HLW Tax Newsletter

February 2019

Visit our new website!

www.HLWTAX.com

We value your opinion and would love to hear from you.

Please review us on Yelp, Google and Facebook and leave us your feedback.

As always we appreciate and reward new client referrals!

Farewell to Vicky!

Many of our clients have followed Sarah, Bethany and Vicky for over 25 years from one CPA firm to another, until they followed us to our own practice in 2010.

On November 9, 2018 Vicky's dear elderly friends for whom she is their family, lost their home to the Woolsey Fire. Vicky has known them for 25 years, and has worked for them on a part time (but increasing basis) for the past several years.

It was necessary for Vicky to leave HLW Tax & Financial Services as of January 1, 2019, so that she could focus all of her time to them.

We at HLW Tax will miss her as will many of our clients. We all wish her and her family all of the best!

Sarah, Bethany and Donald are here for you! Please do not hesitate to reach out with any questions, and know that we will do everything we can to make this a smooth transition.

IRS Waives Penalty for Many Whose Tax Withholding and Estimated Tax Payments Fell Short in 2018

The IRS is generally waiving the penalty for any taxpayer who paid at least 85 percent of their total tax liability during the year through federal income tax withholding, quarterly estimated tax payments or a combination of the two. The usual percentage threshold is 90 percent to avoid a penalty.

This relief is designed to help taxpayers who were unable to properly adjust their withholding and estimated tax payments to reflect an array of changes under the Tax Cuts and Jobs Act.

The updated federal tax withholding tables, released in early 2018, largely reflected the lower tax rates and the increased standard deduction brought about by the new law. This generally meant taxpayers had less tax withheld in 2018 and saw more in their paychecks.

However, the withholding tables couldn't fully factor in other changes, such as the suspension of dependency exemptions and reduced itemized deductions. As a result, some taxpayers could have paid too little tax during the year, if they did not submit a properly-revised W-4 withholding form to their employer or increase their estimated tax payments. ***Continued on next page***

Although most 2018 tax filers are still expected to get refunds, some taxpayers will unexpectedly owe additional tax when they file their returns.

Like last year, the IRS urges everyone to check their withholding for 2019. This is especially important for anyone now facing an unexpected tax bill when they file. This is also an important step for those who made withholding adjustments in 2018 or had a major life change to ensure the right tax is still being withheld. Those most at risk of having too little tax withheld from their pay include taxpayers who itemized in the past but now take the increased standard deduction, as well as two-wage-earner households, employees with nonwage sources of income and those with complex tax situations.

To help taxpayers get their withholding right in 2019, an updated version of the agency's online Withholding Calculator is now available on IRS.gov. While it is a good idea any year, starting early in 2019 is particularly important as most tax filers adjust to the revised tax rates, deductions and credits.

Federal vs California Key Areas of Tax Reform

Federal law limits your deduction of state and local taxes (SALT) to $10,000. California does not allow a deduction of state and local taxes. However California does allow a deduction for real estate tax and vehicle license. The federal limit of $10,000 does not apply.

Federal law limits deductions for home mortgage interest on loans up to $750,000 taken after December 15, 2017. California allows deductions for mortgage interest on loans up to $1 million. Federal law limits charitable donations to 60% of your federal adjusted gross income. California limits charitable donations to 50%.

Because there are so many differences between federal law and California, you may take the larger federal standard deduction but yet itemize your deductions for California.

Federal law now limits moving expense deductions to members of the Armed Forces on active duty. California still allows you to deduct work-related moving expenses (subject to time and distance requirements).

Thank you for allowing us to be of service to you!