CAIN WATTERS & ASSOCIATES

October 15, 2019

# 2019 END OF YEAR TAX PLANNING TIPS

While tax planning strategies should be implemented throughout the year, please be sure to consider the following before December 31, to help minimize your tax liability for 2019 and to proactively plan for 2020.

**401(K) DEFERRALS:** This year **the limits have increased** to $19,000 for those under 50, or $25,000 for those over 50 by the end of the year. With most plans, you can only change your deferrals three times per year: on January 1, July 1 and December 1, so adjust as necessary with the last paycheck. This applies to both the doctor and spouse if both are paid through the business.

**DEFINED BENEFIT PLAN:** Have you maximized your 401(k) Plan but **still looking for a way to save more** into a tax deferred environment? Consider a Defined Benefit Plan and it is not too late to add this plan for 2019. This plan must be signed by December 31, 2019, but can be funded in 2020.

Verify that you have **enough taxes paid in by December 31, 2019** in order to avoid paying any penalties or interest. You can do this either through your payroll tax withholdings, or with a fourth quarter estimated tax payment, no later than January 15, 2020. Pay any additional state taxes due by year-end as these may be taken as a deduction on your federal tax return.

If you have **personally paid any business expenses** this year, have the business reimburse you. These expenses include meals, business trips, auto expenses, supplies, continuing education, etc. The tax law has brought significant changes to the deductibility of meals and entertainment, it's important to consult a CPA for changes around staff meals, business meals, holiday parties, and entertainment expenses.

If you need **new equipment** and the equipment will increase your ability to make more money in the future, buy before year-end. The section 179 and bonus depreciation rules allow doctors to write-off substantial equipment purchases. When planning a capital investment purchase, do not, however, buy equipment solely for the deduction. Paying the taxes, in this case, would cost you less.

While the **20% pass-through deduction** is potentially limited for dental service providers, you may fall into an income that would allow you to take advantage of some or all of the 20% exclusion. See CWA's previous blog for opportunities to minimize income.

If you operate in an **S Corporation** and pay for your health insurance through your business, you must report the premiums paid on your form W-2. While these premiums are not considered wages for employment taxes, it must be reported here in order to be deducted on the S Corporation and the shareholder's personal return.

**If you are left with any doubt, it's not too late to ask for help. Reference the Accumulating Wealth Podcast and one of our advisors can review your current planning strategies and discuss opportunities to take advantage of by year end. For this free offer, simply email info@cainwatters.com or cainwatters.com/contact.**