

HONECK ·  
O'TOOLE

...where people count

renews

Ideas to help small businesses and individuals  
maximize income while minimizing taxes.

1st Quarter 2020

## HOW THE NEW SECURE ACT MAY AFFECT YOUR RETIREMENT

You may have seen news about the landmark SECURE Act, which stands for *Setting Every Community Up for Retirement Enhancement*, passed in December 2019. It includes policy changes that will impact 401(k) plans, individual retirement accounts (IRAs), 529 plans and other types of plans.

### But what does it mean to you?

Some of the SECURE Act's provisions may provide you and your family with tax saving opportunities... and some provisions may not be favorable for your situation.

Many of the provisions go into effect in 2020... so this is a great time to become familiar with the main elements and take steps to make the most of helpful provisions while minimizing the impact of others. We can help, of course!

#### For Individuals

- **The maximum age for IRA contributions has been repealed**  
Before 2020, traditional IRA contributions were not allowed for people over age 70-1/2. But starting in 2020, a person of any age can make contributions to a traditional IRA, as long as the person has earned income from wages or self-employment.
- **The required minimum distribution age has been raised from 70-1/2 to 72**  
Before 2020, retirement plan participants and IRA owners were generally required to begin taking

*continued on page 2*

## GOT YOUR 2019 TAX YEAR ORGANIZER?

In mid-January, we mailed out our annual Tax Organizer questionnaire, which you can use to gather the 2019 items we need to prepare your income tax return. **If you didn't receive your Organizer yet, or if you prefer to receive the E-Organizer (Non-Mac users only), please call or email us right away: 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com).**

## IMPORTANT: TAX SEASON 2020

### Individual Returns:

**We need ALL your information by Monday, March 16th** so we can file your return by April 15th. Yes, the deadline for Maine and Massachusetts is April 15th for the first time in years — no holidays pushing the date out further.

- Send missing items (for the returns received by March 16th) before April 3rd at the latest, please.
- If you're unable to meet these deadlines, we can file an extension for you until October 15th, 2020. Remember though, while you'll have more time to file, you'll need to send any IRS and state tax balances due on or before April 15th. We can help you estimate the amounts.

### Business Returns:

- We need your business entity information **as soon as possible** to file your return on time (by March 16th).
- Or, we can extend until September 15th, 2020. Sooner is always better!

## IMPORTANT!

We're required to file all returns electronically. When we send your return to you, **please sign and return the included authorization Form(s) 8879 no later than 5:00 PM on Friday, April 10th, 2020** — so we can eFile your return before Wednesday, April 15th. Every return has its own eFile form(s) every year, and they can only be signed once the returns are complete. Some states (not Maine) even have separate eFile forms which must also be signed and returned to us. Read your cover letter to see what you must do. Email the signed form(s) (PDF or photo) to [info@honeckotoole.com](mailto:info@honeckotoole.com) or fax it to 207-773-2047. Please don't wait until April 15th to return the authorization form(s)!

required minimum distributions, or RMDs, from their plan by April 1 of the year following the year they reached age 70-1/2. The new law has adjusted this to account for increases in life expectancy. Starting in 2020, the required RMD date is age 72.

- **Partial elimination of “stretch” IRAs — a big change**

For deaths of plan participants or IRA owners occurring before 2020, beneficiaries are generally allowed to stretch out tax-deferral advantages of the plan by taking distributions over the beneficiary's life expectancy. But for deaths of plan participants or IRA owners occurring in or after 2020, distributions to most non-spouse beneficiaries are required to be distributed within ten years following the death of the IRA owner. The “stretching” strategy is no longer allowed. There are exceptions, so if this applies to you, we encourage you to get more information.

- **Section 529 education savings plans are expanded**

In addition to tuition fees, books, supplies, and equipment — starting in 2019, distributions can also be used for registered apprenticeships and student loan repayments up to \$10,000, a lifetime total.

- **No penalty fee with early retirement plan withdrawal for birth or adoption of a child**

Usually, there's a penalty for taking funds out of a retirement account before 59-1/2. There have always been exceptions, such as education costs. In 2020, using funds to pay expenses for the birth or adoption of a child is part of that list, up to \$5,000 per individual.

**Questions about the SECURE Act affecting your particular situation?**

**Contact us at 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com).**

### **For Plan Sponsors/Employers**


- **Increased credit for small employer retirement plan startup costs**

To make it more affordable for small businesses to set up retirement plans, starting in 2020, the credit is increased by changing the calculation of the flat dollar amount limit to the greater of (1) \$500, or (2) the lesser of: (a) \$250 multiplied by the number of non-highly compensated employees of the eligible employer who are eligible to participate in the plan, or (b) \$5,000.

- **Long-term part-time employees can participate in 401(k) plans**

Starting in 2021, employers offering a 401(k) plan can/must offer the plan to employees who complete at least 500 hours of service per year for three consecutive years of service. (It used to be limited to at least 1,000 hours of service.)

- **Plans adopted by that year's filing due date may be treated as being in effect as of close of the year**

Starting in 2020, employers can elect to treat qualified retirement plans adopted after the close of a tax year, but before the due date (including extension) of the tax return, as having been adopted as of the last day of the year. This provides flexibility for employers considering adopting a plan, and the opportunity for employees to receive contributions for that earlier year. 




## SmartVault

### **SMARTVAULT SIMPLIFIES SECURE FILE SHARING**

**Great news!** We're offering you a better file-sharing system with Honeck O'Toole, starting this year. To help you upload and download documents safely, securely, and easily, we've partnered with SmartVault, a cloud-storage portal designed for accounting firms and other businesses. With SmartVault, it will be easier to access copies of your tax returns and send us related financial documents. There are even apps for mobile devices!

If you'd like to use this handy, secure (did we mention it's secure?) system, call John Lydon in our office at 207-774-0882 or send him an email at [jlydon@honeckotoole.com](mailto:jlydon@honeckotoole.com). He'll send you an invitation and link to join our SmartVault “Client Portal,” which will then prompt you to set up private login credentials starting with your email address.

A note about “secure.” Here at Honeck O'Toole, we take data security VERY, VERY SERIOUSLY. Before choosing SmartVault, our team conducted extensive research on its security, and we're confident that it's safe to use. Many of our accounting firm peers swear by it, so we're in good company.

The choice to use SmartVault is totally up to you, of course. But we're excited to offer it as a benefit of doing business with us. Call or email John if you have any questions. 

**DISCLAIMER:** Any accounting, business, or tax advice contained in this communication are not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. If desired, Honeck O'Toole would be pleased to perform the requisite research and provide you with a detailed written analysis. Such an engagement may be the subject of a separate engagement letter that would define the scope and limits of the desired consultation services.



## TCJA KIDDIE TAX CHANGES REPEALED

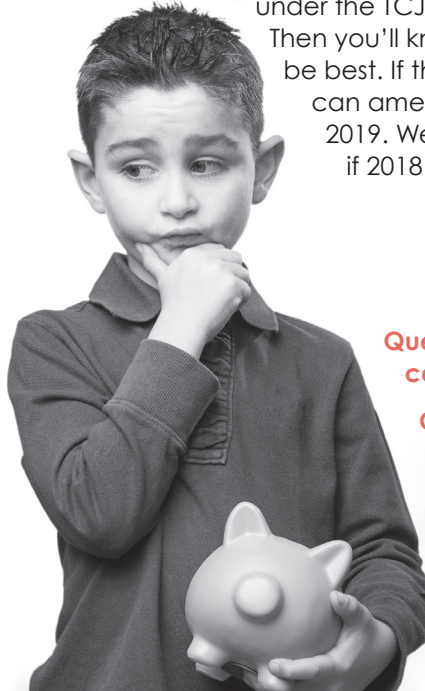
Last year at this time, we told you that the "Kiddie Tax" strategy of income shifting (transferring assets into your children's names) had changed a LOT due to the TCJA (Tax Cuts and Jobs Act of 2017), causing a much higher tax rate for children.

Well, scratch that. The TCJA legislation was just repealed, so once again, the kiddie tax reverts to the pre-TCJA rules.

### Here's what the new law means.

- Unearned income of children is taxed under the pre-TCJA rules, and not at trust/estate rates. Therefore, a child will once again be taxed at the parents' rates on net unearned income, if higher than the child's rates. Specifically, children with unearned income can receive the first \$1,100 of unearned income tax-free, and the next \$1,100 is taxed at the child's rate. Earnings over \$2,200 will be taxed at the parent's rate. This applies to all children who are subject to the kiddie tax: under age 19 or a full-time student under 24.

- This is effective in tax years beginning after December 31, 2019... but taxpayers can elect to apply it retroactively to 2018, 2019, or both.
- To decide if it's worth making this election for 2018 or 2019, you'll want to compare the tax amounts under the TCJA rules versus the new rules. Then you'll know which outcome would be best. If the new rule is better, you can amend your 2018 return filed in 2019. We can help you to determine if 2018 should be amended. 🇺🇸



Questions about how to calculate the difference?

Contact us at 207-774-0882 or [info@honeckotoole.com](mailto:info@honeckotoole.com).

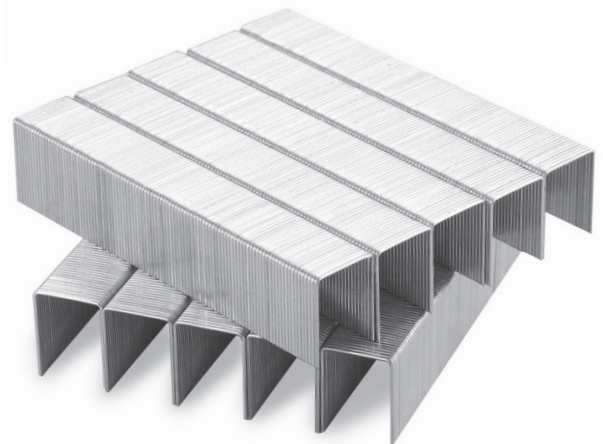
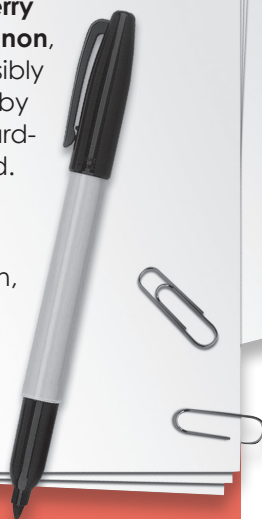
## MEET OUR SEASONAL TEAM

Each year, we enlist the help of seasonal professionals to help us process, complete and file more than 1,200 individual tax returns in a very short time.

We're delighted to welcome back our amazing pros for this tax season: **Jerry Yurko, Julie Bennett, Rebecca Gagnon, and Meta Patten**. We couldn't possibly get everyone's returns completed by the April deadline without these hard-working individuals sharing the load.

One or more of our seasonal staff members may be contacting you with questions about your tax return, if needed. *Thanks in advance for helping them complete your return!*

*Thanks in advance for helping them complete your return!*



### NO STAPLES, PLEASE!

Imagine if you had to copy 1,200+ sets of documents and they all included staples. Yikes! That's what happens to us sometimes. So, our front office has a request. When you send us your documents, please do not staple, tape, or clip any forms (W-2s, 1099s, etc.) directly to your Tax Organizer pages. And, please do not send us unopened mail with tax information. Open/discard envelopes and discard unnecessary pages before sending the tax forms to us. 🇺🇸

*Thank you!*



## SCOTT BUDDE, CFA

### Maine Harvest Federal Credit Union

Meet the client who's about to make quite a difference to Maine's food-producing industry. Scott Budde, CFA, is the President, CEO and co-founder of Maine Harvest Federal Credit Union — the only fully-regulated financial institution focused on growing a healthy, local food system through government-guaranteed deposits.

Scott told us how this all came about: *"The credit union chartering process is long, complicated and expensive. It took us a bit over six years of research, fundraising, financial modeling, and many stakeholder meetings. In the end: six years, a 1,100 page charter application, and \$2.4 million in start-up capital grants."*

Driven to make this happen, they got their charter in August, 2019. Scott said, *"The whole point of our work is to get mission-oriented deposits that fund loans for small farms and food producers. For folks who want a 100% government guarantee, some interest and the satisfaction of supporting a better food system and rural economic development in Maine, a certificate of deposit into Maine Harvest FCU will do just that. Our biggest success story will come when we make our first loan in the first quarter of 2020."*

Scott mentioned that the Credit Union is still getting various services up and running... *"But we've gotten great press (including the January 2020 edition of Maine Magazine), and we were mentioned in Governor Mills' State of the State address. Even more exciting, deposits are starting to come in!"*

To learn more and support this effort, visit the Maine Harvest Federal Credit Union website: [maineharvestfcu.coop](http://maineharvestfcu.coop).



**MAINE HARVEST**  
FEDERAL CREDIT UNION



MHFCU Leadership Team (l-r): Patty Duffy, Chief Lending Officer; Maureen Horan, Chief Operations Officer; Julia Jones, Community Loan Officer; and Scott Budde, President & CEO



Misty Brook Farm in Albion

**Send us your tax information by March 16th to meet your April 15th, 2020 filing deadline!**

**Questions?** During tax season, we're incredibly busy, so it may take a little longer for us to get back to you. We appreciate your patience! Thank you. **Phone:** 207-774-0882 **Email:** [info@honeckotoole.com](mailto:info@honeckotoole.com)



**Call for Assistance Anytime!** We welcome your questions about taxes, financial planning, college planning, making the most of QuickBooks, or anything else related to your money.

[www.honeckotoole.com](http://www.honeckotoole.com)

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