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To the CAWA Membership – Happy 2019!

Once again it's a new year! 2018 is already behind us. Each year will have its challenges and its opportunities for the economy and the business community. 2019 is no exception as tax laws and business models continue to change. Our staff is always looking for the most profitable business model and operational "sweet spot" for each member and client. This focus will provide the best sales model that will produce the most profitability and positive cash flow. So with the New Year here, let's make 2019 another awesome year!

2018 brought in massive new tax legislation. 2019 also has new rules and changes that go into effect January 1, 2019. The following is a list of some of the most important government changes that will affect your business and personal returns in the New Year.

1. The social security (FICA) wage base will increase to **\$132,900**. The tax rate for employers and employees will remain at **6.2%** in 2019.
2. The employer's share of Medicare tax (MC) stays the same @ **1.45%** for all wages paid. The employee's share is **1.45%**, however there is also a **0.9%** Medicare surtax on singles with wages exceeding **\$200,000** and couples earning over **\$250,000**. The surtax doesn't affect the employer's share.
3. The **3.8%** surtax on **investment income** for individuals making more than \$200,000 and couples making more than \$250,000 stays in effect. Not included in investment income are tax exempt bonds and retirement plan payouts.
4. The rate for SDI stays at **1.00%** *on wages paid up to \$118,371*.
5. The California SUI and Federal FUTA taxable wage limit will remain at **\$7,000**.
6. Good News! California repaid the loan from the federal unemployment fund to the US government...eliminating the credit reduction FUTA tax. No additional FUTA taxes on 940 forms due January 31, 2019!
7. The 2019 standard deduction increases a bit. **\$24,400** for married couples plus \$1,300 for each spouse age 65 or older. Singles get **\$12,200** plus \$1,185 if 65 and older. Tax rates of **10, 12, 22, 24, 32, 35, & 37%** do not change, however the tax brackets for 2019 are wider due to inflation.
8. The statewide sales tax rate is **7.25%** however; local jurisdictions have added district taxes. For the correct rate in your area you may look up the rate by address at (www.cdtfa.ca.gov) or call 1-800-400-7115 (TTY: 711).

9. **100%** bonus depreciation is back for qualified property acquired and placed in service after December 31, 2017, and before January 1, 2023. Businesses of any size can write off the full cost of qualifying assets **new and used** with lives of **20** years or less. Also for 2019 **Section 179 expensing** has expanded to **\$1,020,000** and the phase-out thresholds to **\$2,550,000**.
10. First year depreciation for **new** or **used** passenger autos and light trucks placed in service in 2018 is **\$10,000** with no bonus depreciation and **\$18,000** with bonus depreciation. Big trucks and SUV's, with gross weight rating over 6000 pounds and used 100% for business, can write off the full cost due to bonus and expensing.
11. The standard mileage rate for businesses will increase to **58 cents** per mile in 2019. Remember to substantiate all business miles. Parking and tolls are **also** deductible when using the standard rate.
12. Daily overtime rules returned to California effective January 1, 2000 and remain.
13. Effective January 1, 2019 California minimum wage increases to **\$12.00** an hour for companies who employ 26 or more employees. Companies who employ fewer than 26 employees must pay at least **\$11.00** per hour.
14. Point of Sale display requirements went into effect January 1, 2007. Requires that all price reductions, surcharges, taxes, and the total amount for each transaction be displayed for the consumer before the consumer pays for goods or services.
15. Qualified retirement plan limits for 2019 are: SIMPLEs ...**\$13,000** and 401(k)...**\$19,000** and SEP plans...**\$19,000**. 50 or older (catch-up) **\$6,000** for 401k and SEP plans, **\$3,000** for SIMPLE plans.
16. HSA maximum contribution limits for 2019: **\$3,500** for those with individual high-deductible health plan coverage and **\$7,000** for those with family high-deductible health plan coverage. HSA catch-up contributions age 55+: **\$1,000**.
17. The estate tax exemption (from federal estate taxes) for 2019 to heirs increases to **\$11.4 million** for an individual or a combined **\$22.8 million** for a married couple. The top estate tax rate **remains at 40%**. The annual gift tax exclusion remains at **\$15,000** per recipient.
18. Tax rates on long term capital gains and qualified dividends do not change. The tax rate for long term capital gains and dividends is at **20%** for high incomers...singles with taxable income above \$434,550 and couples over \$488,850. The 3.8% Medicare surtax stays and boosts the top rate to 23.8%. For filers with incomes below \$39,375 single and \$78,750 for joint filers the rate is **0%**. The **15%** rate applies to incomes for single filers with incomes between \$39,375 and \$434,550. Joint filers between \$78,750 and \$488,850.
19. An expensing safe harbor in IRS's tangible property rules is \$2,500 for small purchases and improvements that are otherwise required to be capitalized.
20. **The new tax law dramatically reforms the taxation of businesses of all sizes.** C corporations will pay a flat **21% rate**, down from the top 35% effective rate now. Also the corporate AMT rate has been eliminated. Many individual owners of pass-thru businesses – S corporations, sole proprietorships, partnerships, and LLCs will get a new **20%** deduction on qualified business income. There are limits on high

earners in professional service fields with taxable incomes in excess of \$321,400 for joint filers and \$160,700 for all other taxpayers. This pass-through income law is one of the most complex provisions in the new law with lots of special rules.

21. **Under the new law many business deductions are eliminated or capped.** Among them: Business entertainment, amusement or recreation, along with country club dues is eliminated. An employee meal on employers' premises is a **50%** deduction; however employee picnics' and holiday parties are **100%**! Standard business meals, not extravagant, are still deductible at **50%** with an employee of your firm present.
22. There is **no** federal income tax **limit** on state/local tax deductions for **businesses**. For **individuals**, the new tax law limits federal tax deductions for state and local taxes to **\$10,000**.

This is a summary of just some of the changes in the massive new tax legislation and updates for 2019 that we feel are important to the membership. We will continue to keep you informed of further important changes as they occur and become more applicable.

Also any questions please contact us at wymannlittleinc@gmail.com or call us at 951.734.5558. We are available as your CAWA endorsed vendor for accounting, consulting and income tax services.

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