



MUHLENKAMP & ASSOCIATES LLC
MUHLENKAMP & GAGEL WEALTH ADVISORS LLC

1st Global Merger with Avantax Wealth ManagementSM

Earlier this year, 1st Global, our firm's wealth management support and services provider, was purchased by Blucora, Inc., who also owns HD Vest Financial Services. HD Vest Financial Services changed its name to Avantax Wealth ManagementSM effective Sept. 16, 2019. Blucora merged 1st Global into Avantax Wealth ManagementSM, effective Oct. 28, 2019, to better reflect the company's beliefs and the unique value its community of financial advisors provide to clients. Avantax believes that taxes have become something people dread and many financial professionals treat taxes as an afterthought, or not at all, even though taxes are one of life's most complex and costly expenses. Other financial advisors may not address the client's goals of minimizing taxes, maximizing wealth, increasing cash flow and enabling better long-term financial outcomes. Through its Tax-Smart approach, Avantax will help clients leverage the tax preparation process to create financial growth opportunities. They will use technology, tax and wealth management insights to uncover tailored and advantageous opportunities across our clients' financial lifecycles to deliver optimal returns.

RETIREMENT PLAN LIMITS

Contact our office to set up your retirement plans (401k, Simple IRA, etc.) for employees and owners (partners, shareholders, and self-employed), as well as your personal retirement and investment accounts. The deadline for current year Traditional, ROTH and SEP IRA contributions is up to the extended due date of the return.

The 2019 contribution limits (subject to income limits)

Traditional & ROTH IRAs	\$6,000 plus a \$1,000 "catch up" if age 50 or over
SIMPLE IRAs	\$13,000 plus a \$3,000 "catch up" if age 50 or over
401k	\$19,000 plus a \$6,000 "catch up" if age 50 or over
SEP IRA	\$56,000 plus a \$6,000 "catch up" if age 50 or over

SMALL BUSINESS HEALTHCARE OPTIONS (less than 50 full-time equivalent employees)

The past couple of years have been an ever-changing landscape for healthcare options for employers. There will be two new options effective 1/1/2020. Here is a summary of common options:

OPTION 1 - Not required to offer insurance

OPTION 2 - Provide health insurance

- May pay all, some or none
- Cannot discriminate against full-time employees over age 25
- Can utilize Section 125 Cafeteria Plans which offer employees pre-tax options for medical, dependent care, and certain health insurance expenses. There is no dollar limit on premiums although dollar limits do apply to other medical costs. If you do not currently have a Section 125 plan in place and would like more information, contact our office.

OPTION 3 - HRA (health reimbursement arrangements)

- Employers can contribute up to \$5,150 for single/\$10,450 for family as a tax free benefit. They can establish which qualified medical items will be offered, including insurance premiums. It covers full time employees excluding owners and their family members. No other group health, HRA or excepted benefit may be offered. These arrangements can be established by some local attorneys, insurance agents, or TASC/AgriBiz Plan.

OPTION 4 - Individual Coverage HRA-NEW (effective 1/1/2020)

- Employers can reimburse health insurance premiums from their own health insurance plan, Marketplace policies, spouse policies or Medicare. The employer establishes the dollar limit and cannot discriminate. The plan allows larger reimbursement to older employees than to younger ones to reflect age related premium differences.

OPTION 5 - Excepted Benefit HRA-NEW (effective 1/1/2020)

- Employers can reimburse any and all medical costs up to \$1,800 annually per a written plan. The employer can offer insurance but is not required to offer insurance, and there is no requirement for the employee to participate.



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OHIO DEDUCTION TO COLLEGE ADVANTAGE 529 PLAN

We can help you establish 529 accounts. In 2019, \$4,000 per beneficiary per year can be deducted on the Ohio return for contributions to Ohio/Blackrock 529 college savings plans. The state of Indiana allows a 20% credit up to \$1,000 on the first \$5,000 contributed to the 529 plan. To be deductible in the current year, these contributions must be made by December 31.

DEPRECIATION

The Section 179 expensing of new or used equipment is set to \$1,020,000 for the first \$2,550,000 of acquisitions, at which point the deduction begins to be phased out. The bonus depreciation deduction for both new and used property is 100% for 2019-2022 tax years. Ohio & Indiana still limit first year expensing to \$25,000.

LIKE KIND EXCHANGE

Like kind exchanges are only allowed for real property. All trades of equipment and vehicles will be treated as a sale and corresponding purchase. *We will need trade-in values for any equipment or vehicles traded in 2019.*

DPD-199A

A 20% deduction will be available to most businesses and farms with a profit. There are limitations due to income (\$160,700 for single taxpayers/\$321,400 for married taxpayers) or specified service businesses.

OHIO CAT TAX – Commerical Activity Tax

Taxpayers with Ohio gross receipts greater than \$150,000 are subject to the annual Ohio CAT tax. In addition, all taxpayers with gross receipts over \$1 million must file their returns quarterly.

OHIO SMALL BUSINESS TAX DEDUCTION

Ohio small businesses (and farms) will be entitled to take a 100% tax deduction on the first \$250,000 of business income. This deduction is also available to owners/investors of all companies structured as pass-through entities.

GIFT TAX

The annual gift tax exclusion amount for 2019 is \$15,000. If you gave an individual more than \$15,000 in cash or property during 2019, a gift tax return may be necessary. The lifetime gift exclusion for estate tax is currently \$11.4 million for 2019.

MILEAGE RATE

The mileage rate for 2019 is 58 cents per mile for business, 20 cents per mile for medical, and 14 cents per mile for charitable purposes. The 2020 rates are not yet released.

EDUCATION CREDITS

There are two popular education credits available to college students.

- American Opportunity Credit – available first four years of college with maximum credit of \$2,500 each year (100% credit on first \$2,000 of expenses and 25% credit on the next \$2,000 of expenses)
- Lifetime Learning Credit – 20% credit on the first \$10,000 of education expenses and no limit on number of years it can be claimed.

Both education credits **require receipts** and/or **transcripts** to justify the credit.

HSA (Health Savings Account) CONTRIBUTIONS

The 2019 HSA contribution limits are \$7,000 for family and \$3,500 for single taxpayers. If you are age 55 or older, you are eligible to contribute an extra \$1,000. Current year contributions can be made until April 15.



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PAYING CHILDREN BY SELF EMPLOYED

Did you know you can deduct wages paid to your children who work on your family farm or self-employed business? The children generally pay very little, if any, income tax. You need to pay with a physical paycheck regularly with reasonable wages, file payroll and BWC (workers compensation) forms and year end W-2s. It is more paperwork, but it may be a worthwhile deduction for your business.

INDIANA RENTER'S DEDUCTION

You may be able to deduct up to \$3,000 of the rent paid on your Indiana home.
You may be able to take this deduction if:

- You paid rent on your principal place of residence, **AND**
- The place you rented was subject to Indiana property tax.

TAX PLANNING

There is still time to set up an appointment for year-end tax planning. Please call our office to set up an appointment.

UPDATES

TEXTING – Do we have your cell number? We can text notifications for appointments and tax return completion.

DRIVER'S LICENSE – Provide a copy if updated issue and expiration dates since last tax season.

OTHER RECORD CHANGES - New dependents? Move? Bank account information?

PORTAL VIA WEBSITE-www.muhlecpa.com

Contact us to learn more about electronically sending and receiving information securely:

- Ability to scan and send us your tax documents securely.
- Allows Muhlenkamp & Associates to send your copy of the tax return electronically to you.
- Ability to scan and send payroll documents, general ledger, or other documents.
- Ability to upload Quickbooks backup

QUICKBOOKS

We are available to help you with Quickbooks software to properly install, assist with daily operation and review transactions to inform you of any corrections, adjustments or reclassifications. We also can provide personalized training. This allows you to efficiently and effectively manage your business and obtain useful and timely information.