

Take Note

2019 Calendar Dates

May 14

Fly-In Day
Crystal City, VA

May 15-16

APEX Meeting
Crystal City, VA

May 17

NAEA Board Meeting
Crystal City, VA

July 31–August 2

NAEA National Conference
Las Vegas, NV

July 31

Annual Meeting
Las Vegas, NV

August 2

NAEA Board Meeting
Las Vegas, NV

September 11-13

IRS Tax Reform
Orlando, FL

September 14

Scholarship Applications
due for NTPI ORL

October 29

Session D of SEE Prep

November 6–8

NTPI Fort Lauderdale
Fort Lauderdale, FL

November 7–8

APEX Meeting
Fort Lauderdale, FL

November 9

NAEA Board Meeting
Fort Lauderdale, FL

December 1

NAEA Board Elections Open

December 17

NAEA Board Elections
Close

We've Got You

You are the port in a storm for your clients during this critical aspect of American citizenship: tax time.

We are here to help you create smooth seas and provide valuable counsel—valuable in real dollars to your clients in ways they will be willing to pay for.

To help you accomplish this, we have created *Tax Break*, a new source of business and association intelligence. We are pleased to be able to offer this additional member resource to you. Look for it to hit your inbox in the coming weeks.

Tax Break is a weekly publication that features the newest and latest industry developments you need to know about to keep your clients happy and your business thriving. Streamline your business with new technology like cloud-based solutions and automation; learn about tax software programming; and hear from the pundits of taxation on how to handle the rest. *Tax Break* will also keep you abreast of developments in cyber security and content management systems.

Need tips with sales and marketing? We will give you the tools you need to showcase your tax expertise. *Tax Break* is also a source for professional development opportunities offered by

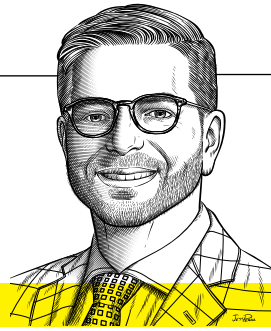


NAEA, be they online webinars, live networking events, or discounted tax research from partners. *Tax Break* also spotlights EAs in the news, highlighting enrolled agents who share their expertise in publications like *Forbes*, *Politico*, and *NerdWallet*.

This tax year is going to be one of the most dynamic in recent times. Keep your eyes open for even more benefits coming your way soon.



GET AHEAD AND GET RESOURCES AT WWW.NAEA.ORG/EDUCATION-EVENTS



Expert Notes

Thomas A. Gorczynski, EA, CTC, USTCP Senior Tax Consultant, Gorczynski & Associates, LLC

When the IRS added the de minimis safe harbor (DMSH) election to the repair and capitalization regulations, practitioners rejoiced. Use of this election allows our clients to immediately expense small asset purchases provided that the asset cost is \$2,500 or less (\$5,000 if the business has an applicable financial statement) and the asset cost is reflected as an expense on the books as required by the business's accounting procedures.

However, thanks to the Tax Cuts and Jobs Act (TCJA), we need to rethink our use of the DMSH to expense small asset purchases. One hundred percent bonus depreciation now provides, in most circumstances, a superior outcome for assets that the taxpayer can fully expense under either method.

Let me give you three reasons why you should consider 100 percent bonus depreciation instead of the DMSH:

1. When a client sells property expensed under the DMSH, the proceeds are entirely ordinary income and subject to self-employment tax, if applicable. If expensed with 100 percent bonus depreciation, the proceeds are ordinary income to extent of depreciation recapture and any remainder is §1231 gain (generally capital gain); however, the proceeds are not subject to self-employment tax.

2. The DMSH requires an affirmative election with a required election statement that must be attached to the tax return, while 100 percent bonus depreciation is the default method unless your client elects out of it. Did you always attach the required DMSH election to each and every tax return? In my experience, many practitioners miss this requirement.

3. Under §199A (our new favorite tax law provision!), part of the calculation uses the business's unadjusted basis in assets (UBIA) to determine the deduction amount. UBIA does not include property expensed under the DMSH but does include property expensed with 100 percent bonus depreciation.

Let's look at a §199A example. For a sole proprietorship that is not a specified service trade or business whose owner is over the taxable income threshold, the §199A deduction cannot exceed 2.5 percent of UBIA. If the DMSH is used to expense all of the business property, then the §199A deduction is \$0.

You're probably wondering why I neglected to mention §179 expensing, which the TCJA also enhanced in several ways. For small assets eligible for the DMSH, §179 generally provides the same outcome as 100 percent bonus depreciation while avoiding the §179 recapture rule, which triggers income recognition if the business use of an asset expensed under §179 falls to 50 percent or less.

When I teach a class, I always say at least once that every client has a unique situation that requires an individual analysis. With this caveat, it is safe to say that 100 percent bonus depreciation should be your default expensing strategy for small assets until 2023, when bonus depreciation decreases to 80 percent under its currently scheduled phase-out.

Thomas A. Gorczynski, EA, CTC, USTCP, is a senior tax consultant at Gorczynski & Associates, LLC in Phoenix, AZ. He is a certified tax coach, National Tax Practice Institute™ (NTPI®) Fellow®, and admitted to practice before the United States Tax Court. He is a nationally-known instructor and technical writer on tax law and co-owner of Compass Tax Educators, which provides cutting-edge online education for tax professionals. Please contact him at tom@gorczyński.tax.

EA Salaries

Entry level EAs make **\$37,500**, Welker (2018), but do not necessarily need a degree; you can work for the IRS for five years and/or pass the Special Enrollment Exam, see www.naea.org/educating-america/becoming-enrolled-agent-faqs.

Auditors, the best paid tax professionals, make an average of **\$75,000** a year and are projected to see **11% salary growth**.



July 31 – August 2, 2019

2019 NAEA National Conference featuring NTPI®

The Cosmopolitan of Las Vegas

Registration opens in March 2019!

VEGAS