusted gross income				8b
	9 Standard deduction or itemized deductions (from Schedule A)				
	10 Qualified business income deduction. Attach Form 8995 or Form 8995-A				10
	11a Add lines 9 and 10				11a
	b Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0-				11b

Standard Deduction for—

- Single or Married filing separately, \$12,200
- Married filing jointly or Qualifying widow(er), \$24,400
- Head of household, \$18,350
- If you checked any box under Deduction, see instructions.

DRAFT 9-10-19
DO NOT FILE

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2019)

11



Form 1040

Page 2

	12a Tax (see inst. 3). Check if any from Form(s): 4 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4077 3 <input type="checkbox"/>				12a
	b Add Schedule 2, line 3, and line 12a and enter this total				12b
	13a Child tax credit or credit for other dependents				13a
	b Add Schedule 3, line 7, and line 13a and enter this total				13b
	14 Subtract line 13b from line 12b. If zero or less, enter -0-				14
	15 Other taxes, including self-employment tax, from Schedule 2, line 10				15
	16 Add lines 14 and 15. This is your total tax				16
	17 Federal income tax withheld from wages, 1099s and 1098s				17
	18 Other payments and refundable credits:				
	a Earned income credit (EIC)				18a
	b Additional child tax credit. Attach Schedule 8817				18b
	c American opportunity credit from Form 8863, line 8				18c
	d Schedule 3, line 14				18d
	e Add lines 18a through 18d. These are your total other payments and refundable credits				18e
	19 Subtract line 18e from line 16. Enter the amount you owe				19
	20 Amount of line 19 you want applied to your 2020 estimated tax				20
	21 Amount you owe. Subtract line 20 from line 19. For details on how to pay, see instructions.				21
	22 Estimated tax penalty (see instructions)				22

Amount You Owe

21 Amount you owe. Subtract line 20 from line 19. For details on how to pay, see instructions.

22 Estimated tax penalty (see instructions)

Go to www.irs.gov/om/1040 for instructions and the latest information. Form 1040 (2019)

12



Cents Entry Spaces

- Removed the cents divider and cents entry spaces on most forms
- 95% of 1040 returns are completed using software and filed using whole dollars
- Taxpayers can still enter cents, they just have to include the decimal point
- More space on forms for more helpful text



13



Numbered 1040 Schedules

- Numbered schedules reduced to three
- All lines numbered beginning at 1
- Date of divorce added to alimony lines
- Removed line for Shared Responsibility Payment
- Added Virtual currency question



14



New Form 1040-SR

Form **1040-SR** Department of the Treasury - Internal Revenue Service (99) **2019** OMB No. 1545-0074 IRS Use Only - Do not write or staple in this space.

Filing Status
 Single Married filing jointly Married filing separately (MFS)
 Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial Last name Your social security number
 If joint return, spouse's first name and middle initial Last name Spouse's social security number
 Home address (number and street, if you have a P.O. box, see instructions). Apt. no. Presidential Election Campaign
 City, town or post office, state, and ZIP code, if you have a foreign address, also complete spaces below (see instructions). Check here if you, or your spouse if filing jointly, want \$3 to go to the fund. Checking a box below will not change your tax or refund. You Spouse
 If more than four dependents, see inst. and ✓ here ▶

Foreign country name Foreign province/state/country Foreign postal code

Standard Deduction **Someone can claim:** You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** Were born before January 2, 1955 Are blind
Spouse: Was born before January 2, 1955 Is blind

(1) Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(f) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

15



Other New Forms

- Form **8997**, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments
- Forms **8995**, Qualified Business Income Deduction (Simplified Computation); and **8995-A**, Qualified Business Income Deduction
- Forms **965-C**, Transfer Agreement Under Section 965(h)(3); **965-D**, Transfer Agreement Under 965(i)(2); and **965-E**, Consent Agreement Under Section 965(i)(4)(D)
- Form **8978**, Partner's Audit Liability Under Section 6226, and schedules; and Form **8985**, Pass-Through Statement

16



Retired Forms

- Schedule 4, Other Taxes
- Schedule 5, Other Payments and Refundable Credits
- Schedule 6, Foreign Address and Third Party Designee
- Schedule C-EZ, Net Profit from Business
- Form 2555-EZ, Foreign Earned Income Exclusion
- Form 8965, Health Coverage Exemptions



17



Resources

- [IRS.gov/Forms](https://www.irs.gov/Forms)
- [IRS.gov/TaxReform](https://www.irs.gov/TaxReform)
- [IRS.gov/FormChanges](https://www.irs.gov/FormChanges)
- [IRS.gov/FormsUpdate](https://www.irs.gov/FormsUpdate)
- [IRS.gov/Form1040](https://www.irs.gov/Form1040) (any form number)
- [IRS.gov/LatestForms](https://www.irs.gov/LatestForms)
- [IRS.gov/PriorYearForms](https://www.irs.gov/PriorYearForms)
- [IRS.gov/DraftForms](https://www.irs.gov/DraftForms)



18



- How do I know I'm withholding enough? Someone recommended I claim 10 exemptions – why?? Someone else recommended I claim 0 – what?? The W4 “worksheet” makes no sense.
- How can I avoid “sticker shock” every time I do my taxes? It's like playing Russian roulette every April.
- How can contributing to my 401(k) make my situation better or worse?
- What about HSA contributions?
- What business deductions should I be claiming? For example, an attorney who buys a new computer for home and works remotely from that computer a few hours per week.
- Do I have to do anything with mileage reimbursements or expense reimbursements I receive from the Firm?
- Does it matter if I contribute to a charity?
- At what point should I consider hiring a professional to do my taxes for me? If I've been hiring this done for years, at what point should I consider doing it myself instead?

19



- What business deductions should I be claiming? For example, an attorney who buys a new computer for home and works remotely from that computer a few hours per week.
- Do I have to do anything with mileage reimbursements or expense reimbursements I receive from the Firm?
- Does it matter if I contribute to a charity?
- What tax bracket am I in? Does that change anything in terms of itemizing or not itemizing?
- Why have I never owed and now, with the new tax law, I owed taxes on April 15, 2019, for the first time? I didn't change anything!
- At what point should I consider hiring a professional to do my taxes for me? If I've been hiring this done for years, at what point should I consider doing it myself instead?

20



- I have 3 children at home, and I may soon gain 3 more in the next few months. What changes should I consider regarding tax planning?
- I am going to inherit \$30,000 before year-end. While, not a fortune, it's a lot of money for me. Should I put some of it aside for an unwelcome surprise next April?
- I need to shoulder the burden of all medical expenses for my aging parent. Is there any tax benefit to claiming those medical expenses? Can I even claim those?
- I really want to go back to school part-time, but I can't afford it. Are there tax advantages for being a student I'm overlooking which might tip the scales for me?
- Seriously, how can I stretch my dollars? What are some "best kept secrets" regarding taxes which others are smart enough to know, but I'm not? There has to be a way to get around some of these taxes. I make peanuts, and Uncle Sam takes the nut, leaving me the empty shells.
- What is a loophole and how can I get in on it?

21



22

22

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