McCullough & ASSOCIATES, LLC

Certified Public Accountants and Wealth Management Group

SPRING 2019

Send Your Kids to Day Camp and You May Get a Tax Break

Among the many great challenges of parenthood is what to do with your kids when school lets out. Do you keep them at home and try to captivate their attention yourself or with the help of sitters? Or do you send them off to the wide variety of day camps now in operation? There's no one-size-fits-all answer, but if you choose the latter option, you might qualify for a tax break!

Dollar-for-dollar savings

Day camp — but, to be clear, not overnight camp — is a qualified expense under the child and dependent care tax credit, which is worth 20% of qualifying expenses (more if your adjusted gross income is less than $43,000), subject to a cap. For 2019, the maximum expenses allowed for the credit are $3,000 for one qualifying child and $6,000 for two or more. Remember that tax credits are particularly valuable because they reduce your tax liability dollar-for-dollar — $1 of tax credit saves you $1 of taxes.

Qualifying for the credit

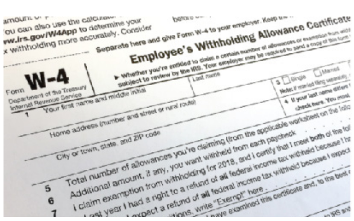
A qualifying child is generally a dependent under age 13. (There's no age limit if the dependent child is unable physically or mentally to care for him- or herself.) Special rules apply if the child's parents are divorced or separated or if the parents live apart. Eligible costs for care must be work-related. This means that the child care is needed so that you can work or, if you're currently unemployed, looking for work. If you participate in an employer-sponsored child and dependent care Flexible Spending Account (FSA), also sometimes referred to as a Dependent Care Assistance Program, you can't use expenses paid from or reimbursed by the FSA to claim the credit.

Determining eligibility

Additional rules apply to the child and dependent care credit. If you're not sure whether you're eligible, contact us. We can assist you in determining your eligibility for this credit and other tax breaks for parents.

Source: Thomson Reuters

Federal and Missouri Withholding of Taxes



Did you receive a smaller refund or owe more taxes than usual this year? That might have been confusing because taxes were supposed to go down, right? The reason might be due to less withholdings from your employer. When the "Tax Cuts and Jobs Act" took effect last year, the IRS revised the withholding tables that employers are required to use to calculate withholdings from your paycheck, which in turn, decreased the amount they withheld throughout the year. The problem is, they cut withholding from your paychecks more than the new tax law actually cut taxes, due to other changes in the law in addition to lower tax rates. The Missouri Department of Revenue also made significant changes to the employer withholding tables. Everyone is encouraged to review their federal and state withholdings to ensure the appropriate amount is withheld. If you are dead set on receiving a large refund, you can always file a new W4 with your employer at any time during the year to increase the amount of tax you are having withheld.

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E-Commerce Tax Law Changes

Is your e-commerce business making online sales to customers across the United States at an increasing rate? If so, you might want to keep reading to ensure you are staying compliant with new sales tax regulations.

The South Dakota v. Wayfair Supreme Court ruling in 2018 marks a drastic shift in former tax law. If our business sells goods in any state, even if you don't have a physical presence in that state and the transaction is online only, you may now be obligated to register in that state and collect sales tax.

To figure out if you fall into this category, it is important to know that every state has different criteria. Some states base it on all sales (gross receipts), some states only include "retail sales" (excluding sales for resale), and others base it on "taxable sales". However, most states have adopted thresholds similar to South Dakota's. If you have gross revenue of at least $100,000 from sales of tangible or personal property or sell tangible personal property in 200 or more separate transactions, your business may be subject to these new tax law changes.

In addition, you may still have exposure for taxes that should have been collected for prior periods under the prior "physical presence" standard. Many companies were not aware that having independent sales reps, storing goods in warehouses, or performing infrequent service calls into a state constituted a taxable physical presence.

If any of the above applies to you, please contact our office so we can advise you on the following list of steps you may need to take to make sure you are tax compliant:

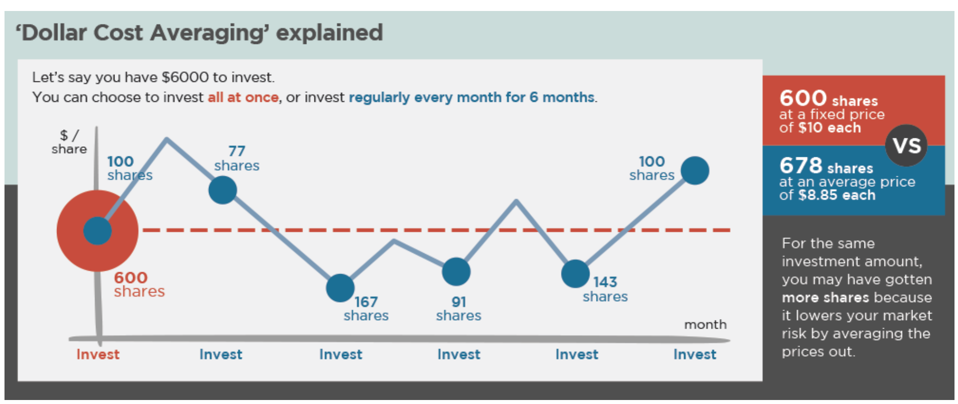
- Register in all applicable states
- Determine the taxability of goods or services sold into those states
- Determine the tax status of customers and obtain exemption certificates for customers/states where the you previously did not collect tax
- Analyze your procedures and software tools used to process sales to make sure they will be adequate if you have to collect tax in multiple states

Source: The Asset, Missouri Society of Certified Public Accountants

Dollar Cost Averaging - A Strategy for Market Ups and Downs

Dollar-cost averaging can help take the guesswork out of when to invest.
Using this strategy can help smooth market ups and downs by investing a fixed dollar amount at regular intervals. This disciplined approached can also help avoid emotional investing decisions due to market volatility.

More shares can be purchased when prices are low, and fewer shares purchased when prices are high. This may result in a lower overall cost per share while also accumulating more shares.



Contact our office to discuss setting up a dollar-cost-averaging investing strategy today!

Dollar cost averaging will not guarantee a profit or protect you from loss, but may reduce your average cost per share in a fluctuating market. Because dollar cost averaging involves continuous investment in securities regardless of fluctuating prices, the investor should consider his or her financial ability to continue purchases through periods of falling prices, when the value of their investments may be declining.

Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

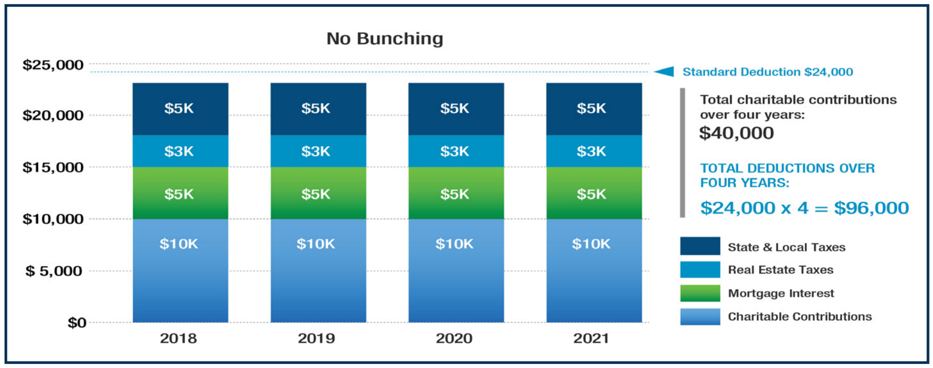
Source: Cetera Financial Group and FMG Suite

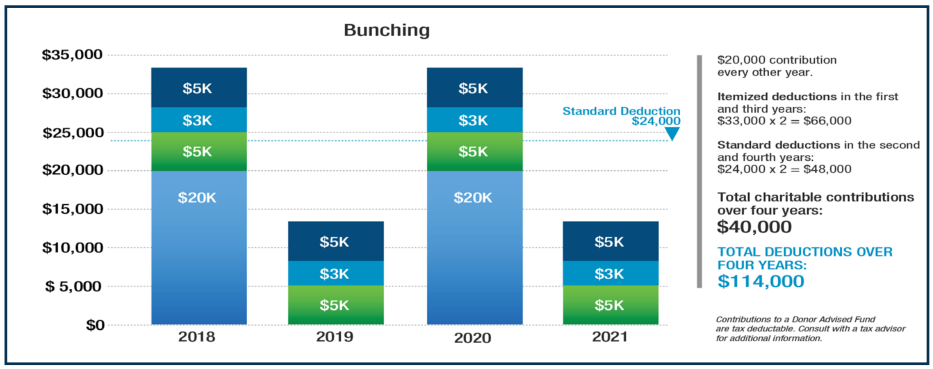
Charitable Giving in a Post-Tax Reform World

With the Standard Deduction being raised to $12,000 (Single) and $24,000 (Married Filing Jointly), many individuals may find that they no longer need to itemize their deductions. As a result, they will not be able to deduct their charitable giving. Listed below are some strategies that can be utilized to help reduce your tax liability while still supporting your favorite charities. We would be glad to discuss these in more detail with you.

Qualified Charitable Distribution – If you are over the age of 70 ½ you can donate up to $100,000 a year directly from your IRA to a charitable organization of your choice. This type of distribution is not treated as ordinary income to you, thus reducing your taxable income.

Bunching Donations – Another strategy that can be used is called "bunching". This strategy entails you donating every other year an amount that is equal to two years' worth of donations in an effort to push you over the Standard Deduction amount.





2019 Estimated Tax Payments

Certain taxpayers must make estimated tax payments throughout the year. Taxpayers must generally pay at least 90 percent of their taxes throughout the year through withholding, estimated tax payments or a combination of the two. If they don't, they may owe an estimated tax penalty. Estimated tax is the method used to pay tax on income that is not subject to withholding. This income includes earnings from self-employment, interest, dividends, rents, and alimony. Taxpayers who do not choose to have taxes withheld from other taxable income should also make estiated tax payments. This other income includes unemployment compensation and the taxable part of Social Security benefits.

Source: IRS

Estimated Tax Payment Filing Dates	2019 returns
First Quarter	April 15, 2019
Second Quarter	June 17, 2019
Third Quarter	Sept. 16, 2019
Fourth Quarter	Jan. 15, 2020

Tax Cuts and Job Acts of 2017

In our last newsletter we discussed The Tax Cuts and Jobs Act of 2017 (TCJA) which eliminated or made changes to MANY tax provisions that will affect both the 2018 and 2019 tax years. In our comparison between the old law and new law, as it relates to alimony, there was an error in the new law description. Below is the corrected comparison.

	Old Law	New Law
Alimony	The taxpayer paying alimony or maintenance could deduct these payments from their income. The taxpayer receiving the money included these payments as income.	For divorce or separation agreements entered into after January 1, 2019, the payor will **not** get to deduct alimony payments, and the recipient does **not** claim the payments as income.

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- Tax Planning & Preparation
- Business Accounting Services
- Year-End Planning
- Cash Flow Projections
- Financial Statement Preparation
- Payroll Services including Direct Deposit
- Investment Planning
- Retirement Planning
- Education Planning
- Insurance & Risk Management
- Employee Benefits
- Estate Planning

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