LIMA & ASSOCIATES, LLC

Certified Public Accountants and Business Advisors

January 2019

Inside this issue:

www.limallc.com
727-223-5004
33920 US Hwy 19 N
Suite 250
Palm Harbor, FL 34684

IRS Confirms Tax Filing Season to Begin January 28, 2019

Despite the government shutdown, the Internal Revenue Service today confirmed that it will process tax returns beginning January 28, 2019 and provide refunds to taxpayers as scheduled.

"We are committed to ensuring that taxpayers receive their refunds notwithstanding the government shutdown. I appreciate the hard work of the employees and their commitment to the taxpayers during this period," said IRS Commissioner Chuck Rettig.

Congress directed the payment of all tax refunds through a permanent, indefinite appropriation (31 U.S.C. 1324), and the IRS has consistently been of the view that it has authority to pay refunds despite a lapse in annual appropriations. Although in 2011 the Office of Management and Budget (OMB) directed the IRS not to pay refunds during a lapse, OMB has reviewed the relevant law at Treasury's request and concluded that IRS may pay tax refunds during a lapse.

The IRS will be recalling a significant portion of its workforce, currently furloughed as part of the government shutdown, to work. Additional details for the IRS filing season will be included in an updated FY2019 Lapsed Appropriations Contingency Plan to be released publicly in the coming days.

As in past years, the IRS will begin accepting and processing individual tax returns once the filing season begins. For taxpayers who usually file early in the year and have all of the needed documentation, there is no need to wait to file. They should file when they are ready to submit a complete and accurate tax return.

The filing deadline to submit 2018 tax returns is Monday, April 15, 2019 for most taxpayers. Because of the Patriots' Day holiday on April 15 in Maine and Massachusetts and the Emancipation Day holiday on April 16 in the District of Columbia, taxpayers who live in Maine or Massachusetts have until April 17, 2019 to file their returns.

Software companies and tax professionals will be accepting and preparing tax returns before Jan. 28 and then will submit the returns when the IRS systems open later this month. The IRS strongly encourages people to file their tax returns electronically to minimize errors and for faster refunds.

IRS Debuts New Postcard 1040 Return

At the end of June, the IRS unveiled a new draft version of the 2018 Form 1040, Individual Income Tax Return. The proposed postcard-size Form 1040 form replaces the prior version of the form as well as the Forms 1040EZ and 1040A. While some are celebrating the design as a simpler way to file, a closer look may tell a different story.

What is changing?

- There will be fewer lines as the new form has only 23 lines – that's 50 fewer lines than the 2017 Form 1040.
- There are six new schedules (Schedules 1 – 6) which replace many of the 50 lines reduced on the Form 1040.
- There are many new lines incorporated into the Form 1040 and it's six schedules to accommodate changes under the Tax Cuts and Jobs Act.

How does this affect you?

- Nearly everyone will need to file schedules with their Form 1040, even those who previously used the simple 1040EZ. The IRS website states that only "taxpayers with straightforward tax situations" will be able to skip the new schedules.
- The postcard goal is met, however there will be a lot of training and software reprogramming required.
- The postcard 1040 is still in draft form.

The proposed 2018 Form 1040 can be viewed on the IRS website at https://www.irs.gov/pub/irs-dft/f1040--dft.pdf.

Important Tax Changes

Every year, it's a sure bet that there will be changes to current tax law and this year is no different, now that the tax provisions under the Tax Cuts and Jobs Act of 2017 (TCJA) are in full effect. From standard deductions to health savings accounts and tax rate schedules, here's a checklist of tax changes to help you plan the year ahead.

Individuals

In 2019, a number of tax provisions are affected by inflation adjustments, including Health Savings Accounts, retirement contribution limits, and the foreign earned income exclusion.
The tax rate structure, which ranges from 10 to 37 percent, remains similar to 2018; however, the tax-bracket thresholds increase for each filing status. Standard deductions also rise. As a reminder, personal exemptions have been eliminated through tax year 2025.

Standard Deduction
In 2019, the standard deduction increases to $12,200 for individuals (up from $12,000 in 2018) and to $24,400 for married couples (up from $24,000 in 2018).

Alternative Minimum Tax (AMT)
In 2019, AMT exemption amounts increase to $71,700 for individuals (up from $70,300 in 2018) and $111,700 for married couples filing jointly (up from $109,400 in 2018). Also, the phaseout threshold increases to $510,300 ($1,020,600 for married filing jointly). Both the exemption and threshold amounts are indexed annually for inflation.

"Kiddie Tax"
For taxable years beginning in 2019, the amount that can be used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax," is $1,100. The same $1,100 amount is used to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax." For example, one of the requirements for the parental election is that a child's gross income for 2019 must be more than $1,100 but less than $11,000.

Health Savings Accounts (HSAs)
Contributions to a Health Savings Account (HSA) are used to pay current or future medical expenses of the account owner, his or her spouse, and any qualified dependent. Medical expenses must not be reimbursable by insurance or other sources and do not qualify for the medical expense deduction on a federal income tax return.

A qualified individual must be covered by a High Deductible Health Plan (HDHP) and not be covered by other health insurance with the exception of insurance for accidents, disability, dental care, vision care, or long-term care.
For calendar year 2019, a qualifying HDHP must have a deductible of at least $1,350 for self-only coverage (same as 2018) or $2,700 for family coverage (same as 2018) and must limit annual out-of-pocket expenses of the beneficiary to $6,750 for self-only coverage and $13,500 for family coverage.

Medical Savings Accounts (MSAs)
There are two types of Medical Savings Accounts (MSAs): the Archer MSA created to help self-employed individuals and employees of certain small employers, and the Medicare Advantage MSA, which is also an Archer MSA, and is designated by Medicare to be used solely to pay the qualified medical expenses of the account holder. To be eligible for a Medicare Advantage MSA, you must be enrolled in Medicare. Both MSAs require that you are enrolled in a high-deductible health plan (HDHP).

Self-only coverage. For taxable years beginning in 2019, the term "high deductible health plan" means, for self-only coverage, a health plan that has an annual deductible that is not less than $2,350 and not more than $3,500, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed $4,650.

Family coverage. For taxable years beginning in 2019, the term "high deductible health plan" means, for family coverage, a health plan that has an annual deductible that is not less than $4,650 and not more than $7,000, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed $8,550.

No Penalty for not Maintaining Minimum Essential Health Coverage
Starting in 2019, there is no penalty for not maintaining minimum essential health coverage.

AGI Limit for Deductible Medical Expenses
n 2019, the deduction threshold for deductible medical expenses is 10 percent of adjusted gross income (AGI).

Eligible Long-Term Care Premiums
Premiums for long-term care are treated the same as health care premiums and are deductible on your taxes subject to certain limitations. For individuals age 40 or younger at the end of 2019, the limitation is $420. Persons 41 to 50 can deduct $790. Those 51 to 60 can deduct $1,580 while individuals 61 to 70 can deduct $4,220. The maximum deduction is $5,270 and applies to anyone more than 70 years of age.

Medicare Taxes
The additional 0.9 percent Medicare tax on wages above $200,000 for individuals ($250,000 married filing jointly) remains in effect for 2019, as does the Medicare tax of 3.8 percent on investment (unearned) income for single taxpayers with modified adjusted gross income (AGI) more than $200,000 ($250,000 joint filers). Investment income includes dividends, interest, rents, royalties, gains from the disposition of property, and certain passive activity income. Estates, trusts, and self-employed individuals are all liable for the tax.

Foreign Earned Income Exclusion
For 2019, the foreign earned income exclusion amount is $105,900, up from $103,900 in 2018.

Long-Term Capital Gains and Dividends
In 2019, tax rates on capital gains and dividends remain the same as 2018 rates (0%, 15%, and a top rate of 20%); however threshold amounts have increased: the maximum zero percent rate amounts are $39,375 for individuals and $78,750 for married filing jointly. For an individual taxpayer whose income is at or above $244,400 ($488,850 married filing jointly), the rate for both capital gains and dividends is capped at 20 percent. All other taxpayers fall into the 15 percent rate amount (i.e., above $39,375 and below $434,550 for single filers).

Estate and Gift Taxes
For an estate of any decedent during calendar year 2019, the basic exclusion amount is $11.4 million, indexed for inflation (up from $11.18 million in 2018). The maximum tax rate remains at 40 percent. The annual exclusion for gifts remains at $15,000.

Individuals - Tax Credits

Adoption Credit
In 2019, a non-refundable (only those individuals with tax liability will benefit) credit of up to $14,080 is available for qualified adoption expenses for each eligible child.

Earned Income Tax Credit
For tax year 2019, the maximum Earned Income Tax Credit (EITC) for low and moderate income workers and working families rises to $6,557, up from $6,431 in 2018. The credit varies by family size, filing status, and other factors, with the maximum credit going to joint filers with three or more qualifying children.

Child Tax Credit
For tax years 2018 through 2025, the child tax credit is $2,000 per child. The refundable portion of the credit is $1,400 so that even if taxpayers do not owe any tax, they can still claim the credit. A $500 nonrefundable credit is also available for dependents who do not qualify for the Child Tax Credit (e.g., dependents age 17 and older).

Child and Dependent Care Tax Credit
The Child and Dependent Care Tax Credit also remained under tax reform. If you pay someone to take care of your dependent (defined as being under the age of 13 at the end of the tax year or incapable of self-care) in order to work or look for work, you may qualify for a credit of up to $1,050 or 35 percent of $3,000 of eligible expenses in 2019. For two or more qualifying dependents, you can claim up to 35 percent of $6,000 (or $2,100) of eligible expenses. For higher income earners the credit percentage is reduced, but not below 20 percent, regardless of the amount of adjusted gross income. This tax credit is nonrefundable.

Individuals - Education

American Opportunity Tax Credit and Lifetime Learning Credits
The maximum credit is $2,500 per student for the American Opportunity Tax Credit. The Lifetime Learning Credit remains at $2,000 per return; however, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is $116,000 ($58,000 single filers).

Interest on Educational Loans
In 2019, the maximum deduction for interest paid on student loans is $2,500. The deduction begins to be phased out for higher-income taxpayers with modified adjusted gross income of more than $70,000 ($140,000 for joint filers) and is completely eliminated for taxpayers with modified adjusted gross income of $85,000 ($170,000 joint filers).

Individuals - Retirement

Contribution Limits
The elective deferral (contribution) limit for employees who participate in 401(k), 403(b),

most 457 plans, and the federal government's Thrift Savings Plan increases to $19,000. Contribution limits for SIMPLE plans increase to $13,000 (up from $12,500 in 2018). The maximum compensation used to determine contributions increases to $280,000 (up from $275,000 in 2018).

Income Phase-out Ranges
The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by an employer-sponsored retirement plan and have modified AGI between $64,000 and $74,000.

For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by an employer-sponsored retirement plan, the phase-out range increases to $103,000 to $123,000. For an IRA contributor who is not covered by an employer-sponsored retirement plan and is married to someone who is covered, the deduction is phased out if the couple's modified AGI is between $193,000 and $203,000. The modified AGI phase-out range for taxpayers making contributions to a Roth IRA is $122,000 to $137,000 for singles and heads of household, up from $120,000 to $135,000. For married couples filing jointly, the income phase-out range is $193,000 to $203,000, up from $189,000 to $199,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

Saver's Credit
In 2019, the AGI limit for the Saver's Credit (also known as the Retirement Savings Contribution Credit) for low and moderate income workers is $64,000 for married couples filing jointly, up from $63,000 in 2018; $48,000 for heads of household, up from $47,250; and $32,000 for singles and married individuals filing separately, up from $31,500 in 2018.

Businesses

Section 179 Expensing
In 2019, the Section 179 expense deduction increases to a maximum deduction of $1,020,000 of the first $2,550,000 of qualifying equipment placed in service during the current tax year. This amount is indexed to inflation for tax years after 2018. The deduction was enhanced under the TCJA to include improvements to nonresidential qualified real property such as roofs, fire protection, and alarm systems and security systems, and heating, ventilation, and air-conditioning systems. Also of note is that costs associated with the purchase of any sport utility vehicle, treated as a Section 179 expense, cannot exceed $25,500.

Bonus Depreciation
Businesses are allowed to immediately deduct 100% of the cost of eligible property placed in service after September 27, 2017, and before January 1, 2023, after which it will be phased downward over a four-year period: 80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026, and 0% in 2027 and years beyond.

Work Opportunity Tax Credit (WOTC)
Extended through 2019, the Work Opportunity Tax Credit has been modified and enhanced for employers who hire long-term unemployed individuals (unemployed for 27 weeks or more) and is generally equal to 40 percent of the first $6,000 of wages paid to a new hire.

Qualified Business Income Deduction
Eligible taxpayers are able to deduct up to 20 percent of certain business income from qualified domestic businesses, as well as certain dividends. To qualify for the deduction business income must not exceed a certain dollar amount. In 2019, these threshold amounts are $160,700 for single and head of household filers and $321,400 for married taxpayers filing joint returns.

Research & Development Tax Credit
Starting in 2018, businesses with less than $50 million in gross receipts are able to use this credit to offset alternative minimum tax. Certain start-up businesses that might not have any income tax liability will be able to offset payroll taxes with the credit as well.

Employee Health Insurance Expenses
For taxable years beginning in 2019, the dollar amount of average wages is $27,100 ($26,600 in 2018). This amount is used for limiting the small employer health insurance credit and for determining who is an eligible small employer for purposes of the credit.

Business Meals and Entertainment
The deduction remains at 50% for taxpayers who incur food and beverage expenses associated with operating a trade or business. For tax years 2018 through 2025, however, the 50% deduction expands to include expenses incurred for meals furnished to employees for the convenience of the employer. Amounts after 2025, however, will not be deductible. Office holiday parties remain 100% deductible and employee meals while on business travel also remain deductible at 50%. Also eliminated is the deduction for business entertainment expenses (only meals are deductible at 50%).

Employer-provided Transportation Fringe Benefits
If you provide transportation fringe benefits to your employees in 2019, the maximum monthly limitation for transportation in a commuter highway vehicle as well as any transit pass is $265. The monthly limitation for qualified parking is $265.

While this checklist outlines important tax changes for 2019, additional changes in tax law are likely to arise during the year ahead. Don't hesitate to call if you have any questions or want to get a head start on tax planning for the year ahead.

Tax Tips for Older Americans

Everyone wants to save money on their taxes, and older Americans are no exception. If you're age 50 or older, here are six tax tips that could help you do just that.

1. Standard Deduction for Seniors. If you and/or your spouse are 65 years old or older and you do not itemize your deductions, you can take advantage of a higher standard deduction amount. There is an additional increase in the standard deduction if either you or your spouse is blind.

2. Credit for the Elderly or Disabled. If you and/or your spouse are either 65 years or older--or under age 65 years old and are permanently and totally disabled--you may be able to take the Credit for Elderly or Disabled. The credit is based on your age, filing status, and income.

You may only take the credit if you meet the following requirements:

Your income on Form 1040 line 38 must be less than $17,500 ($20,000 if married filing jointly and only one spouse qualifies), $25,000 (married filing jointly and both qualify), or $12,500 (married filing separately and lived apart from your spouse for the entire year).

and

The non-taxable part of your Social Security or other nontaxable pensions, annuities or disability income is less than $5,000 (single, head of household, or qualifying widow/er with dependent child); $5,000 (married filing jointly and only one spouse qualifies); $7,500 (married filing jointly and both qualify); or $3,750 (married filing separately and lived apart from your spouse the entire year).

3. Retirement Account Limits Increase. Once you reach age 50, you are eligible to contribute (and defer paying tax on) up to $24,500 in 2018 ($25,000 in 2019). The amount includes the additional $6,000 "catch up" contribution for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan.

4. Early Withdrawal Penalty Eliminated. If you withdraw money from an IRA account before age 59 1/2 you generally must pay a 10 percent penalty (there are exceptions, please call the office for details); however, once you reach age 59 1/2, there is no longer a penalty for early withdrawal. Furthermore, if you leave or are terminated from your job at age 55 or older (age 50 for public safety employees), you may withdraw money from a 401(k) without penalty--but you still have to pay tax on the additional income. To complicate matters, money withdrawn from an IRA is not exempt from the penalty.

5. Social Security Benefits. Americans can sign up for social security benefits as early as age 62 or wait to receive full benefits at age 66 or 67 (depending on your full retirement age). For some older Americans however, social security benefits may be taxable. How much of your income is taxed depends on the amount of your benefits plus any other income you receive. Generally, the more income you have coming in, the more likely it is that a portion of your social security benefits will be taxed. Therefore, when preparing your return, it is advisable to be especially careful when calculating the taxable amount of your Social Security.

6. Higher Income Tax Filing Threshold. Taxpayers who are 65 and older are allowed an income of $1,600 more ($2,600 married filing jointly and both spouses are 65 or older) before they need to file an income tax return. In other words, older taxpayers age 65 and older with income of $13,600 ($26,600 married filing jointly) or less may not need to file a tax return.

Don't hesitate to call the office if you have any questions about these and other tax deductions and credits available for older Americans.

2019 Standard Mileage Rates

This week, the IRS issued the [2019 optional standard mileage rates] used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes. Beginning on Jan. 1, 2019, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 58 cents per mile driven for business use, up 3.5 cents from the 2018 rate
- 20 cents per mile driven for medical or moving purposes, up 2 cents from the 2018 rate
- 14 cents per mile driven in service of charitable organizations.

Like-Kind Exchanges Limited to Real Property

The Tax Cuts and Jobs Act, passed in December 2017, made tax law changes that will affect virtually every business and individual in 2018 and the years ahead. One tax provision that taxpayers should be aware of is that like-kind exchanges are now generally limited to exchanges of real property. Here's what you need to know:

Effective January 1, 2018, exchanges of personal or intangible property such as machinery, equipment, vehicles, artwork, collectibles, patents, and other intellectual property generally do not qualify for nonrecognition of gain or loss as like-kind exchanges. However, certain exchanges of mutual ditch, reservoir or irrigation stock are still eligible.

Like-kind exchange treatment now applies only to exchanges of real property that is held for use in a trade or business or investment. Real property, also called real estate, includes land and generally anything built on or attached to it. An exchange of real property held primarily for sale still does not qualify as a like-kind exchange.

A transition rule in the new law allows like-kind treatment for some exchanges of personal or intangible property. If the taxpayer disposed of the personal or intangible property on or before December 31, 2017, or received replacement property on or before that date, the exchange may qualify for like-kind exchange treatment.

Properties are of like-kind if they're of the same nature or character, even if they differ in grade or quality. Improved real property is generally of like-kind to unimproved real property. For example, an apartment building would generally be of like-kind to unimproved land. However, real property in the United States is not of like-kind to real property outside the U.S.

A like-kind exchange is reported on Form 8824, *Like-Kind Exchanges*, which taxpayers must file with their tax return for the year the taxpayer transfers property as part of a like-kind exchange. This form helps a taxpayer figure the amount of gain deferred as a result of the like-kind exchange, as well as the basis of the like-kind property received if cash or property that isn't of like kind is involved in the exchange. Form 8824 helps taxpayers compute the amount of gain you must report.

For more information about this and other tax reform changes, please call Lima & Associates, LLC.

Tax Consequences of Virtual Currency

The Internal Revenue Service reminds taxpayers that income from virtual currency transactions is reportable on their income tax returns.

Virtual currency transactions are taxable by law just like transactions in any other property. The IRS has issued guidance in IRS Notice 2014-21 for use by taxpayers and their return preparers that addresses transactions in virtual currency, also known as digital currency.

Taxpayers who do not properly report the income tax consequences of virtual currency transactions can be audited for those transactions and, when appropriate, can be liable for penalties and interest.

In more extreme situations, taxpayers could be subject to criminal prosecution for failing to properly report the income tax consequences of virtual currency transactions. Criminal charges could include tax evasion and filing a false tax return. Anyone convicted of tax evasion is subject to a prison term of up to five years and a fine of up to $250,000. Anyone convicted of filing a false return is subject to a prison term of up to three years and a fine of up to $250,000.

Virtual currency, as generally defined, is a digital representation of value that functions in the same manner as a country's traditional currency. There are currently more than 1,500 known virtual currencies. Because transactions in virtual currencies can be difficult to trace and have an inherently pseudo-anonymous aspect, some taxpayers may be tempted to hide taxable income from the IRS.

Notice 2014-21 provides that virtual currency is treated as property for U.S. federal tax purposes. General tax principles that apply to property transactions apply to transactions using virtual currency. Among other things, this means that:

- A payment made using virtual currency is subject to information reporting to the same extent as any other payment made in property.

- Payments using virtual currency made to independent contractors and other service providers are taxable, and self-employment tax rules generally apply. Normally, payers must issue Form 1099-MISC.
- Wages paid to employees using virtual currency are taxable to the employee, must be reported by an employer on a Form W-2 and are subject to federal income tax withholding and payroll taxes.
- Certain third parties who settle payments made in virtual currency on behalf of merchants that accept virtual currency from their customers are required to report payments to those merchants on Form 1099-K, Payment Card and Third Party Network Transactions.
- The character of gain or loss from the sale or exchange of virtual currency depends on whether the virtual currency is a capital asset in the hands of the taxpayer.

More information can be found on IRS.gov and we at Lima & Associates, LLC are available to answer your questions.

Disabled Veterans – Are you due a refund?

The Internal Revenue Service today is advising certain veterans who received disability severance payments after January 17, 1991, and included that payment as income that they should file Form 1040X, Amended U.S. Individual Income Tax Return, to claim a credit or refund of the overpayment attributable to the disability severance payment.

This is a result of the Combat-Injured Veterans Tax Fairness Act passed in 2016.

Most veterans who received a one-time lump-sum disability severance payment when they separated from their military service will receive a letter from the Department of Defense with information explaining how to claim tax refunds they are entitled to; the letters include an explanation of a simplified method for making the claim. The IRS has worked closely with the DoD to produce these letters, explaining how veterans should claim the related tax refunds.

Statute of Limitations
The amount of time for claiming these tax refunds is limited. However, the law grants veterans an alternative timeframe – one year from the date of the letter from DoD. Veterans making these claims have the normal limitations period for claiming a refund or one year from the date of their letter from the DoD, whichever expires later. As taxpayers can usually only claim tax refunds within 3 years from the due date of the return, this alternative time frame is especially important since some of the claims may be for refunds of taxes paid as far back as 1991.

Amount to Claim
Veterans can submit a claim based on the actual amount of their disability severance payment by completing Form 1040X, carefully following the instructions. However, there is a simplified method. Veterans can choose instead to claim a standard refund amount based on the calendar year (an individual's tax year) in which they received the severance payment. Write "Disability Severance Payment" on line 15 of Form 1040X and enter on lines 15 and 22 the standard refund amount listed below that applies:

- $1,750 for tax years 1991 – 2005
- $2,400 for tax years 2006 – 2010
- $3,200 for tax years 2011 – 2016

Claiming the standard refund amount is the easiest way for veterans to claim a refund, because they do not need to access the original tax return from the year of their lump-sum disability severance payment.

Special Instructions

All veterans claiming refunds for overpayments attributable to their lump-sum disability severance payments should write either "Veteran Disability Severance" or "St. Clair Claim" across the top of the front page of the Form 1040X that they file. Because all amended returns are filed on paper, veterans should mail their completed Form 1040X, with a copy of the DoD letter, to:

Internal Revenue Service
333 W. Pershing Street, Stop 6503, P5
Kansas City, MO 64108

Veterans eligible for a refund who did not receive a letter from DoD may still file Form 1040X to claim a refund but must include both of the following to verify the disability severance payment:

- A copy of documentation showing the exact amount of and reason for the disability severance payment, such as a letter from the Defense Finance and Accounting Services (DFAS) explaining the severance payment at the time of the payment or a Form DD-214, and
- A copy of either the VA determination letter confirming the veteran's disability or a determination that the veteran's injury or sickness was either incurred as a direct result of armed conflict, while in extra-hazardous service, or in simulated war exercises, or was caused by an instrumentality of war.

Veterans who did not receive the DoD letter and who do not have the required documentation showing the exact amount of and reason for their disability severance payment will need to obtain the necessary proof by contacting the Defense Finance and Accounting Services (DFAS).

Please call Lima & Associates, LLC for assistance in obtaining your tax refund!

Business Identity Theft on the Rise

The IRS notes that the tax industry has made significant progress in the past two years against tax-related identity theft aimed at individuals but warns that business identity theft is on the upswing. Beginning in 2017, tax preparation software for business related returns will ask additional questions to assist government agencies in identifying suspicious returns as follows:

- The name and social security number of the company executive authorized to sign the corporate tax return.
- Estimated tax payment history including when, how and how much (mostly relates to C corporations.
- Is there a parent company, and if so, the identifying information.
- Were other business related tax forms filed, and if so, which ones.

All of this information will assist in identifying that the proper taxpayer is submitting the returns.

Connect with IRS on Your Phone with IRS2Go

Taxpayers who need tax help can simply pull out their phone and download the IRS mobile app.

IRS2Go is available to use for free on any iOS or Android device. Taxpayers can use IRS2Go to:

- Check the status of their refund. Taxpayers can check the status of their federal tax refund within 24 hours after the IRS receives an an e-filed return, or about four weeks after the taxpayer mails a paper return.

- Make a payment. The app offers easy access to mobile-friendly payment options like IRS Direct Pay. This offers taxpayers a free, secure way to pay directly from their bank account. They can also make a debit or credit card payment through an approved payment processor.

- Get helpful tips and information. Taxpayers can use the app to access IRS accounts on social media, including links to helpful YouTube videos and the IRS Twitter accounts. Taxpayers can also use the app to sign up to receive IRS Tax Tips by email.

IRS2Go is available in both English and Spanish and available to download from Google Play, the Apple App Store or the Amazon Appstore.

Taxpayers can connect with the IRS on their phone using IRS2Go https://go.usa.gov/xPgcG

Here's How the IRS Contacts You

Everyone should know how the IRS contacts taxpayers. This will help people avoid becoming a victim of scammers who pretend to be from the IRS with a goal of stealing personal information.

Here are some facts about how the IRS communicates with taxpayers:

- The IRS doesn't normally initiate contact with taxpayers by email.
- The agency does not send text messages or contact people through social media.
- When the IRS needs to contact a taxpayer, the first contact is normally by letter delivered by the U.S. Postal Service. Fraudsters will send fake documents through the mail, and in some cases will claim they already notified a taxpayer by U.S. mail.
- Depending on the situation, IRS employees may first call or visit with a taxpayer. In some instances, the IRS sends a letter or written notice to a taxpayer in advance, but not always.
- IRS revenue agents or tax compliance officers may call a taxpayer or tax professional after mailing a notice to confirm an appointment or to discuss items for a scheduled audit.
- Private debt collectors can call taxpayers for the collection of certain outstanding inactive tax liabilities, but only after the taxpayer and their representative have received written notice.
- IRS revenue officers and agents routinely make unannounced visits to a taxpayer's home or place of business to discuss taxes owed, delinquent tax returns or a business falling behind on payroll tax deposits. IRS revenue officers will request payment of taxes owed by the taxpayer. However,

taxpayers should remember that payment will never be requested to a source other than the U.S. Treasury.
- When visited by someone from the IRS, the taxpayers should always ask for credentials. IRS representatives can always provide two forms of official credentials: a pocket commission and a Personal Identity Verification Credential.

Lima & Associates, LLC will never ask you to send unencrypted personal data through email. We have portals to securely exchange information with you and encourage you to use them. We can resend the link if you need to setup your portal or can assist you in resetting forgotten passwords.

Guard Your Personal Information

Lima & Associates, LLC and the Internal Revenue Service continue to urge taxpayers to remain vigilant in protecting their personal and tax information. Scams and schemes using the IRS or tax accountant as a lure can take on many variations, so practicing personal information security is vital.

The IRS also reminds taxpayers to help protect themselves against identity theft by reviewing safety tips offered by the Security Summit, a collaborative effort between the IRS, states and the private-sector tax community.

Protect Personal Information

Treat personal information like cash – don't hand it out to just anyone. Social Security numbers, credit card numbers, bank and even utility account numbers can be used to help steal a person's money or open new accounts.

Every time a taxpayer receives a request for personal information, they should think about whether the request is truly necessary. Scammers will do everything they can to appear trustworthy and legitimate.

Avoid Fishing Scams

The easiest way for criminals to steal sensitive data is simply to ask for it. Learn to recognize phishing emails, calls or texts that pose as familiar organizations such as banks, credit card companies or even the IRS. These ruses generally urge taxpayers to give up sensitive data such as passwords, Social Security numbers and bank account or credit card numbers. They are called phishing scams because they attempt to lure the receiver into taking the bait.

Also, don't assume internet advertisements, pop-up ads or emails are from reputable companies. If an ad or offer looks too good to be true, take a moment to check out the company behind it. Type the company or product name into a search engine with terms like "review," "complaint" or "scam." The IRS urges people to never download "security" software from a pop-up ad. A pervasive ploy is a pop-up ad that indicates it has detected a virus on the computer. Don't fall for it. The download most likely will install some type of malware on the victim's computer. Reputable security software companies do not advertise in this manner.

Safeguard Personal Data in Daily, Online Activity

Taxpayers should safeguard their Social Security number. Provide it only when necessary. Occasionally businesses will request it when it is not essential.

Provide personal information over encrypted websites only. Shopping or banking online should be done only on sites that use encryption. People should look for "https" at the beginning of a web address (the "s" stands for secure) and be sure "https" is on every page of the site.

Use Strong Passwords

The longer the password, the tougher it is to crack. Use at least 10 characters; 12 is ideal for most home users. Mix letters, numbers and special characters. Try to be unpredictable – don't use names, birthdates or common words. Don't use the same password for many accounts and don't share them on the phone, in texts or by email. Legitimate companies will not send messages asking for passwords. Receiving such a message probably means it's a scam. Keep passwords in a secure place.

Set password and encryption protections for wireless networks. If a home or business Wi-Fi is unsecured, it allows any computer within range to access the wireless network and potentially steal information from connected devices.

Use Security Software

A good broad-based anti-malware program should provide protection from viruses, Trojans, spyware and adware. The IRS urges people, especially tax professionals, to use an anti-malware program and always keep it up to date.

Set security software to update automatically so it can be upgraded as threats emerge. Also, make sure the security software is "on" at all times. Invest in encryption software to prevent unauthorized access by hackers or identity thieves. Educate children about the threats of opening suspicious web pages, emails or documents.

Back Up Files

No system is completely secure. Copy important files, including federal and state tax returns, onto a removable disc or a back-up drive, and store it in a safe place. Save tax returns and records. Federal and state tax returns are important financial documents. People need them from time to time for home mortgages or college financial aid applications. These steps also can help taxpayers more easily prepare next year's tax return. If storing sensitive tax and financial records on a personal computer, use a file encryption program to add an additional layer of security.

The IRS, state tax agencies and the tax industry recently launched a public awareness campaign called Taxes. Security. Together. It provides additional safety tips for taxpayers. Also, see Publication 4524, Security Awareness for Taxpayers.

Taxpayers can find answers to questions, forms and instructions and easy to use tools online at IRS.gov 24 hours a day, seven days a week. No appointments required and no waiting on hold.

Watch out for refund scams. Refunds scams are common tactics used by cybercriminals to trick people into opening a link or attachment. This link takes people to a fake page where thieves try to steal information like Social Security numbers.

Mark your Calendar

- January 31, 2019 – Forms W-2 and 1099 are due.
- March 15, 2019 – Forms 1065 and 1120S are due for calendar year businesses.
- April 15, 2019 – Form 1040 is due.
- April 15, 2019 – Form 1040ES, 1st quarter 2019 estimated tax payments are due.
- April 15, 2019 – Form 1120 is due for calendar year businesses.
- April 15, 2019 – Form 1120W, 1st qtr 2019 corporate tax deposit for calendar year business is due.
- April 15, 2019 – Forms 1041 are due for calendar year estates and trusts.
- April 15, 2019 – FinCEN Report 114 (FBAR) is due.
- June 15, 2019 – Form 1040ES, 2nd quarter 2019 estimated tax payments are due.

Contacts

Barbara A. Lima, CPA	blima@limallc.com	727-223-8960
Timothy O. Lima, CPA	tlima@limallc.com	727-223-9185
Justine Badman, CPA	jbadman@limallc.com	727-223-9661
Rob Moore	rmoore@limallc.com	727-223-9325
Nancy Braun	nbraun@limallc.com	727-333-7225

LIMA & ASSOCIATES, LLC

Certified Public Accountants and Business Advisors

33920 US Highway 19 North
Suite 250
Palm Harbor, FL 34684

727-223-5004