AN HBK Tax Advisory Group Publication

HBK® CPAs & Consultants

2019 Year-End Tax Planning for Individuals and Businesses

Tax Advisory Group

IN THIS LETTER

With 2019 coming to a close, individuals and businesses may still benefit from several tax savings strategies. At HBK CPAs & Consultants, we want to ensure that our clients and colleagues are aware of the many opportunities still available and applicable even this late in the year.

Year-end planning for 2019 remains complicated by the various changes to the tax code under the Tax Cuts and Jobs Act (TCJA). Fortunately, the IRS has issued key guidance on some important areas throughout the year that have helped to address many areas of uncertainty following the implementation of the TCJA. However, several questions still linger as 2019 nears its end. One of the biggest questions relates to whether or not the Senate will pass the Setting Every Community Up for Retirement Enhancement Act of 2019, better known as the SECURE Act. The passage of this Act could potentially increase the access to, and longevity of, retirement plans to many Americans. Some of the highly discussed changes that could change retirement planning involve allowing part-time employees to participate in employer provided retirement plans and increasing the required minimum distribution (RMD) age to 72, to name a few. In addition to its focus on retirement plans the SECURE Act also contains elements that may lead to significant changes for those in undergraduate and graduate school relating to income recognition. While the passage of this act remains a question, it is certainly something remaining on the watch list.

Although TCJA completely overhauled the tax landscape as we knew it, these changes still provide tax planning and tax savings opportunities as we enter 2020. We are now able to implement new approaches to tax planning that may not have been utilized in previous tax years. Many opportunities exist for taxpayers to save significantly on their tax liabilities with some tailored tax planning solutions. Before implementing any changes for tax savings, contact your HBK tax advisor to ensure that all sides of your tax savings plan have been addressed so that there are no surprises. Our team is ready to assist you in evaluating each of the opportunities outlined in this guide, or any alternative strategies within the context of your unique tax position.

AT A GLANCE

KEY 2019 TAX FIGURES & FILING DEADLINES

STANDARD **DEDUCTION** »	
Married Filing Jointly	$24,400
Single	$12,200
Head of Household	$18,350
Married Filing Separately	$12,200

IRA **CONTRIBUTION** » (Traditional & Roth)
$6,000 with additional $1,000 catchup over age 50

TOP FEDERAL **ESTATE TAX & GIFT TAX RATE** »
40 percent

ESTATE & GIFT TAX **LIMITATIONS** »	
Annual Exclusion per Donee	$15,000
Unified Exemption Amount	$11,400,000

HSA **CONTRIBUTION** » (Employer & Employee)	
Self Only	$3,500
Family	$7,000

DEADLINES FOR 2019 **INDIVIDUAL & BUSINESS TAX FILINGS** »

TAX TYPE	DUE DATE (for calendar year entities)
Partnerships (Form 1065) & S Corporations (Form 1120S)	March 16, 2020
Individuals (Form 1040), C Corporations (Form 1120), Foreign Bank and Financial Reporting Form (FBAR) FinCEN Report 114 and Trusts and Estates (Form 1041)	April 15, 2020
Tax-exempt Nonprofit Organizations (Form 990)	May 15, 2020
Filing extensions for Partnerships & S Corporations	September 15, 2020
Filing extensions for Trusts & Estates	September 30, 2020
Filing extensions for Individuals, Foreign Financial Reporting & C Corporations	October 15, 2020
Filing extensions for Tax-exempt Nonprofit Organizations	November 16, 2020

INDIVIDUALS

Many of the changes from TCJA such as the increased standard deduction, elimination of personal exemptions, and the cap, or removal of many deductions we once relied on, remain in effect as 2019 comes to an end. The following provides an overview of some of the changes that may impact your 2019 tax return.

Individual Tax Brackets for 2019

For the 2019 tax year, each of the seven tax brackets have increased their income limits, although the rates remain the same. As we saw with the 2018 tax year, the tax rates for individuals are still an overall decrease for the tax years 2018 through tax year 2025 in comparison to the pre-TCJA tax regime.

INDIVIDUAL TAX RATES

RATE	SINGLE	HEAD OF HOUSEHOLD	MARRIED FILING JOINTLY	MARRIED FILING SEPARATELY
10%	$0 to $9,700 **TAX OWED** 10% of taxable income	$0 to $13,850 **TAX OWED** 10% of taxable income	$0 to $19,400 **TAX OWED** 10% of taxable income	$0 to $9,700 **TAX OWED** 10% of taxable income
12%	$9,700 to $39,475 **TAX OWED** $970 plus 12% of the excess over $9,700	$13,850 to $52,850 **TAX OWED** $1,385 plus 12% of the excess over $13,850	$19,400 to $78,950 **TAX OWED** $1,940 plus 12% of the excess over $19,400	$9,700 to $39,475 **TAX OWED** $970 plus 12% of the excess over $9,700
22%	$39,475 to $84,200 **TAX OWED** $4,540 plus 22% of the excess over $39,475	$52,850 to $84,200 **TAX OWED** $6,065 plus 22% of the excess over $52,850	$78,950 to $168,400 **TAX OWED** $9,086 plus 22% of the excess over $78,950	$39,475 to $84,200 **TAX OWED** $4,543 plus 22% of the excess over $39,475
24%	$84,200 to $160,725 **TAX OWED** $14,382.50 plus 24% of the excess over $84,200	$84,200 to $160,725 **TAX OWED** $12,962 plus 24% of the excess over $84,200	$168,400 to $321,450 **TAX OWED** $28,765 plus 24% of the excess over $168,400	$84,200 to $160,725 **TAX OWED** $14,382.50 plus 24% of the excess over $84,200
32%	$160,725 to $204,100 **TAX OWED** $32,748.50 plus 32% of the excess over $160,725	$160,725 to $204,100 **TAX OWED** $31,322 plus 32% of the excess over $160,700	$321,450 to $408,200 **TAX OWED** $65,497 plus 32% of the excess over $321,450	$160,725 to $204,100 **TAX OWED** $32,748.50 plus 32% of the excess over $160,725
35%	$204,100 to $510,300 **TAX OWED** $46,628.50 plus 35% of the excess over $204,100	$204,100 to $510,300 **TAX OWED** $45,210 plus 35% of the excess over $204,100	$408,200 to $612,350 **TAX OWED** $93,257 plus 35% of the excess over $408,200	$204,100 to $306,175 **TAX OWED** $45,689.50 plus 35% of the excess over $204,100
37%	$510,300+ **TAX OWED** $153,789.50 plus 37% of the excess over $510,300	$510,300+ **TAX OWED** $152,380 plus 37% of the excess over $510,300	$612,350+ **TAX OWED** $164,709.50 plus 37% of the excess over $612,350	$306,175+ **TAX OWED** $82,354.75 plus 37% of the excess over $306,175

Capital Gain and Qualified Dividend Tax Rates

The long-term capital gain and qualified dividend tax rates remain unchanged, however, the income limits for each bracket have changed. The brackets remain at 0%, 15%, and 20%. As in previous years, short-term capital gains are taxed at regular ordinary income rates.

A time-tested planning technique to reduce both short-term and long-term capital gains, by offsetting them with long-term and short-term losses remains a valuable opportunity that requires strategic tax planning.

2019 CAPITAL GAINS TAX RATES

FILING STATUS	0%	15%	20%
Single	$0 to $39,375	$39,376 to $434,550	$434,551+
Married Filing Jointly	$0 to $78,750	$78,751 to $488,850	$488,851+
Head of Household	$0 to $52,750	$52,751 to $461,700	$461,701+
Married Filing Separately	$0 to $39,375	$39,376 to $244,425	$244,426+

Above-the-Line Deductions (Adjustments for AGI)

A successful tax-planning strategy is to reduce your Adjusted Gross Income (AGI). A popular way to do this is by maximizing your above-the-line deductions. These are expenses you can claim even if you don't itemize. Common above-the-line deductions include student loan interest deductions, teacher classroom expenses, certain retirement plan contributions and health savings account contributions. Some additional examples are explained in more detail below:

Alimony

One major change that starts with the 2019 tax year is the change to the tax treatment of alimony. Alimony is no longer deductible by the payor spouse as an above-the-line deduction for agreements entered into after December 31, 2018. (For these same agreements, the income is also no longer included in gross income of the payee spouse.) Divorce agreements entered into prior to this date will still be deductible as an above-the-line deduction by the payor spouse and included in income unless they are later revised. Be aware that this could have different state tax treatment depending on the state that you live in. Many states still allow a deduction for alimony and require the payee spouse to include it in income.

Self-Employed Health Insurance

For self-employed taxpayers, the IRS allows for a deduction for 100% of the cost of providing medical, dental and qualifying long-term care insurance for the taxpayer and his/her family. For taxpayers who are considered self-employed but receive their income through a partnership or S-corp K-1, this deduction is still available although certain requirements need to be met.

If you are self-employed and paying Medicare premiums, these premiums are also deductible for purposes of the self-employed health insurance deduction.

Standard Deduction and Personal Exemption

Under tax reform the standard deduction doubled, eliminating the need for many taxpayers to itemize deductions on their individual tax return. The standard deduction currently sits at $12,200 for single filers and $24,400 for married couples filing jointly.

The personal exemption, previously $4,050 per person, remains eliminated for tax years 2018 through 2025.

Itemized Deductions

Due to the increased standard deduction, many taxpayers may no longer need to itemize their deductions. Knowing what deductions are still available will help a taxpayer analyze whether itemizing their deductions is beneficial. We are happy to help with this analysis.

Itemizing deductions may still make sense for taxpayers who have a home mortgage and high medical expenses, or if they donate significant amounts to charities and/or they are single taxpayers and have high property or state income taxes. Below are some examples of itemized deductions available:

Medical Expenses

The adjusted gross income limitation is increased to 10% for all individuals for tax year 2019, thus medical expenses must exceed 10% of an individual's AGI in order to be deductible. This is up from the 7.5% that TCJA allowed in 2018.

Charitable Contributions

The adjusted gross income limitation for certain charitable contributions of cash remains the same, with contributions exceeding 60% of an individual's AGI allowed to be carried forward for five years. This technique also allows you to donate "pre-tax" income as opposed to after tax income.

Mortgage Interest

For mortgages entered into after December 15, 2017, the deductible interest is limited to mortgage balances of $750,000. For mortgages that were entered into prior to this date, the deduction remains available for balances of $1,000,000. Interest on home equity lines up to $100,000 is no longer deductible after 2017, however, if the loan was used for home-improvements it may potentially be deductible as mortgage interest. Please consult your HBK tax advisor if you feel that this may pertain to your situation.

State and Local Taxes

The deduction for state and local income or sales tax, personal property, real estate and "other" taxes remains limited to $10,000 for 2019. We saw many states try to create workarounds for this limitation, however, as of now, the IRS remains firm that none of the state proposed workarounds are allowed.

Miscellaneous Itemized Deductions

All itemized deductions that were previously subject to the 2% adjusted gross income limitation remain eliminated. These deductions included tax preparation fees and investment management fees.

One of the biggest planning techniques surrounding itemized deductions is the bunching of your deductions on your personal income tax return if you would like to itemize. This means "bunching" multiple years of itemized deductions into one year where you will receive the greatest benefit. Consider this as an effective tax planning strategy especially in years where you anticipate higher income levels. Please contact your HBK tax advisor if you believe you could benefit from any of these tax planning opportunities.

Alternative Minimum Tax

In the 2018 tax year, we noticed that a significant amount of our clients that were previously subject to AMT were no longer faced with this costly tax. For those that remain impacted, the exemption and phase-out amounts for individuals have increased as follows:

2019 AMT EXEMPTION & PHASE-OUT AMOUNTS

FILING STATUS	EXEMPTION	PHASE-OUT
Married Filing Separately	$55,850	$510,300
Single	$71,700	$510,300
Married Filing Jointly	$111,700	$1,020,600

Other Individual Topics of Importance

Funds in Section 529 plans can be used for elementary or secondary public, private, or religious schools, up to $10,000 per beneficiary per year.

The Child Tax Credit remains at $2,000 for children under 17. It is also made available to high earners because the income threshold under which filers may claim the full credit has been raised to $200,000 for single filers, or married filers filing separate and to $400,000 for married couples. Since this is a tax credit and not a deduction, it can reduce your tax bill dollar for dollar. If this credit causes a taxpayer to receive a refund, only $1,400 of the tax credit is refundable. This means that a low- or middle-income family will be able to get the money refunded up to $1,400 if their federal income tax liability nets out at zero.

LIFE CHANGES THAT IMPACT YEAR-END TAX PLANNING

- Change in filing status: marriage, divorce, death or head of household status
- Birth of a child
- Child that has outgrown the "kiddie" tax
- Child who has outgrown the child credit
- Casualty losses
- Changes in medical expenses
- Moving/relocating
- College or other tuition
- Changes to employment
- Retirement
- Personal Bankruptcy
- Inheritance
- Business success or failure

Healthcare Reform and Taxation

The shared responsibility requirement of the ACA, also known as the individual mandate, was repealed.

HSA and FSA Accounts

Individuals and families have two tax advantage options to save for current and future medical expenses for themselves, spouse and qualified dependents. The first is a Health Savings Account or HSA. HSA accounts allow for tax-deductible contributions, the interest earned on the account is also tax-free and withdrawals from the account are tax-free for qualifying medical expenses.

Flexible Spending Accounts or FSA retail pre-tax contributions and tax-free growth much like an HSA account however, an FSA can be used in tandem with any health plan. It should be noted that the money saved in an FSA must be used by the end of the calendar year or it is forfeited. Taxpayers should review what type of medical savings plan they take part in to ensure they are receiving the maximum tax benefit possible.

2019 CONTRIBUTION AND OUT-OF-POCKET LIMITS FOR HSA AND HIGH-DEDUCTIBLE HEALTH CARE PLANS

HSA Contribution Limit (Employer + Employee)	Self only: $3,500 Family: $7,000
HSA Catch-Up Contributions (Age 55 or Older)	$1,000
HDHP Minimum Deductibles	Self only: $1,350 Family: $2,700
HDHP Maximum Out-of-Pocket Amounts (Deductibles, Co-payments & Other Amounts, excluding Premiums)	Self only: $6,750 Family: $13,500

Crypto and Virtual Currency

As virtual currencies become more common, the IRS is continuing to try and find ways to tax users and holders of Bitcoin and other cryptocurrencies. The IRS released a revenue ruling back in 2014 that classified virtual currency as property rather than actual currency. This has a substantial impact on the tax treatment for taxpayers.

When a taxpayer engages in a transaction using cryptocurrency or sells cryptocurrency, gain (or loss) is recognized, similar to a sale of stock. For example, if a taxpayer purchases something as simple as a cup of coffee using cryptocurrency, it is treated as a sale of the virtual currency and will be subject to capital gain or loss rules.

The IRS has recently issued a new revenue ruling regarding the treatment of cryptocurrency involving hard forks, (the creation of a new currency from an existing currency that undergoes a protocol change and is being recorded on a new distributed ledger or chain in the block), and air drops, (distribution of new cryptocurrency that usually occurs after a hard fork and is treated similar to a stock split where a user will receive units of the new currency). When a taxpayer receives an air drop from a hard fork it will be included in the calculation of their gross income.

Please see your HBK tax advisor for the tax treatment of cryptocurrencies as well as an HBKS wealth advisor for interest in investing in cryptocurrencies.

Foreign and International Taxation

The global impact of international and foreign taxation continues to be relevant for the upcoming tax year. Much of this foreign reporting has proven to be very significant for many taxpayers both residing domestically and abroad.

The IRS is continuing to watch out for taxpayers with foreign bank accounts held outside of the United States. FinCEN Form 114 (FBAR) is a form that is required to be filed if any US taxpayer has a foreign bank account that had a balance at any point during the year that exceeded $10,000.

A similar, but unrelated filing for taxpayers with foreign assets is Form 8938. This Form is required if you are a specified individual holding specified foreign financial assets above the following thresholds:

FILING STATUS	LIVING IN THE U.S.	LIVING OUTSIDE THE U.S.
Single or Married Filing Separately	Total value of assets was more than $50,000 on the last day of the tax year, or more than $75,000 at any time during the year.	Total value of assets was more than $200,000 on the last day of the tax year, or more than $300,000 at any time during the year.
Married Filing Jointly	Total value of assets was more than $100,000 on the last day of the tax year, or more than $150,000 at any time during the tax year.	Total value of assets was more than $400,000 on the last day of the tax year, or more than $600,000 at any time during the tax year.
Domestic Entities	Total value of assets was more than $50,000 on the last day of the tax year, or more than $50,000 at any time during the tax year.	

It should be noted that both Form 114 and Form 8938 are strictly informational forms and no tax will be assessed on the value of the accounts. However, the penalties for these forms can be very severe if not filed or if filed incorrectly.

In 2018 we saw many changes regarding section 965 and the global intangible low-taxes income (GILTI). We received several clarifications from the IRS concerning the proper treatment of this income and the added tax compliance associated with these rules.

There have also been developments related to passive foreign investment companies (PFICs) and controlled foreign corporations (CFCs) that may impact an individual's reporting requirements. We are happy to discuss these developments and what impact they may have on your foreign reporting obligations.

BUSINESSES

The top C corporation tax rate remains at 21%, and as we are a year out from the changes under the TCJA more and more businesses can take advantage of the 199A Qualified Business Income Deduction.

In addition, bonus depreciation and Section 179 expensing was expanded under TCJA and significant planning opportunities around these remain. However, the domestic production activities deduction (DPAD) is no longer available.

With all of the tax changes, please contact us about exploring new tax planning strategies and be sure to consider each of the following as we enter year-end planning for 2019:

199A Qualified Business Income Deduction

The TCJA created a new business deduction, which may allow up to 20% of qualified business income to be deducted. Qualified business income is, in general, ordinary business income and does not include W-2 wages or guaranteed payments. This is calculated on an individual's personal income tax return. How much of a deduction can be taken depends in part on an individual's overall level of taxable income and the type of business. Significant regulations were released during the 2019 year that may impact how you can benefit from the 199A deduction, we can help see how you can maximize this deduction for the 2019 tax year.

Excess Business Losses

One area that remains unclear one year out from the changes under the TCJA is excess business loss limitation provisions for noncorporate taxpayers. The excess business loss limitation provisions (EBL) generally place limitations on an individual's use of business losses that ultimately become deductible on the individual's return. These losses typically arise from sole proprietorships, partnerships, or S corporations. This limitation is calculated by comparing the total deductions to the sum of the total gross income or gain from the taxpayer's trade or business. This complex calculation may impact or be impacted by many other tax provisions that have been altered by the TCJA. As we end 2019 please contact your HBK CPA advisor if you have questions as to how these EBL provisions may impact your business.

Bonus Depreciation

Property that is placed in service after September 27, 2017, and before January 1, 2023, maybe eligible for 100% bonus depreciation. After 2022, the percentage decreases by 20% each subsequent year until zero. For purposes of bonus depreciation, qualified property is defined as tangible personal property that has a recovery period of 20 years or less. Previous provisions requiring original use for purposes of bonus depreciation have been eliminated. Also, there have been no corrections to the TCJA drafting error which excludes qualified leasehold improvement property (QLIP) from bonus depreciation treatment.

YEAR PLACED IN SERVICE	BONUS %
After Sept. 27, 2017 and before Jan. 1, 2023	100%
2023	80%
2024	60%
2025	40%
2026	20%

Business Losses

Business losses, for noncorporate taxpayers, are now limited to $500,000 (married filing jointly) or $250,000 (single). Any excess is carried forward as a net operating loss (NOL). Under previous law, NOLs could be carried back two years and forward 20 to eliminate 100 percent of a taxpayer's regular taxable income in a single year. Section 172 was amended by the TCJA to restrict NOLs. Under current law, NOLs generated after December 31, 2017, can only be carried forward and are limited to 80 percent of taxable income. Taxpayers with NOLs generated before December 31, 2017, should consult with their tax advisor for assistance with applying NOL deductions and carryover rules while projecting taxable income.

Business Expense Increase

The Section 179 expense amount and phase-out threshold have been increased to $1 million and $2.5 million respectively. Qualified real property is eligible for section 179. Qualified real property includes all qualified improvement property and certain improvements to nonresidential real property. The definition of section 179 property was expanded to include certain depreciable tangible personal property used predominately to furnish lodging or in connection with furnishing lodging (for instance: beds or furniture used in hotels and apartment buildings). Consideration should be given when deciding between taking bonus depreciation or utilizing section 179 expensing. This decision is critical in planning for depreciation deductions. Unlike section 179 expensing, taxpayers do not need net income to take bonus depreciation deductions. Further, bonus depreciation is not limited or capped at threshold amounts like section 179 is. If you have any questions on how you can benefit from 179 expensing, please contact your tax advisor.

Cash Method of Accounting

Taxpayers with annual gross receipts of $26 million (indexed for inflation) or less for the prior three taxable years are permitted to use the cash method of accounting.

Meals & Entertainment

A major change under the TCJA was the elimination of the deductibility of all entertain-ment expenses, with some exceptions. This was a major change for many taxpayers, and it resulted in new substantiation and documentation practices to categorize expenses between entertainment and meals. While the deductibility of business meals that take place at an entertainment facility was originally in question, the IRS has released guidance indicating that a deduction will be allowed so long as the costs of the meal are separately stated and can be identified separately from the entertainment expenses. These meals remain 50% deductible.

EXPENSE	PRIOR LAW	CURRENT LAW
Business meals with clients, prospects, referral sources	50%	50%
Events/meals at social or golf clubs	50%	50%
Membership dues for social clubs	50%	No deduction
Event tickets (sporting, theater, etc.)	50%	No deduction
Business gifts	$25/person	$25/person

Qualified Opportunity Zones

TCJA created Qualified Opportunity Zones (QOZ) as a way to promote economic development and job creation in distressed communities. QOZ's provide additional tax benefits to investors that invest in these areas, specifically a deferral on the taxability of capital gains that are invested directly into the QOZ or a Qualified Opportunity Fund (QOF), and the ability to exclude any gains realized on the sale of a QOZ investment if it is held for at least 10 years. It should be noted that there are several requirements that must be met in order to qualify for these benefits.

OPPORTUNITY ZONES (IRC 1400Z)	LIKE-KIND EXCHANGES (1031)
Can defer any capital gain under Section 1221 or net gain from an asset used in a business under Section 1231	Only capital or section 1231 gain from certain real property transactions are eligible
180-day period to acquire a QOF interest	Must designate replacement property within 45 days and acquire within 180 days
Can use/invest sale proceeds during the 180-day period	Sale proceeds must be held by a qualified intermediary during replacement period; the taxpayer must avoid constructive receipt of exchange proceeds
Can invest any portion of eligible gains; no requirement to invest all sales proceeds or even all gains	Must invest sales price to avoid any current gain recognition
Replacement property must be located within a QOZ	Replacement property can be located anywhere in the U.S.; however, may have state tax implications if the replacement property is not located in the same state where the original property is sold
Deferred gain (less up to 15% of basis increase) is recognized no later than Dec. 31, 2026	Deferred gain not recognized until disposition
Growth in the value of replacement property avoids income tax (if held 10 years)	Growth in the value of replacement property taxed at a disposition

STATE AND LOCAL TAX PLANNING

In 2017, the Tax Cuts and Jobs Act capped the deduction for state and local taxes individuals could deduct on the federal income tax return to $10,000. Despite condemnation by the IRS several states have provided workarounds for individuals by imposing an entity-level tax on pass-through entities.

- Connecticut imposes an income tax on affected business entities including general partnerships. Affected business entities include partnerships and S corporation but excluded publicly traded partnerships and disregarded single-member limited liability companies. Affected business entity income connected to sources within Connecticut is subject to the tax. The individual owner is he allowed a credit against their Connecticut tax liability if the entity has paid the tax.

- Louisiana imposes an income tax on general partnerships that elect to be taxed at the entity level. An entity taxed as a partnership may elect to be taxed at the entity level in the same manner as a C corporation. The entity must make the election in writing at any time during the preceding taxable year, or at any time during the taxable year and on or before the 15th day of the fourth month after the close of the taxable year.

- Oklahoma imposes an income tax on general partnerships that elect to be taxed at the entity level. A general partnership subject to Subchapter K of the Internal Revenue Code may elect to pay tax at the entity level on behalf of its resident and nonresident partners. To make an election for any income tax year beginning on or after Jan. 1, 2019, and prior to Jan. 1, 2020, the general partnership must file the election no later than June 28, 2019. To make an election for any income tax year beginning on or after Jan. 1, 2020, the general partnership must file the election during the preceding tax year, or within two months and 15 days after the beginning of the tax year. The election is binding until revoked by the Oklahoma Tax Commission.

- Rhode Island also imposes an income tax on general partnerships electing to be taxed at the entity level. The election is made annually by filing the prescribed tax form and remitting the required tax.

- If you are a resident of Pennsylvania, consider contributing to a Section 529 educational plan on behalf of your children or grandchildren. Pennsylvania allows a deduction against taxable income for contributions made. A $13,000 contribution will reduce your tax by $399.

If your entity does business in any of the above states, you should consider making the election to be taxed at the entity level if it is required, please contact your HBK tax advisor to discuss these planning opportunities further.

South Dakota v. Wayfair

One of the most significant changes in state tax planning for many taxpayers has been the decision in *South Dakota v. Wayfair* which was decided in June of 2018. This decision enabled states to enact economic nexus standards for purposes of sales tax registration, collection and remittance in addition to the long-standing rule requiring physical presence. As expected, the states responded to the Wayfair decision quickly by enacting economic nexus legislation, with over 40 states enacting their own unique legislation regarding economic nexus. The majority of states adopted the same $100,000 of sales and 200 transactions thresholds used by South Dakota, but many have thresholds between $200,000 and $500,000. However, Kansas has recently set a "no threshold" standard which would require registration and filings by any taxpayer who does a single transaction or sells a single dollars' worth of products or services into the state. Florida and Missouri proposed economic nexus legislation, but they failed to pass before their legislative sessions ended. We expect these remaining states to have economic nexus statutes soon. Understanding your economic nexus can be complex, and many factors that go into this determination, please contact your tax advisor on navigating these complexities as we enter 2020.

STATE	ENFORCEMENT DATE	SALES TAX ECONOMIC NEXUS THRESHOLD
Alabama	October 1, 2018	**$250,000** in sales
Alaska	N/A	**N/A**
Arizona	October 1, 2019	**$200,000** in sales in **2019**; **$150,000** of sales in **2020**; **$100,000** of sales in **2021** and beyond
Arkansas	July 1, 2019	**$100,000** in sales OR **200** separate transactions
California	April 1, 2019	**$500,000** in sales
Colorado	December 1, 2018	**$100,000** in sales
Connecticut	December 1, 2018	**$250,000** in sales AND **200** separate transactions
Delaware	N/A	**N/A**
District of Columbia	January 1, 2019	**$100,000** in sales or **200** separate transactions
Florida	Proposed	**$100,000** in sales OR **200** separate transactions
Georgia	January 1, 2019	**$250,000** in sales or **200** separate transactions
Hawaii	July 1, 2018	**$100,000** in sales or **200** separate transactions
Idaho	June 1, 2019	**$100,000** in sales
Illinois	October 1, 2018	**$100,000** in sales or **200** separate transactions
Indiana	October 1, 2018	**$100,000** in sales or **200** separate transactions
Iowa	January 1, 2019	**$100,000** in sales
Kansas	October 1, 2019	No sales or transaction test
Kentucky	October 1, 2018	**$100,000** in sales or **200** separate transactions
Louisiana	TBD (no later than July 1, 2020)	**$100,000** in sales or **200** separate transactions
Maine	July 1, 2018	**$100,000** in sales or **200** separate transactions
Maryland	October 1, 2018	**$100,000** in sales or **200** separate transactions
Massachusetts	October 1, 2019	**$100,000** in sales
Michigan	October 1, 2018	**$100,000** in sales or **200** separate transactions
Minnesota	October 1, 2018	**$100,000** in sales in at least **10** transactions or **100** transactions
Mississippi	September 1, 2018	**$250,000** in sales
Missouri	Proposed	**$100,000** in sales OR **200** separate transactions
Montana	N/A	N/A
Nebraska	April 1, 2019	**$100,000** in sales or **200** separate transactions
Nevada	October 1, 2018	**$100,000** in sales or **200** separate transactions
New Hampshire	N/A	N/A
New Jersey	November 1, 2018	**$100,000** in sales or **200** separate transactions
New Mexico	July 1, 2019	**$100,000** in sales

STATE	ENFORCEMENT DATE	SALES TAX ECONOMIC NEXUS THRESHOLD
New York	January 1, 2019	**$500,000** in sales AND 100 transactions
North Carolina	November 1, 2018	**$100,000** in sales or **200** separate transactions
North Dakota	October 1, 2018	**$100,000** in sales
Ohio	August 1, 2019	**$100,000** in sales or **200** separate transactions
Oklahoma	November 1, 2019	**$100,000** in sales
Oregon	N/A	N/A
Pennsylvania	July 1, 2019	**$100,000** in sales
Rhode Island	July 1, 2019	**$100,000** in sales or **200** separate transactions (remote sellers can choose to collect and remit sales taxes or comply with notice and reporting requirements)
South Carolina	November 1, 2018	**$100,000** in sales
South Dakota	November 1, 2018	**$100,000** in sales or **200** separate transactions
Tennessee	July 1, 2019	**$500,000** in sales
Texas	October 1, 2019	**$500,000** in sales
Utah	January 1, 2019	**$100,000** in sales or **200** separate transactions
Vermont	July 1, 2018	**$100,000** in sales or **200** separate transactions
Virginia	July 1, 2019	**$100,000** in sales or **200** separate transactions
Washington	October 1, 2018	**$100,000** in sales
West Virginia	January 1, 2019	**$100,000** in sales or **200** separate transactions
Wisconsin	October 1, 2018	**$100,000** in sales or **200** separate transactions
Wyoming	February 1, 2019	**$100,000** in sales or **200** separate transactions

State Conformity

One of the other things to note when looking at how all of the changes from the TCJA impact your federal tax planning is to ensure that the states conform to these federal provisions. The TCJAs impact is not limited to your federal tax treatment, many states have fully or partially conformed to many of the provisions changed or implemented under the TJA. This includes 163(j) business interest expense deductions and 179 expensing. Each state has its own conformity rules, and specific state adjustments may be necessary to ensure you are receiving the most beneficial tax treatment. Please contact your tax advisor for more information on how your state return may be impacted due to the changes under the TCJA.

ADDITIONAL RESOURCES

At HBK, we can determine how best to maximize your tax savings for 2019 and beyond. We are available to assist you through each step of this process and we will keep you apprised of any legislative changes impacting your tax circumstance in real-time. Please don't hesitate to contact us with questions, concerns or ideas you have about how to reduce your taxes.

ABOUT HBK

Established in 1949, HBK CPAs & Consultants (HBK) offers the collective intelligence of hundreds professionals in a wide range of tax, accounting, audit, business advisory, financial planning, and other business, operational, and support services from offices in four states.

HBK professionals deliver industry-specific expertise in manufacturing, healthcare (including long-term care), construction, cannabis, dealerships and not-for-profit organizations.

HBK combines the technical resources and expertise of a large national accounting and professional consulting firm with the personalized attention of a local company.

The firm is ranked in both *Accounting Today* and *Inside Public Accounting* magazines' Top 100 lists, and supports clients globally as a member of BDO Alliance USA. HBK maintains locations in Alliance, Columbus and Youngstown in Ohio; Blue Bell, Erie, Hermitage, Meadville and Pittsburgh in Pennsylvania; Cherry Hill, Clark and Princeton in New Jersey; and Fort Myers, Naples, Stuart, Sarasota and West Palm Beach in Florida.

To learn more about HBK, call 800.733.8613 or visit us at www.hbkcpa.com.

Our affiliated financial services firm, HBKS® Wealth Advisors, works closely with its clients to help create investment portfolios that incorporate many aspects of a tax-sensitive investment management structure. HBKS® does so by developing a thorough understanding of a client's financial condition and objectives, collaborating with their CPA where appropriate, and applying the latest advances in wealth management technology and industry processes. This season, we are pleased to invite you, as a client of HBK CPAs & Consultants, to a complimentary consultation with an HBKS® Financial Advisor to develop financial plans — including tax-efficient portfolios — that address client-specific problems and design solutions specific to clients' financial needs and goals. Contact us to schedule a time to talk. We look forward to meeting with you.