The Rudolph Report

www.rudolphcpa.com The Winter Meetings 2019

To all our clients:

We hope that you celebrated Thanksgiving in the best possible way—at someone else's house. We are thankful for your business, and I'm personally thankful to the Washington Nationals for sweeping the Cardinals out of the post season. ¡Adiós San Luis!

Tax season is around the corner, and we're ~~hiding under our desks~~ looking forward to the challenges. Please know that we honestly do enjoy working with you. Karen, at the front desk, continues to remark how nice the clients are. So please grab a candy bar when you drop off your tax documents.

In this newsletter, we will discuss the new W-4 forms. Your HR department is terrified right now about sending out an internal memo, asking everyone to review and change their withholdings. In this newsletter we will also discussed the new rules for 401(k) distributions, tax changes from 2018, identity theft, and the risks vs rewards of stealing signs in the World Series.

We plan on mailing out our tax organizers in late January. Hopefully by then, the Cubs will have secured another starting pitcher and traded Craig Kimbrel to the Cincinnati Reds for Joey (*he looks like a gangster)* Votto and a vat of Skyline Chili.

In the meantime, let's hope your holidays don't involve an exterminator.

Merry-Happy-Ho Ho Ho,

Chris Rudolph CPA

New W-4 Forms

W-4 forms communicate how much tax you want your employer to withhold from your earnings. Our tax system has always based the withholding on allowances such as "married 2." That has changed. The revised tax code disallows exemptions. To be helpful (*pause for eye rolling*), the IRS has wildly revised the W-4. It's complicated and demands enough math to steer engineering students into liberal arts. Essentially, the new W-4 form asks you to identify all of your income for the year (along with spousal income) and to compute your tax. If only you had a CPA.

Please keep your withholdings where they are at until we prepare your tax return. At that time, we can give your withholdings a looksie and update your W-4 if necessary. If you have an urgent matter, then please contact us ahead of time.

401(k) Hardship Withdraws

On September 19, 2019, Congress actually did something (*and there was much rejoicing*). You may now withdraw money from your active 401(k). You'll still have to pay the tax and the 10% penalty if under age 59. However, if you need money, you can take a withdraw for an immediate and heavy financial need. This includes the following: medical care, the down payment towards the purchase of a principle residence, college expenses including room and board, payments necessary to prevent eviction or foreclosure, season tickets at Clark and Addison, repairs on your personal residence, or burial expenses.

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Casualty Losses Vanquished

You can likely no longer deduct your loss from a casualty. Previously, you could claim a loss on a casualty like a flood or fire. Casualty losses are now limited to presidentially declared disaster areas (like a press conference). Suppose your house burned down because your junior high kid stapled bottle rockets to his cousin's pet squid and fired them off in the basement. In order to write off your loss, you'd have to make a deal with the president. He'd have to declare your specific event an official disaster area. Perhaps in return, you could … oh…dig up dirt on one of his opponents. Then everyone wins when Squid-Go-Blow.

No, No, No, and No

A year ago, Congress wasn't clear about the tax law it just passed. As a reminder:

No employee related expenses are deducible on schedule A. Small business owners can still deduct expenses on schedule C.

No entertainment expenses are deductible on schedule C. This means that your husband can't write off fees paid to hire his favorite Barry Manilow tribute band.

Moving expense is no longer deductible except for certain military moves.

Private mortgage insurance is not deductible. Now it's certifiably a scam.

Calling all Seniors!

No, there is not a pancake breakfast after the weather report. The IRS offers you a new way to file your taxes: form 1040-SR. This form is only for those people born before 1955. It contains the exact information of the standard 1040 but is made with –not a joke—LARGE FONT.

The Problem: Identity Theft

Identity theft on tax returns occurs when someone steals your personal information and files a fraudulent return. The refund often ends up in a foreign country like Russia (*or Ukraine nowadays*). Identity theft annually costs the American taxpayers approximately $5.2 billion dollars in lost tax revenue—money that could have been spent on home soil for domestic projects like building a wall around New York City to sequester Mets fans.

The Solution: Pee Pee

The IRS has introduced a new pilot program to combat identity theft: IPPIN (pronounced "I pee pee in"...your Coke?). Identity Protection: Personal Identity Numbers. Under Pee Pee, taxpayers can apply for an ID number which they will have to include on their tax return when submitting it electronically. In other words, the Ruskies (or Ukees) could not commit tax fraud with only your social security #. The perpetrators would have to also include this special PIN which is communicated in writing through the mail. This really could be effective unless Russians start sleeping on our lawns to cherry pick the mail. It is a voluntary program and only offered to residents of 10 states, including Illinois. Pee Pee Pilot is one of many benefits of living in Illinois, along with a Coal Mine Explosion Museum in Centralia. Here is information on Pee Pee https://www.irs.gov/identity-theft-fraud-scams/the-identity-protection-pin-ip-pin

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