



# Sauppé Tax News

Brought to you by  
**Sauppé Tax Service, LLC**  
P O Box 245 Trempealeau, WI 54661-0245  
Phone/fax 608-534-2122 e-mail admin@sauppetax.com

## Still Itemizing?

### Special points of interest:

- QBID and Rentals
- Charitable Documentation

### INSIDE THIS ISSUE:

Cryptocurrencies	2
Audit Rates	2
New Tax Forms	3
Qualified Business Income Deduction and Rentals	4
Health Insurance	4
Tax Pledge	5
Tax Issues for Different Stages of Life	5
	6
	6
Methods for Sending Paperwork	7
Tax Tidbits	7
Charity Recap Form	8

Many of you no longer used itemized deductions on your 2018 tax return. Instead you used the new, much higher, standard deduction amounts because that was better for you from a tax perspective. If you are unsure whether you itemized or not in 2018, you should look at your 2018 tax packet for Schedule A. If your 2018 tax packet does not include Schedule A, then you took the standard deduction.

Whether you will itemize or take the standard deduction for 2019 depends on whether your 2019 itemized will exceed the standard deduction amounts. These standard amounts for 2019 are as follows:

\$12,200 if you file single  
\$24,400 if you file jointly  
\$18,350 if you file as head of household.

If you are over 65 or blind, you can add \$1,650 to these numbers if you are single, and \$1,300 each for a married couple filing jointly. For example, if Tom and Beth file jointly and Tom is 64 while Beth is 65, their standard deduction would be \$25,700. If both of them are 65 or older, their standard deduction would be \$27,000.

Only you know what your itemized deductions could be for 2019. To estimate your potential itemized, use the simplified worksheet shown in the next column. Compare your total (line 5 of the worksheet) with the standard deduction based on your filing status. You will want to use whichever number is higher as this is the amount that will reduce your taxable income. If you

are unsure of your itemized deductions, please send all relevant documents and we will review when preparing your return to determine the optimal filing for you.

Some states, including Ohio, allow a deduction for medical expenses even if you don't itemize. Therefore if you have medical expenses that exceed 7.5% (as of this writing) of your adjusted gross income (AGI) (basically the total of all your income sources), then prepare a recap sheet of these expenses in case they can be used on the state returns.

1a. Medical Expenses \_\_\_\_\_  
1b. 10% of your AGI \_\_\_\_\_

Note—this is an increase. In the past medical only had to exceed 7.5% of your AGI but the percentage for federal is now 10% but still remains 7.5% state.

1c. Medical Allowed \_\_\_\_\_  
(1a minus 1b)

2. State/Local Taxes \_\_\_\_\_

Be sure to include property taxes. If this total exceeds \$10,000, you may only deduct \$10,000.

3. Mortgage Interest \_\_\_\_\_

4. Charitable donations \_\_\_\_\_

5. Total of all itemized \_\_\_\_\_

(1c + 2—using limit if applicable+3+4)



## Cryptocurrencies

You may have heard the term cryptocurrency or virtual currency but you don't really know what it means. Cryptocurrency is an internet-based medium of exchange which uses cryptographic functions to conduct financial transactions. Bitcoin, Ethereum, and others are forms of cryptocurrency. Cryptocurrency can be sent among two parties on a direct basis with the use of private and public keys. Cryptocurrency is not controlled by any central authority or government control and interference. The IRS has always required you to report these transactions on your tax return, though with little to no paper trail, it was on the honor system.

New this year, the IRS is adding a question to the 1040 form asking if you, at any time in 2019, received, sold, sent, exchanged, or otherwise acquired any financial interest in any virtual currency. Because of this, you will find a new question on the annual questionnaire that is sent to you. You must answer this question truthfully so that we can prepare an accurate return for you. If you answer yes to this question, you will need to provide this office with additional information.



## Audit Rates



What are your chances of getting audited these days?  
That depends. (And can't that answer be used for almost any question?)

For 2018, the overall audit rate was 0.59%. That means less than 6 tax returns out of every 1000 filed were audited. However, this is not comprehensive because it does not take into account CP2000 letters (a notice the IRS sends you when they disagree with the information on your tax return) and other correspondence reviews. When these are factored in, the rate is closer to 6% which translates to 60 returns for every 1000.

If your return claims the Earned Income Tax Credit, the rate goes to 1.4%. If your return contains a Schedule C, the rate can be 2.4%.

We will always strive to prepare an accurate and complete return for you to reduce your chances of any kind of audit.

## KEEP YOUR FEES LOW

We try to keep our tax preparation fees as low as possible, but we need to implement some new charges this year.

Because we need to have your current driver's license data on file to electronically file your return, there will be an additional \$25 fee if your driver's license has expired and you do not send us a copy of the new license with your tax documents.

No matter what method you use to send us your tax documents (see page 7 for a list of the recommended methods), please be sure to send them in an efficient manner. For example, if you are sending them electronically, please be sure to send as few scans as possible and to send them all at the same time. If you send documents over multiple days or weeks, or scan each document separately, we have to spend extra time to log in, download, review, and enter those documents. That extra time will now be added to your bill. Be sure to include both pages of a form that has information on both sides as oftentimes the back page does contain needed information.

If you do not complete the annual questionnaire in its entirety and return it with your tax documents, there will be an extra fee of \$25. This means the questionnaire must be signed by both taxpayers in the case of a married couple, all questions must be completely answered, and all documents requested in the questionnaire must be included. If you have questions about what to send, please ask us before sending your documents to minimize the items we must review.

If you send charitable donation receipts but do not complete the charitable recap in its entirety, there will be a \$50 additional fee. This recap can be obtained from our website at [www.sauppetax.com](http://www.sauppetax.com). Simply click the link found on the first page of the website, print out the form, and complete all applicable sections.

The later in the tax season your documents are received, the higher the overall tax preparation fee will be. We cannot put more hours into the time period available before the tax filing deadline.

We regret having to institute these additional fees, but you can easily avoid them by simply taking a few extra minutes when gathering and submitting your documents to ascertain that you have everything needed.



# 1040 Form Revised Again

The IRS has once again revised the 1040 form for 2019. Below you will see a rough draft of the newly re-designed form that should be used when filing 2019 tax returns. The IRS has also reduced the potential schedules that may need to be attached. In 2018, there were six new schedules (numbered 1 thru 6) that potentially had to be included with the 1040 depending on your tax situation. For 2019, that number has been reduced to three. That does not impact the original additional forms and schedules that had to be attached for 2017 and earlier years such as Schedule A, Schedule B, Schedule C, Schedule D, Schedule E, Form 8867, Form 8949, etc.

Another major change this year is that the signature line has returned to the bottom of page 2 of the 1040 (it was at the bottom of page 1 on the 2018 form).

**Form 1040** Department of the Treasury - Internal Revenue Service **2019** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only - Do not write or staple in this space

**Filing Status** ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)  
Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent.

Your first name and middle initial Last name Your social security number  
If joint return, spouse's first name and middle initial Last name Spouse's social security number  
Home address (number and street, including apartment, suite, or room number, and city, town or post office, state, and ZIP code). If you have a foreign address, also complete spaces below (see instructions).  
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).  
Foreign country name Foreign province/state/county Foreign postal code  
Standard Deduction ☐ Someone can claim: ☐ You are a dependent ☐ Your spouse is a dependent ☐ Spouse remarried on a separate return or you were a dual-status alien  
Age/ blindness ☐ You: ☐ Were born before January 2, 1955 ☐ Are blind ☐ Spouse: ☐ Was born before January 2, 1955 ☐ Is blind  
Dependents (see instructions): (1) First name Last name (2) Social security number (3) Relationship to you (4) ☐ If qualified for (see instructions): (a) Tax credit (b) Credit for other dependents

**1** Wages, salaries, tips, etc. Attach Form(s) W-2 **1**  
**2a** Tax-exempt interest **2a** **2b** Taxable interest. Attach Sch. B if required **2b**  
**3a** Qualified dividends **3a** **3b** Ordinary dividends. Attach Sch. B if required **3b**  
**4a** IRA distributions **4a** **4b** Taxable amount **4b**  
**5a** Social security benefits **5a** **5b** Taxable amount **5b**  
**6** Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ **6**  
**7a** Other income from Schedule 1, line 9 **7a** **7b** Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your **total income** **7b**  
**8a** Adjustments to income from Schedule 1, line 22 **8a** **8b** Subtract line 8a from line 7b. This is your **adjusted gross income** **8b**  
**9** Standard deduction or itemized deductions (from Schedule A) **9**  
**10** Qualified business income deduction. Attach Form 8995 or Form 8995-A **10**  
**11a** Add lines 9 and 10 **11a** **11b** Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0- **11b**

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11200B Form **1040** (2019)

**Form 1040 (2019)** Page **2**

**12a** Tax (see instructions). Check if any from Form(s): ☐ 8814 ☐ 4972 ☐ **12a**  
**b** Add Schedule 2, line 3, and line 12a and enter the total **12b**  
**13a** Child tax credit or credit for other dependents **13a** **13b** Add Schedule 3, line 7, and line 13a and enter the total **13b**  
**14** Subtract line 13b from line 12b. If zero or less, enter -0- **14**  
**15** Other taxes, including self-employment tax, from Schedule 2, line 10 **15**  
**16** Add lines 14 and 15. This is your **total tax** **16**  
**17** Federal income tax withheld from Forms W-2 and 1099 **17**  
**18** Other payments and refundable credits: **18**  
**a** Earned income credit (EIC) **18a**  
**b** Additional child tax credit. Attach Schedule 8812 **18b**  
**c** American opportunity credit from Form 8863, line 8 **18c**  
**d** Schedule 3, line 14 **18d**  
**e** Add lines 18a through 18d. These are your **total other payments and refundable credits** **18e**  
**19** Add lines 16 and 18e. These are your **total payments** **19**  
**20** If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid **20**  
**21a** Amount of line 20 you want refunded to you. If Form 8888 is attached, check here ☐ **21a**  
**b** Routing number **b** **c** Type: ☐ Checking ☐ Savings **c**  
**d** Account number **d**  
**22** Amount of line 20 you want applied to your 2020 estimated tax **22**  
**23** Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions **23**  
**24** Estimated tax penalty (see instructions) **24**  
Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? (see instructions) ☐ Yes, Complete below. ☐ No  
**Third Party Designee** (other than your paid preparer)  
Designee's name Phone no. Personal identification number (PIN)  
**Sign Here**  
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.  
Your signature Date Your occupation  
Spouse's signature, if a joint return, both must sign. Date Spouse's occupation  
Joint return? See instructions. Keep a copy for your records.  
Phone no. Email address  
Preparer's name Preparer's signature Date PTIN Check if: ☐ 3rd Party Designee ☐ Self-employed  
Firm's name Firm's address Firm's phone no. Firm's EIN  
Go to [www.irs.gov/form1040](https://www.irs.gov/form1040) for instructions and the latest information. Form **1040** (2019)

As you may recall, for 2018 the IRS eliminated the 1040EZ and 1040A tax forms. Everyone filed using the 1040 form only. For 2019, the IRS has created a new form for certain filers. This is the 1040SR. Only taxpayers who are 65 or older by December 31st can use the form for that filing year. Unlike the 1040EZ, there are no income restrictions. This form can be used by any senior regardless of their annual income. A draft copy of that new form is below.

**Form 1040-SR** Department of the Treasury - Internal Revenue Service **2019** U.S. Tax Return for Seniors OMB No. 1545-0074 IRS Use Only - Do not write or staple in this space

**Filing Status** ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)  
Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent.

Your first name and middle initial Last name Your social security number  
If joint return, spouse's first name and middle initial Last name Spouse's social security number  
Home address (number and street, including apartment, suite, or room number, and city, town or post office, state, and ZIP code). If you have a P.O. box, see instructions.  
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).  
Foreign country name Foreign province/state/county Foreign postal code  
Standard Deduction ☐ Someone can claim: ☐ You are a dependent ☐ Your spouse is a dependent ☐ Spouse remarried on a separate return or you were a dual-status alien  
Age/ blindness ☐ You: ☐ Were born before January 2, 1955 ☐ Are blind ☐ Spouse: ☐ Was born before January 2, 1955 ☐ Is blind  
Dependents (see instructions): (1) First name Last name (2) Social security number (3) Relationship to you (4) ☐ If qualified for (see instructions): (a) Tax credit (b) Credit for other dependents

**1** Wages, salaries, tips, etc. Attach Form(s) W-2 **1**  
**2a** Tax-exempt interest **2a** **2b** Taxable interest **2b**  
**3a** Qualified dividends **3a** **3b** Ordinary dividends **3b**  
**4a** IRA distributions **4a** **4b** Taxable amount **4b**  
**5a** Social security benefits **5a** **5b** Taxable amount **5b**  
**6** Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐ **6**  
**7a** Other income from Schedule 1, line 9 **7a** **7b** Add lines 1, 2b, 3b, 4b, 5b, 6, and 7a. This is your **total income** **7b**  
**8a** Adjustments to income from Schedule 1, line 22 **8a** **8b** Subtract line 8a from line 7b. This is your **adjusted gross income** **8b**  
**9** Standard deduction or itemized deductions (from Schedule A) **9**  
**10** Qualified business income deduction. Attach Form 8995 or Form 8995-A **10**  
**11a** Add lines 9 and 10 **11a** **11b** Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0- **11b**

**Standard Deduction Chart**  
Add the number of boxes checked in the "Age/ blindness" section of the Standard Deduction Chart below. **AND the number of "1040 your standard" boxes checked in line 11b.** **AND the number of "1040 your standard" boxes checked in line 11b.**  
Single 0 \$12,200 1 13,850 2 15,500  
Married filing jointly 0 24,400 1 27,700 2 31,000  
Married filing separately 0 12,200 1 13,850 2 15,500  
Head of household 0 18,300 1 20,950 2 23,600  
Qualifying widow(er) 0 24,400 1 27,700 2 31,000  
If you are a dependent, your standard deduction is the greater of:  
1. \$1,100, or  
2. Your earned income plus \$350, but not more than \$5,050.  
If you are a dual-status alien, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11200F Form **1040-SR** (2019)

**Form 1040-SR (2019)** Page **2**

**12a** Tax (see instructions). Check if any from: ☐ Form(s) 8814 ☐ Form 4972 ☐ **12a**  
**b** Add Schedule 2, line 3, and line 12a and enter the total **12b**  
**13a** Child tax credit or credit for other dependents **13a** **13b** Add Schedule 3, line 7, and line 13a and enter the total **13b**  
**14** Subtract line 13b from line 12b. If zero or less, enter -0- **14**  
**15** Other taxes, including self-employment tax, from Schedule 2, line 10 **15**  
**16** Add lines 14 and 15. This is your **total tax** **16**  
**17** Federal income tax withheld from Forms W-2 and 1099 **17**  
**18** Other payments and refundable credits: **18**  
**a** Earned income credit (EIC) **18a**  
**b** Additional child tax credit. Attach Schedule 8812 **18b**  
**c** American opportunity credit from Form 8863, line 8 **18c**  
**d** Schedule 3, line 14 **18d**  
**e** Add lines 18a through 18d. These are your **total other payments and refundable credits** **18e**  
**19** Add lines 16 and 18e. These are your **total payments** **19**  
**20** If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you overpaid **20**  
**21a** Amount of line 20 you want refunded to you. If Form 8888 is attached, check here ☐ **21a**  
**b** Routing number **b** **c** Type: ☐ Checking ☐ Savings **c**  
**d** Account number **d**  
**22** Amount of line 20 you want applied to your 2020 estimated tax **22**  
**23** Amount you owe. Subtract line 19 from line 16. For details on how to pay, see instructions **23**  
**24** Estimated tax penalty (see instructions) **24**  
Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? (see instructions) ☐ Yes, Complete below. ☐ No  
**Third Party Designee** (other than your paid preparer)  
Designee's name Phone no. Personal identification number (PIN)  
**Sign Here**  
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.  
Your signature Date Your occupation  
Spouse's signature, if a joint return, both must sign. Date Spouse's occupation  
Joint return? See instructions. Keep a copy for your records.  
Phone no. Email address  
Preparer's name Preparer's signature Date PTIN Check if: ☐ 3rd Party Designee ☐ Self-employed  
Firm's name Firm's address Firm's phone no. Firm's EIN  
Go to [www.irs.gov/form1040](https://www.irs.gov/form1040) for instructions and the latest information. Form **1040-SR** (2019)

## Qualified Business Income Deduction Revisited

Last year, we discussed the new Qualified Business Income Deduction (QBID) that was part of the Tax Cuts and Jobs Act. This deduction may allow you to reduce your taxable income by up to 20% of your qualified business income (QBI). There are a myriad of rules and regulations that come into play when determining the QBID deduction and we discussed those in the 2018 newsletter article. This year, we are going to focus on one of the most confusing area of all—whether rental income qualifies for the QBID.

The IRS has issued some guidance but in some respect this “guidance” has simply confused the issue even more.

For the large management company that owns and operates numerous apartment buildings and/or commercial properties, the rules say they DO qualify. But what about the taxpayer who owns one or two rental properties? Are they considered “in a trade or business” with these rentals which would qualify them for the QBID? The IRS has issued a safe harbor method that a taxpayer can use if they are unsure if they meet the definition of trade or business as defined in Section 162 of the tax code. If a taxpayer is going to use the safe harbor method, they must meet the following criteria.

1. They must maintain separate books and accounts for the rental activities. This means the rent checks and payments of rent expenses cannot be run thru the taxpayer's own personal bank accounts.
2. The taxpayer, or people the taxpayer hires to perform

form services for the rental, spend a minimum of 250 hours on tasks related to the rental property.

3. Effective in 2019, these hours must have been maintained in a contemporaneous log book. This means the log must have been recorded around the time of the activity. You cannot simply create the log book at the end of the year.
4. The rental property cannot have been used as your residence at all during the year.
5. A statement confirming all of the above requirements have been met must be attached to the tax return each year that the rental is eligible for QBID.

All of our clients who had rental property last year will have an additional sheet in their packet detailing these requirements. This sheet **must** be completed, signed, and returned with your other tax documents. If it is not returned, we will have no choice but to assume the rental does NOT qualify as a trade or business and will NOT calculate the potential QBID for this activity.

Feel free to contact this office if you have any questions regarding this issue.

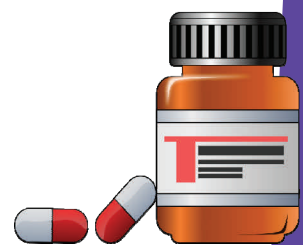


## Health Insurance

You may notice that the question regarding health insurance coverage has been removed from our annual questionnaire. That is because even though you ARE required to have health insurance, there is no penalty for NOT doing so. We are no longer required to answer that question on the tax return and do not need to ask you if you have the coverage.

HOWEVER, you MUST still send us form **1095A** if you obtain health coverage for any part of the year thru the marketplace (healthcare.gov). This is because we must still report the information found on that form and determine if you are either entitled to an additional tax credit or need to repay some of the advance premium tax credit you may have received. The question regarding coverage thru the marketplace is still on the questionnaire and must be answered as well.

You may still include Forms 1095B and 1095C in your packets if you wish, though once again the IRS had delayed the date these forms need to be sent by the insurance companies to March 2, 2020.



# OUR PLEDGE

- We will provide you with top notch tax preparation service.
- We will prepare your federal, primary state, and city (if applicable) returns based on the information you provide.
- We will file your federal and state returns electronically as required. If you prefer to mail a paper return, you must notify us of your intent when you submit your tax paperwork, and you will be required to include a waiver request with your mailed return (which we will provide).
- We will gladly answer questions for you throughout the year regarding tax situations you may encounter. Please keep in mind that tax season is a very busy time for us. If you have questions, it may be better to ask them outside of tax season so we can give a full and complete answer.
- If you request, we will represent you before the IRS when questions arise about your return. However, you must send us copies of any notices you receive from the IRS, the state, or city regarding your returns. We do not automatically receive copies of these notices and cannot assist you with them, without first reviewing the information in the notice.
- We will explore every available tax break for which you may be eligible and keep up with all the new tax laws to see how they may impact you.



However, keep in mind that there are some limitations to the services we can offer. We CANNOT do the following:

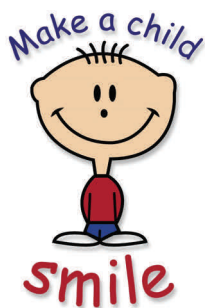
1. File any extension request form without the required authorization from you.
2. Maintain your tax paperwork indefinitely in our files (we only keep 5 years of records).
3. Track cost basis on your portfolio investments. However, for an additional fee we will try to calculate cost basis if you provide us all pertinent data in a timely fashion.
4. Prepare returns other than those mentioned above unless you have requested this in writing.
5. Give you financial or legal advice except indirectly as it relates to your tax situation.
6. Place a value on non-monetary items donated by you to a charity.
7. Discuss your tax information with anyone without your express written permission. The IRS requires a very specific disclosure notice be completed anytime a disclosure is required. A verbal request or written note from you is NOT sufficient. This includes a request to fax or e-mail information to a third party.

## YOUNG

New rules came into play in 2018 for the so called Kiddie Tax. This tax is imposed upon dependents who have unearned income. This income used to be taxed at the parent's marginal tax rate, no matter whether the child was a dependent on the parent's return or not. Effective in 2018, the Kiddie tax is now based on the trust tax rates in effect for that year. This could mean the tax is higher or lower depending on the child's specific situation.

The rules for determining if the Kiddie tax will be imposed are based on the child's earned income (from a job or self-employment income) or unearned (investment income such as interest, dividends, and capital gains).

If you are unsure if your dependent must file a return, feel free to contact the office to discuss your dependent's tax situation, but keep in mind it would be extremely helpful to have copies of your dependent's tax documents before we begin the discussion. For example, simply based on the income the child earned, they may not need to file a return. However, if they had tax withheld, they may want to file a return to get the withholding back via a refund. The IRS will not calculate the refund on their own.



## AND OLD

If you or your spouse turned 70 1/2 during the year, you have some planning requirements and some planning opportunities.

**Requirements**—you **MUST** begin taking required minimum distributions (RMD) from your retirement accounts in most instances. Failure to take the RMD can subject you to a penalty of 50% of the amount that should have been withdrawn. For example, if your RMD for 2019 is \$5,000 and you fail to take this distribution by 12/31/19, you could be subject to a penalty or additional tax of \$2,500. There are some exceptions to this rule (for example, if you are still working you may not have to take a distribution from your employer's 401k plan). If you are unsure, please contact the office to discuss.

**Opportunities**—at age 70 1/2, you are now allowed to have money from your IRA go directly to a recognized charity. This can include your RMD amount. With many taxpayers no longer using itemized deductions, this can be a way to keep your taxable income down while allowing you to donate to your favorite charity.



## CHARITY BEGINS WITH PAPERWORK

It seems every year we include an article about charitable donations in our annual newsletter and this year is no exception. Even though less of you may be utilizing your donations on your tax return because you are no longer itemizing, it is still important for you to understand the rules for substantiating your donations. As it now stands, the standard deduction will be reduced in 2026, so many of you may again be using your donations.

The rules for substantiation of all charitable donations was NOT changed by the Tax Cuts and Job Act (TCJA). If you make a cash donation (i.e. putting a \$5 bill in the Salvation Army bucket), you cannot use that donation on your taxes, *unless* the charity is willing to give you a receipt for the \$5. If you make a donation via check or credit card, and the amount is under \$250, your cancelled check or credit card statement is all the proof the IRS requires.

Even if you make three checks of \$200 to one charity, you do not need any additional documentation as the total of each payment was under that \$250 threshold. However, if you write a check, or make a credit card payment, of \$250 or more, you are required to have an acknowledgement letter from the charity to substantiate that donation.

The letter must contain the verbiage that no goods or services were received in exchange for this donation.

Documentation is also required for non-monetary donations. If you give household goods to Goodwill, for example, you must obtain a receipt from Goodwill. You must also prepare a list of each item donated and show the fair market value for each item on the list. If you donate a car that has a value of \$500 or more, you should receive a 1098C from the charity. This form will show the amount the charity received when it sold the vehicle. This is the maximum amount you may claim as a charitable donation.

To avoid these documentation requirements, you may want to consider the option of contributing directly from your IRA to a charity. This can only be done if you are 70 1/2 or older. See the article on page 5 for more details.

U  
S  
E



In light of the increase in online sales which has reduced sales tax collections for many states, these same states have become somewhat aggressive about enforcing their use tax rules. Use tax is mandatory when sales tax is not collected on the sale of an item that is subject to the state's sales tax. The use tax is imposed on the purchaser of the item as opposed to the seller of the item for sales tax.

Here is an example. Mary purchases a dress from Amazon and has it shipped to her house. If Amazon charges Mary sales tax on this purchase, Mary is not responsible for use tax on this purchase as Amazon has already collected and paid the sales tax. If Amazon does not charge Mary sales tax, Mary must first determine if the dress is subject to sales tax in her state. If she lives in Pennsylvania, the dress (assuming it is not formal apparel) is NOT subject to sales tax and Mary does not owe use tax. But if Mary lives in Ohio, the dress is subject to sales tax. Mary is required to calculate the use tax due on the dress and report and pay that tax on her Ohio income tax return. The tax is calculated based on Mary's home address. If she lives in Cuyahoga County, the rate is 8% of the dress price (including any shipping), but is only subject to 6.75% if she lives in Lorain County.

Many states are contacting online retailers and requesting that they provide details on purchases made by residents of that state. With this information, the state can determine who may owe use tax but has not paid it.

Please be sure to answer question 3 on our annual questionnaire regarding any use tax that may be due.



You would think by now the crooks would be done trying to use the IRS threat scam to get money from taxpayers. Unfortunately, the scam still works because of the threats used by the scammers such as arrest, deportation, and license revocation.

Please remember that the IRS **NEVER** contacts a taxpayer by phone to collect money. It is possible that a third party collection company, on behalf of the IRS, is calling about a past due tax, but the IRS never initiates such a call. ALL taxpayers who have a balance due with the IRS are first contacted by letter or notice. In fact, before collection action begins, there are numerous notices about the potential tax bill.

The IRS also never asks for your tax debt to be paid by gift card or for your debit card or credit card number on the phone.

The best way to handle these calls is to hang up **immediately**. If you have any concerns that you may have a tax bill due, simply call the IRS at 1-800-829-1040 to discuss your tax account. Be aware that even if the phone number calling you appears to be from the IRS, it probably isn't as scammers are able to "spoof" the caller ID.

I  
R  
S  
  
S  
C  
A  
M  
S



## Sending Your Paperwork

Our mailing address is

**P O Box 245 Trempealeau, WI 54661-0245**

Our phone (voice or fax) is 608-534-2122. The email address is [admin@sauppeta.com](mailto:admin@sauppeta.com)

Please send your tax documents by one of the following methods:

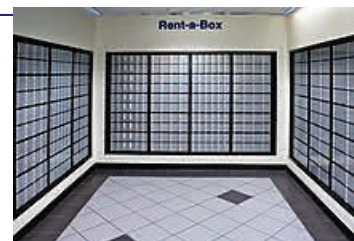
1. Use the US Postal Service—we recommend using Priority Mail so that you can track the package and confirm it was delivered.
2. Use UPS SurePost or FedEx Smart Post—both of these services start at UPS or FedEx but use the US postal service to complete the delivery process. Again you may want to look into tracking options. You must use one of these services as regular UPS and FedEx deliveries cannot deliver to a post office box.
3. Send scans of all your documents via Dropbox or Google drive. If using this method, you must be sure you send all pages of every document, send all the documents at one time, and be sure all the pages are legible and complete before you send them. You must include our annual questionnaire. Be sure to send us an email letting us know you are sending your documents this way. For security reasons, we *never* click on a link in an email that is from an unknown or corporate sender so don't use an email inside the cloud storage to contact us. We won't open it!
4. Use our new encrypted storage service (Verifyle). If you used the service last year, you should still have access and can simply use it again. If you wish to use this service for the first time, simply send us an email and we will set you up on this end. You will then receive an email which will direct you to a Verifyle account. You will get a randomly generated password (or you can change it to one of your choosing). Once in, you can upload any files you wish and we will get an email notifying us that the files are waiting. This service is through the National Society of Accountants. Every message, thread, and document has its own encryption key for maximum security unlike many other cloud-based storage services which use a master key to encrypt information in bulk.

We do NOT recommend sending your documents as an attachment to an email as this is unsecured and your attachments often contain sensitive personal data. It is too easy for this information to be waylaid on its way from your computer to ours.

As always, we will send your completed returns back to you for your review. If you use our Verifyle system to send us your documents, we will use that same method to send them back to you, unless you specifically request paper copies. If you use one of the other methods, we will send your completed tax returns back via US Postal Mail. You will need to sign the 8879 form and send back to us. This signed form gives us permission to electronically file your returns and we cannot submit the returns without it..

If you wish an "in person" meeting, we can do a Skype call. You simply need to contact us to arrange a time for this call.

If you would like a checklist of the documents you submitted to our office for last year's taxes, please let us know and we will provide one.



**2019 Mileage Rate**—The 2019 rate for deducting business miles is 58.0 cents per mile. The medical rate is 20.0 cents and the charitable rate is 14 cents for 2019. If you accurately complete the mileage section of our annual questionnaire, we will compute this deduction for you. The charitable rate for 2020 will remain at 14 cents per mile. The business and medical rates for 2020 were not yet available as of the date this newsletter was printed. Check our website at [www.sauppeta.com](http://www.sauppeta.com) for the latest info.

### Useful Apps or websites

TheSeniorList.com/senior-discounts/—provides a list of over 70 restaurants that offer discounts to seniors

Amazon.com/Warehouse-Deals/b?node=10158976011—great deals on quality used products.

RetailMeNot.com—discount codes for many online retailers

Cookpad-provides you with a large array of recipes and you can easily add your favorites.

Chegg Books—lets you buy, rent, or sell college text books.

Maps Me—download an entire city or country map so you can use it when you don't have a Wi-Fi or data connection.

WebMD-a diagnosis app but also provides information on local healthcare professionals and pharmacies as well as first aid guides for simple instructions when dealing with emergencies.

Microsoft Office Lens-takes clean shots of documents and whiteboards and converts them to editable text using OCR. You can mark the scanned images and save them as PDF, photo, Word, OneNote, or Power Point files.

**Tax Tips**  
**for Seniors**

Taxpayer Name \_\_\_\_\_

## Charitable Donation Recap for 2019

## Monetary donations

You may combine donations made to the same organization in this section. For example, if you gave three checks of \$100 each to the Red Cross, you may simply list the total. In this case, since each donation was under \$250, you do not need to provide any receipts from the charity and may enter NO in the last column. For method of payment, indicate check, bank debit, payroll deduction, or cash. If cash, you must include the receipt from the charity recognizing the donation. Please note that any purchase of raffle tickets from a charity does NOT represent a charitable donation. Also, if you receive something of value in return for your donation, your donation must be reduced by the fair market value of that item. The charity will normally provide you with this information.

Name of Charity	Method of Payment	Amount	Any single donation greater than \$250? YES/NO
EXAMPLE: Red Cross	Checks	300.00	NO

## Non-Monetary Donations

List each donation separately. In all cases, a receipt from the charity and a list of the items donated with the value assigned to each item **must** be included with your paperwork. For car donations, a 1098-C should also be included. If the **total** of all your non-monetary donations is greater than \$500, you **MUST** complete the last three columns for **all** donations. A valuation guide can be found on our website at [www.sauppeta.com](http://www.sauppeta.com). The value assigned to any item must be the **smaller** of fair market value or your basis (usually your cost). For example, if you found an item on the street and then donated it, your deduction for tax purposes would be zero because you had no basis.

Name of Charity	Date of Donation	Total Fair Market Value of Items Donated	How Acquired by Donor	Date Acquired by Donor	Donor's Basis
EXAMPLE Goodwill	12/15/19	\$75	Purchased**	12/5/03**	\$600**

\*\* Not needed if the total of **all** non-cash donations are less than \$500.