NP

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# What’s trending on NP Trusts & Estates

**The IRS has set the standard mileage rate for 2020,** New York State has increased the small estate threshold, how to avoid email phishing scams and more. Here’s what’s trending in estate planning and wealth management.

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## *IRS standard mileage rate for 2020*

As of January 1, 2020, the Internal Revenue Service (IRS) standard mileage rates for cars, vans, pickups and panel trucks will be:

- 57.5¢ per mile for business travel purposes
- 17¢ per mile for medical or moving purposes
- 14¢ per mile for charitable purposes

The business, medical and moving rates decreased from the 2019 standard mileage rates while the charitable rate remained the same.

Careful mileage records should be kept, which include the date, miles driven, start and end location and how the travel related to one of the categories above. *–Alyson L. Stevenson*

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## *Quick Lesson about Required Minimum Distributions*

Your retirement accounts cannot just sit there indefinitely. You must withdraw a required minimum distribution (RMD) from your retirement account(s) each year, and Uncle Sam wants the tax dollars that are generated from taking these distributions. (Of course, you can take out more if you wish.)

**When must someone begin taking distributions?**

Individuals must begin taking distributions:

- From an individual retirement account (IRA), which includes traditional IRAs, Simplified Employee Pension (SEP) IRAs or Savings Incentive Match Plan for Employees (SIMPLE)

IRAs, when the individual reaches age 72 (or for persons who reached 70 ½ before December 31, 2019, 70½).
- From qualified employer retirement plans, which include 401k plans, 403b plans or defined contribution plans, when the individual reaches age 72 (or for persons who reached 70 ½ before December 31, 2019, 70½) or if later, the year of the individual's retirement.
    - Exceptions apply to more than 5% owners of the business.

**When do distributions have to take place?**

Distributions from retirement plans are required as follows:

- The first distribution from an IRA must take place by April 1 following the year you reach 72 (or for persons who reached 70 ½ before December 31, 2019, 70½).

- The first distribution from an employer plan must take place by April 1 following the year you reach 72 (or for persons who reached 70 ½ before December 31, 2019, 70½) or if later, the year the individual retires.

- Subsequent distributions must take place by December 31 of each year. If you wait until April 1 following the year you turn 72 (or for persons who reached 70 ½ before December 31, 2019, 70½) to take first distribution, then you will have to take your current year (i.e., second) distribution by December 31 of the same year.

**How are the amounts calculated?**

The RMD is determined for each taxpayer individually by:

- Determining the fair market value of all retirement accounts as of December 31 of the preceding year.

- Finding the factor corresponding to your age in the current year using the Uniform Lifetime Table.

- Dividing the total fair market value for all retirement accounts by the factor.

**How can distributions be taken?**

The RMD for a given type of retirement account can be:

- Distributed from one or multiple accounts. An RMD for a qualified retirement plan must be calculated separately for each such plan and the distribution must be withdrawn from such plan.
- Multiple distributions occurring throughout the year, as long as the full RMD is distributed by December 31. –*Alyson L. Stevenson*

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## *IRS Debuts New Form 1040-SR for Seniors*

The IRS is introducing a new Form 1040 form designed specifically for seniors age 65 and older. The final version of the new form will be posted on the agency's website before the end of the year and be available to use for the 2019 tax year.

The Form 1040-SR uses large print and some of the shading around boxes has been removed, making the form brighter and easier to read. In addition, lines for senior-specific sources of income such as Social Security benefits, IRA distributions, pensions and annuities are shown on the first page of the form. The Standard Deduction chart is also included on the form.

One sign of today's economic reality is that seniors will continue to be able to take a child tax credit if they are still taking care of a “dependent child” or grandchild.

The two-page tax form, however, is not available to those who itemize deductions and small business owners and people with investment income will still need to use the standard Form 1040. *–Jo-Ann Martin*

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### *New York State increases small estate threshold to $50,000*

On November 25, 2019, New York State approved an amendment to SCPA §1301 that increased the threshold for small estates to $50,000.

Small estates qualify for an informal, simplified proceeding with the Surrogate’s Court, known as a Voluntary Administration. Real estate, no matter its value, cannot be administered under a Voluntary Administration.

However, a surviving spouse and/or children under age 21 are entitled to certain amounts, known as exempt property, which do not count toward the $50,000 threshold. Therefore, an estate worth over $50,000 may still qualify for a Voluntary Administration proceeding.

You should consult an estate attorney to guide you as to the proper procedures for estate administration. *–Nicole A. Place*

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### *Avoid email phishing scams*

Cybercriminals use phishing emails to trick individuals into clicking on a link or email attachment embedded with malware in order to gain access to sensitive information, passwords, or banking or credit card details.

Spear phishing emails are highly targeted and only sent to specific individuals, often using information from the internet to make the emails look personal and legitimate. For example, the email would appear to come from a known employee within the company, but the email address reveals that it was sent from an external source.

Clone phishing is a type of attack where a legitimate email is cloned and then resent from a lookalike address with altered links or email attachments with some malicious ones.

Another method is the use of ransomware. Thieves encrypt data so the data is not available and demand a ransom in return for a code to unencrypt the data. The FBI warns victims not to pay the ransom because thieves often do not provide the code.

Scammers have improved their tactics and their emails look very realistic. In the past it was easy to recognize scam emails due to poor grammar and spelling mistakes. Also the addresses from which they are sent are very hard to visually distinguish from those of recognized companies.

Scammers know and improve their tactics to use human weaknesses: the will to please superiors, fear of breaking the rules, and curiosity. Cleverly playing on these weaknesses, cybercriminals try to make people act before they think.

Educate yourself on email phishing scams and learn to recognize and avoid phishing emails, threatening calls and texts from thieves posing as legitimate organizations such as your bank, credit card company and even the IRS. Do not click on links or download attachments from unknown or suspicious emails.

The Security Summit recommends several steps to protect against data theft:

1. Use separate personal and business email accounts using strong passwords.

2. Install anti-phishing tools that may be included in security software products.

3. Use security software to protect systems from malware and scan emails for viruses.

4. Never open or download attachments from unknown senders.

5. Send only password-protected and encrypted documents.

6. Do not respond to suspicious or unknown emails. If IRS-related, the IRS encourages users to forward to phishing@irs.gov. *–Elena N. O'Leary, CPA*

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## *Taxpayers who donate to charity should check out these resources*

There are various ways one can contribute to charity and also various limits and benefits of doing so.

**What charities qualify?**

In order to deduct charitable contributions, the recipient charity must be a qualified organization under IRS rules. Accordingly, a taxpayer needs to make sure that the organization of choice is a 501c(3) public charity or private foundation. Publication 78 Data on the IRS website has a list of organizations eligible to receive tax-deductible charitable contributions.

**When can a taxpayer deduct charitable contributions?**

A taxpayer can only get a tax benefit from claiming charitable contributions if the taxpayer elects to itemize deductions on the federal income tax return.

Generally, a taxpayer would itemize if the combined total of the deductions, which include mortgage interest, state and local tax, charitable donations, medical and dental expenses, exceed the standard deduction (single $12,200; married filing jointly $24,400; head of household $18,350 in 2019).

**What are the deduction limitations, valuation and record keeping rules?**

Each of the deduction categories listed above has different requirements and limitations on the amount a taxpayer can deduct. The instructions to Schedule A, Itemized Deductions, offers line-by-line directions for taxpayers.

IRS Publication 526, Charitable Contributions explains how much taxpayers can deduct, what records to keep and how to report contributions. It also goes over special rules that apply to donations of certain types of property such as automobiles, inventory and investments that have appreciated in value.

IRS Publication 561, Determining the Value of Donated Property helps to determine the value and thus amount of tax deduction. Generally, you can deduct the fair market value of donated property. If combined value of the donated property exceeds $500, taxpayers must file Form 8283, Noncash Charitable Contributions. The instructions for this form help you complete it.

**Additional charitable options for taxpayers over 70 ½**

Please note that taxpayers age 70 ½ and older can make a qualified charitable distribution (QCD) from their IRA directly to an eligible charity. Amounts distributed as a QCD can be counted toward satisfying your RMD (required minimum distribution) for the year, up to $100,000, and can also be excluded from your taxable income. This is not the case with a regular withdrawal from an IRA, even if you use the money to make a charitable contribution later on. *–Elena N. O'Leary, CPA*

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