



We have summarized a few 2019 rate changes and other areas of interest.
There is still time to make changes or avoid pitfalls that can save tax dollars.

INCREASE IN EARNINGS BASE FOR SOCIAL SECURITY WITHHOLDING

The maximum 2019 earnings base for **Social Security (FICA) withholdings** increased to **\$132,900**. There is no earnings limitation for Medicare withholding. As in previous years, 0.9% additional Medicare tax is paid/withheld when wages exceed the following: \$200,000 if Single, \$250,000 if Married Filing Jointly .

WILL YOU BE SUBJECT TO MEDICARE PREMIUM SURCHARGES?

Medicare recipients may have to pay an “Income-Related Monthly Adjustment Amount” (IRMAA) surcharge on their Medicare Part B premiums. The adjustment is based on the recipient’s modified adjusted gross income reported on their prior year tax return. Modified adjusted gross income is simply AGI plus tax-exempt interest. (Adjusted gross income, not taxable income.) The (IRMAA) Medicare Premium surcharges for 2018 are shown below. The new Medicare premium surcharge amounts for **2020** will be based on the **MAGI reported on the individual’s 2018 tax return** filed in 2019. If the individual is married and a surcharge is applicable, this amount is added on both spouses Medicare Part B premiums as well as their premiums for Medicare Part D, for the entire year.

It is important to recognize these income thresholds. When your household income is approaching an IRMAA threshold, just \$1 over can result in much higher Medicare premiums for both spouses. This can happen to an unsuspecting individual when they cash in series EE savings bonds, take sizeable IRA withdrawals, cash in an annuity, receive substantial capital gains in their investment portfolio, etc.

IRMAA Tier	Individual MACI	Married Joint MACI	Part B Premium (monthly)	Part D Premium (monthly)	Total Surcharge (monthly)	% of Total Part B Cost
Baseline	< \$85,000	< \$170,000	\$134.00	Plan Premium	N/A	25%
1	Up to \$107,000	Up to \$214,000	+ \$53.50	+ \$13.00	+ \$66.50	35%
2	Up to \$133,500	Up to \$267,000	+ \$133.90	+ \$33.60	+ \$167.50	50%
3	Up to \$160,000	Up to \$320,000	+ \$214.30	+ \$54.20	+ \$268.50	65%
4	> \$160,000	> \$320,000	+ \$294.60	+ \$74.80	+ \$369.40	80%

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“Life-changing event” exceptions may result in a reduction to the surcharge. “Life-changing events include: marriage, divorce, death of a spouse, work stoppage or work reduction (retirement, becoming laid off), loss of pension income due to pension default, loss of income-producing property due to disaster. Form SSA-44 must be filed with the Social Security Administration to apply for the possibility of a reduction in the surcharge.”

2019 STANDARD MILEAGE RATES

58 cents per mile for business use
20 cents per mile for medical use
14 cents per mile for charitable use

20 cents per mile for moving use (Deductible moving expense is limited to members of the Armed Forces on active duty moving under a military order.)

DID YOU RECEIVE A LETTER THAT YOU MAY OWE PA USE TAX ON YOUR ONLINE OR CATALOG PURCHASES?

Pennsylvania will require **online sellers** and remote marketplace facilitators with more than \$100,000 in annual gross sales into the state to register, collect and remit PA sales tax starting July 1, 2019 (This applies to those sellers who do not have a physical presence in Pennsylvania). Online sellers with annual PA taxable sales exceeding \$10,000, but less than \$100,000 are required to make an election to either:

- register, collect, & remit PA sales tax

Or - comply with tax notification and reporting requirements for the PA customer

Should you receive notification of purchases made from remote sellers, you may owe PA Use Tax. If the purchase is subject to PA Sales Tax, you can simply report and pay the PA Use Tax directly on your PA Individual Tax return, Form PA40, line 25. (PA Use Tax is 6% of taxable sales.) The other option is to register for a business tax account and make payment.

Since Pennsylvania has announced these changes in sales tax collection, the amount of PA Use tax collected via the PA Income tax return has increased to much higher levels than the state ever expected.



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FSA INCREASE

The yearly limit for 2019 employee **Flexible Spending Accounts** (FSA's) increased to **\$2,700**.

INCREASED RETIREMENT CONTRIBUTIONS FOR 2019

401(k), 403(b), 457 Plans:

Employee contribution limits increased to	\$19,000
Catch-up contributions (age 50 & over) remain	\$ 6,000

SIMPLE Plans:

Employee contribution limits increased to	\$13,000
Catch-up contributions (age 50 & over) remain	\$ 3,000

Traditional IRA's:

Employee contribution limits increased to	\$ 6,000
Catch-up contributions (age 50 & over) remain	\$ 1,000

We encourage you to contact your tax consultant to discuss how you may be affected by any of the items listed in this newsletter.

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