



Important Changes for 2019



Due Date of Return

The due date for filing a 2019 return is Wednesday, April 15, 2020

Tax Form Changes

As required by the Bipartisan Budget Act of 2018, Form 1040-SR, U.S. Income Tax Return for Seniors, is available for tax year 2019. It may be used by taxpayers who are age 65 or older at the end of the tax year. If Married Filing Jointly, one spouse must meet the age requirement. The form has an increased font size and includes a standard deduction chart.

Form 1040 has been updated:

- Income is now on page one, and the signature section is moved to page two.
- New line 6 is added to report capital gain or (loss). Subsequent lines are renumbered.
- The “Full-year health care coverage or exempt” box is eliminated from Form 1040.
- The number of associated schedules has been reduced from six to three.

Entry spaces on 2019 tax forms are shown for dollar amounts only (no cents).

Schedule C-EZ (Form 1040) and Form 2555-EZ have been made obsolete for tax year 2019 and future years.

Form 8965, Health Coverage Exemptions, and its instructions have also been made obsolete for 2019.

The 2020 Form W-4 has been redesigned and no longer uses the concept of withholding allowances. It replaces complicated worksheets with more straightforward questions that make accurate withholding easier for employees. Employees who have submitted Form W-4 in any year before 2020 are not required to submit a new form merely because of the redesign. Employers will continue to compute withholding based on the information from the employee’s most recently submitted Form W-4.

Form 8995, Qualified Business Income Deduction Simplified Computation, and Form 8995-A, Qualified Business Income Deduction, are new forms for claiming the IRC section 199A qualified business income deduction. Taxpayers whose taxable income is not more than **\$160,700 (\$160,725 if Married Filing Separately; \$321,400 if Married Filing Jointly)**, and who are not patrons in a specified agricultural or horticultural cooperative, may use the simplified form.

ITINs

ITINs not used in the last three consecutive tax years: If an ITIN was not included on a U.S. federal tax return at least once for tax years 2016, 2017, or 2018, the ITIN will expire on December 31, 2019. Affected taxpayers need to take action to renew if it will be included on a U.S. federal tax return.

ITINs with the middle digits “83,” “84,” “85,” “86,” and “87” will expire. ITINs with middle digits (the fourth and fifth positions) “83,” “84,” “85,” “86,” or “87” will remain in effect until December 31, 2019. Taxpayers with these ITINs need to take action to renew it if it will be included on a U.S. federal tax return filed in 2020.

Alimony

For any divorce or separate maintenance instrument executed **after December 31, 2018**, (or executed on or before December 31, 2018 and modified after that date if the modification expressly provides that the amendments made by the Tax Cuts and Jobs Act, Section 11051, apply to such modification), alimony and separate maintenance payments are no longer deductible by the payor spouse. Additionally, alimony and separate maintenance payments are no longer included in income by the recipient of the payments.

Personal Exemption Amount

The deduction for all personal exemptions is suspended (reduced to zero), effective for tax years 2018 through 2025.

For 2019, the gross income limitation for a qualifying relative is \$4,200.

Standard Deduction

The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The standard deduction amounts for 2019 are:

- \$24,400 – Married Filing Jointly or Qualifying Widow(er) (increase of \$400)
- \$18,350 – Head of Household (increase of \$350)
- \$12,200 – Single or Married Filing Separately (increase of \$200)

Taxpayers who are 65 and Older or are Blind

For 2019, the additional standard deduction amounts for taxpayers who are 65 and older or blind are:

- \$1,650 for Single or Head of Household (\$50 increase)
- \$1,300 for married taxpayers or Qualifying Widow(er) (no change)

Itemized Deductions

The medical expense deduction threshold is 10% of adjusted gross income (AGI). The lower 7.5% AGI threshold has expired.

Standard Mileage Rate

For 2019, the following rates are in effect:

- 58 cents per mile for business miles driven
- 20 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations (no change)

The standard mileage rate for business cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension of miscellaneous itemized deductions that are subject to the 2% of AGI floor.

The moving expense deduction is not allowed through 2025 and the exclusion from income of moving expense reimbursements from an employer is also suspended. The only exception is for active military service members who move pursuant to a military order to a new permanent duty station.

Deduction for Qualified Business Income

For 2019, the threshold amount is \$321,400 for Married Filing Jointly returns, \$160,725 for Married Filing Separately returns, and \$160,700 for Single and Head of Household returns.

Retirement Savings Contribution Credit

To claim this credit, the taxpayer's modified adjusted gross income (MAGI) must not be more than \$32,000 for Single, Married Filing Separately, or Qualifying Widower (increase of \$500). MAGI must not be more than \$48,000 (increase of \$750) for Head of Household, and \$64,000 (increase of \$1,000) for Married Filing Jointly.

Child Tax Credit

The refundable amount of the credit is limited to \$1,400 per qualifying child.

Earned Income Credit (EIC)

For 2019, the maximum credit increased to:

- \$6,557 with three or more children
- \$5,828 with two children
- \$3,526 with one child
- \$529 with no children

Earned Income Amount Increased

To be eligible for a full or partial credit, the taxpayer must have earned income of at least \$1 but less than:

- \$50,162 (\$55,952 if Married Filing Jointly) with three or more qualifying children
- \$46,703 (\$52,493 if Married Filing Jointly) with two qualifying children
- \$41,094 (\$46,884 if Married Filing Jointly) with one qualifying child
- \$15,570 (\$21,370 if Married Filing Jointly) with no qualifying child

Investment Income

Taxpayers whose investment income is more than \$3,600 cannot claim the EIC.

Education Benefits

American opportunity credit for 2019 is gradually reduced (phased out) if taxpayers' MAGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if Married Filing Jointly). Taxpayers cannot claim a credit if their MAGI is \$90,000 or more (\$180,000 or more if Married Filing Jointly).

Lifetime learning credit for 2019 is gradually reduced (phased out) if taxpayers' MAGI is between \$58,000 and \$68,000 (\$116,000 and \$136,000 if Married Filing Jointly). Taxpayers cannot claim a credit if their MAGI is \$68,000 or more (\$136,000 or more if Married Filing Jointly).

Student loan interest deduction begins to phase out for taxpayers with MAGI in excess of \$70,000 (\$140,000 for joint returns) and is completely phased out for taxpayers with MAGI of \$85,000 or more (\$170,000 or more for joint returns).

Eligible Long-Term Care Premium Limits

For 2019, the maximum amount of qualified long-term care premiums includible as medical expenses has increased. Qualified long-term care premiums up to the amounts shown below can be included as medical expenses on Schedule A (Form 1040), Itemized Deductions, or in calculating the self-employed health insurance deduction.

- Age 40 or under: \$420
- Age 41 to 50: \$790
- Age 51 to 60: \$1,580
- Age 61 to 70: \$4,220
- Age 71 and over: \$5,270



The limit on premiums is for each person.

Foreign Earned Income Exclusion

For 2019, the maximum foreign earned income exclusion is \$105,900.

Deduction Amount and Modified AGI Limit for Traditional IRA Contributions

For 2019, the maximum IRA deduction increases to \$6,000 (\$7,000 if age 50 or older). For taxpayers who are covered by a retirement plan at work, the deduction for contributions to a traditional IRA is reduced (phased out) if the modified AGI is:

- More than \$103,000 but less than \$123,000 for a married couple filing a joint return or a qualifying widow(er) if both spouses are covered by a retirement plan,
- More than \$64,000 but less than \$74,000 for a single individual or head of household, or
- Less than \$10,000 for a married individual filing a separate return

For an IRA contributor who is **not** covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$193,000 and \$203,000.

Kiddie Tax

For 2019, Form 8615 must be filed for certain children who had more than \$2,200 of unearned income.

Affordable Care Act

Filing thresholds and federal poverty line tables have been adjusted for inflation.

The individual Shared Responsibility Payment (SRP) is reduced to zero for tax year 2019. Taxpayers who do not have health insurance coverage during 2019 or later do not require an exemption to avoid the SRP.

Details about these and other updates can be found in the Affordable Care Act lesson and in Publication 4012 Tab H, Other Taxes, Payments, and ACA.

Link & Learn Taxes – Optional Courses

Health Savings Account (HSA) Deduction

For 2019, the annual contribution limits on deductions for HSAs for individuals with self-only coverage is \$3,500 (increase of \$50) and \$7,000 for family coverage (increase of \$100). There is an additional contribution amount of \$1,000 for taxpayers who are age 55 or older.

Extended and Expired Legislation

The Bipartisan Budget Act of 2018 extended the following provisions only through December 31, 2017. They are expired for 2019.

- Exclusion from gross income of qualified principal residence indebtedness
- Mortgage insurance premiums deductible as qualified residence interest
- Deduction for qualified tuition & fees
- Credit for nonbusiness energy property (residential energy credit)



Congress may enact additional legislation that will affect taxpayers after this publication goes to print. Any changes will be reflected in Publication 4491-X, VITA/TCE Training Supplement, available in mid-January on www.irs.gov.