

# **YOUR GUIDE TO 2020 TAX SEASON**

A person wearing a blue striped shirt is sitting at a desk, focused on their work. They are holding a pen in their right hand and using a calculator with their left hand. The desk is cluttered with papers, a smartphone, and a clipboard. The background is softly blurred, showing a warm, indoor setting with bokeh light effects.

**Money saving activities**

**Calls from the IRS are often a scam**

**New W-4 forms**

# STRUGGLING WITH BACK TAXES?

## Here are the best tax relief services



**STEPH COELHO**  
BestReviews

If you're the type of person who cringes at the mention of tax season, you're not alone. There are many people just like you who are struggling to pay back taxes to the IRS. Enlisting a tax relief service can help you face the problem with help from professionals and prevent further debt and fines.

Tax services all have the same aim — to negotiate with the IRS and help you settle your tax debt — but they vary in their fees, specialties, and professional staff.

To learn more about tax relief services, continue reading our buying guide. Our favorite service, Anthem Tax Services, is a trusted name in the industry and is a favorite among customers.

### Considerations when choosing tax relief services

#### What does a tax relief service do?

Regardless of the reason you have incurred tax debt, it's vital that you deal with the issue head-on to prevent further problems. A tax relief service will help you avoid severe repercussions, including:

- Penalties and interest incurred as a result of not paying taxes, which may lead to further tax debt;
- wage garnishment;
- property liens that are only lifted once payments are made;
- property seizure as a result of unpaid taxes.

#### Services provided

A tax relief service is capable of provid-

ing the following to help you solve your tax debt issue:

■ **Help structure a reasonable payment plan:** Tax relief services work in tandem with the IRS to lay out a payment plan that works within the limitations of a client's income and available resources. Penalties and interest, however, will continue to apply.

■ **Remove the threat of liens and levies:** With a structured payment plan in place, the IRS is more likely to release you from the risk of property seizure.

■ **Eliminate the threat of wage garnishment:** Once an established payment plan is in place, wage garnishment may cease.

■ **Reduce penalties:** Depending on an individual's situation, a tax relief service can help to limit or altogether remove as-

sociated back tax penalties.

■ **Lower the amount of back taxes owed:** Certain situations may call for a reduction in money owed to the IRS. Individuals who can prove their inability to pay back any amount in back taxes may be eligible for an Offer in Compromise, which drastically limits or reduces any amount owed.

#### Features

■ **Tax experts:** A reputable tax relief service has a knowledgeable and experienced staff consisting of licensed enrolled agents (EAs), tax attorneys and certified public accountants (CPAs). Always verify the credentials of a tax relief service's staff before signing a contract.

■ **Accessibility:** Opt for a tax relief service that's available 24/7 so there's

always someone ready to answer your questions and address your concerns. Be aware, however, that handling a tax debt situation may take time. Patience is required, especially for complex cases.

**Fees:** Tax relief services may vary in their fees for negotiating your tax situation. In many cases, the fees may be as low as a few hundred dollars – but this depends on your personal tax situation and the relief service’s policies. Many companies offer consultations at no cost to you. This is a great way to get a better sense of what a company will offer you and how much working with them

will cost.

**Price:** The overall cost of a tax relief service depends entirely on the severity of your particular tax debt situation. The larger the amount owed, the more you’ll pay to have the issue handled by informed and experienced individuals. The average tax relief service costs between \$1,500 and \$5,000. Be prepared to ask questions during your initial consultation and provide as much information about your unique situation as you can. A well-informed tax relief professional is better able to provide you with cost estimates and a clear outline of potential outcomes.

## FAQ

**Q. If I use a tax relief service, is there a guarantee that my debt will be resolved?**

**A.** No. The IRS may not offer an installment agreement. There’s no guarantee that you’ll be off the hook for back taxes when dealing with a tax relief service.

**Q. Do I need to meet a certain threshold to hire a tax relief service?**

**A.** The qualifying amount differs from company to company, but typically a minimum of \$10,000 in debt is required.

## Tax relief services we recommend

**Best of the best:** Anthem Tax Services

- **Our take:** A reputable, high-quality tax relief service with decades of experience handling cases. Consistent positive reviews from customers.
- **What we like:** Staffed by experienced professionals. The company offers potential clients a free quote along with a money-back guarantee.
- **What we dislike:** Pricing estimates are not necessarily reliable.

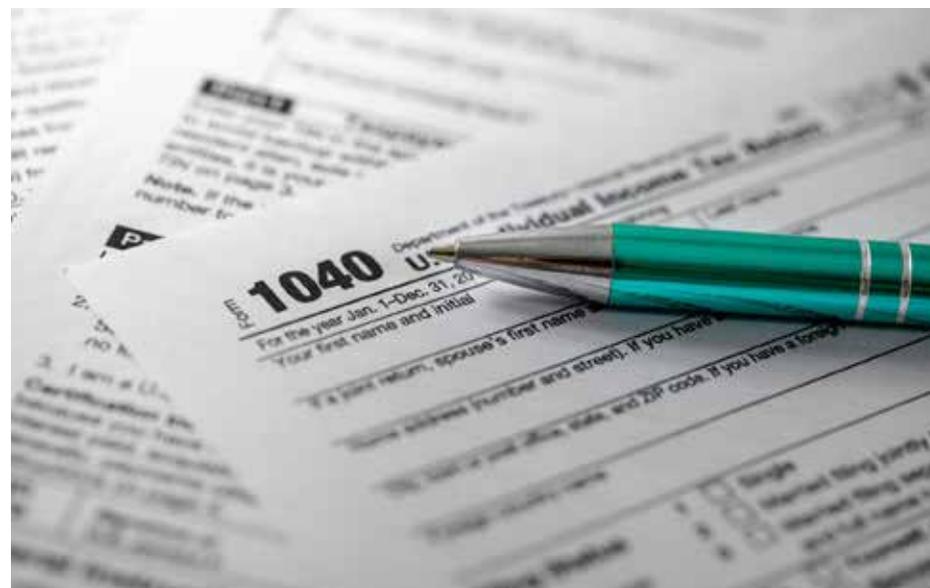
**Best bang for your buck:** Community Tax Tax Relief

- **Our take:** An affordable service staffed by capable professionals.
- **What we like:** Handles a wide range of tax-related issues. Free consultation available. Responsive service.
- **What we dislike:** You may be assigned a variety of specialists throughout your case. No up-front pricing available.

**Honorable mention:** Larson Tax Relief

- **Our take:** An emergency tax relief service for individuals and businesses with significant tax debt.
- **What we like:** Specializes in a few key areas, including businesses and wage garnishments. Excellent customer service. Staffed by licensed professionals.
- **What we dislike:** Minimum \$20,000 tax debt requirement.

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DREAMSTIME

A new 1040-SR is based on the regular Form 1040.

# NEW TAX FORM created just for seniors

**RACHEL L. SHEEDY**  
Kiplinger’s Personal Finance

**A** new Form 1040 tailored to taxpayers 65 and older is making its debut. In mid-July, the IRS released a draft form of the 1040-SR, “U.S. Tax Return for Seniors.”

The form is designed to be easy for seniors to use and highlights retirement income streams and other tax benefits for older taxpayers. People 65 and older have the option of using the final version of the form to file their 2019 tax returns.

The 1040-SR is based on the regular 1040, and the IRS says it uses all the same schedules, instructions and attachments. Older taxpayers who use tax software to file are unlikely to even notice a change.

But taxpayers who still file by paper will see a new form modified for aging eyes. The font is bigger to make the text easier to read. The shading in boxes on the regular 1040 has been removed to improve the contrast and increase legibility.

The IRS presented an overview of the new form, which was created by the 2018 Bipartisan Budget Act, at the IRS Nationwide Tax Forum in National Harbor, Maryland, in early July. The agency says it consulted AARP during the form’s development. “AARP supported the development

of the simpler 1040-SR tax form since most seniors could not use the 1040-EZ due to their different sources of income,” said David Certner, AARP legislative counsel.

A key feature of the 1040-SR is the addition of a standard deduction chart, said Darren Hamilton, an official in the agency’s forms and publications division who presented information about the new form at the tax forum held in Maryland. The form lists the standard deduction amounts that taxpayers age 65 and older qualify for, “so seniors don’t have to hunt for it,” said Hamilton. The chart makes it simpler for seniors to take advantage of the higher standard deduction for which they are eligible. But seniors who still itemize deductions can also use the form.

The form has lines for specific retirement income streams, such as Social Security benefits and IRA distributions. But the IRS says you don’t have to be retired to use the form; older workers can use it, too.

Find the draft 1040-SR at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms).

Rachel L. Sheedy is editor at Kiplinger’s Personal Finance magazine. Send your questions and comments to [moneypower@kiplinger.com](mailto:moneypower@kiplinger.com). And for more on this and similar money topics, visit [kiplinger.com](https://www.kiplinger.com). Distributed by Tribune Content Agency, LLC.

# THINGS TO KNOW

## about the 2019 tax year

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**E**ach year, the Internal Revenue Service updates, or indexes, the annual inflation adjustments for a number of provisions for the tax year, including tax rate schedules, tax tables and cost-of-living adjustments for certain tax items.

Your return for 2019, which will be due on April 15, 2020, will feature the same lower tax rates for 2018 which were created by the Tax Cuts and Jobs Act of 2017.

Another change, noted by the financial experts at Kiplinger, the personal financial advice firm, is the method used to adjust tax brackets for inflation. Tax brackets were previously adjusted based on the Consumer Price Index, the variation in prices paid by typical consumers for retail goods and other items. But some economists thought the formula failed to account fully for changes in spending as prices rise.

Subsequently, the so-called “chained index” has come into play for 2019 adjustments. Chained indexing should result in lower inflation adjustments and could result in a higher tax bracket. The bottom line: If your income rises faster than inflation, you pay more taxes.

Other changes include the elimination of the individual mandate penalty for the Affordable Care Act, a higher medical expense deduction threshold, no alimony deduction and higher retirement account and HSA contribution limits.

### Standard deductions

Below is information on standard deductions for the 2019 tax year, according to the IRS, which have risen slightly over last year:

- The standard deduction for single taxpayers is \$12,200.
- For married couples filing jointly, the standard deduction is \$24,400.
- For married couples filing separately, the standard deduction is \$12,200.
- For heads of households, the standard deduction is \$18,350.
- People over age 65 or who are blind get a bigger standard deduction.

### Other Credits

There are a host of changes to credits affected by your life situation. Here are a few of the most notable from the personal finance website NerdWallet and the IRS:

- **Earned Income Tax Credit:** This credit can get you between \$529 and \$6,557 in 2019 depending on how many kids you have, your marital status and if your adjusted gross income is less than about \$56,000.

### ■ Child and Dependent Care

**Credit:** Deduct 20%-35% of up to \$3,000 of day care and similar costs for a child under 13, an incapacitated spouse or parent, or another dependent so you can work — and up to \$6,000 of expenses for two or more dependents.

■ **Adoption Credit:** For 2019, this credit covers up to \$14,080 in adoption costs per child.

### ■ Student Loan Interest

**Deduction:** Deduct up to \$2,500 from your taxable income if you paid interest on your student loans.

### ■ American Opportunity Tax

**Credit:** This lets you claim all of the first \$2,000 you spent on tuition, books, equipment and school fees — but not living expenses or transportation — plus 25% of the next \$2,000, for a total of \$2,500.



# SUMMER ACTIVITIES

## could save you money

### GREEN SHOOT MEDIA

**D**id you know that some of your summertime activities, pursuits and investments can result in tax credits and deductions?

If you volunteered, worked a summer job or sent your kids to day camp over the summer, the IRS allows certain deductions and credits for all these common activities. Of course, if you purchased a home or got married, these big life events also can trigger tax changes. Here's a noncomprehensive list from the IRS:

- **Marriage:** If you were married last summer, you might miss tax-related notices from the IRS if you don't update your name change to the Social Security Administration before April 15.
- **Summer camp rebates:** You can't claim overnight camps, but summer day camps could count as day care under the Child and Dependent Care Credit.
- **Summer jobs:** If you took on part-time work or a summer job, your employer is required to issue you a W-2 – unless you worked as a freelancer or part-time contractor; then you must report your own earnings. Knowing your status – employee or contractor – can help you at tax time.

## Itemizing

- Because of the larger personal exemption enacted as a result of the Tax Cuts and Jobs Act of 2017, many people are forgoing itemizing. But for certain filers, itemizing can result in several deductions, according to the IRS. Here's just a few for those who itemize:
  - **Homebuyers:** New homeowners buying after Dec. 15, 2017, can only deduct mortgage interest they pay on a total of \$750,000, or \$375,000 if married filing separately, in qualifying debt for a first and second home. For existing mortgages if the loan originated on or before Dec. 15, 2017, taxpayers continue to deduct interest on a total of \$1 million in qualifying debt secured by first and second homes.
  - **Donations:** Those long-unused items in good condition found during a summer cleaning and donated to a qualified charity may qualify for a tax deduction. Taxpayers must itemize deductions to deduct charitable contributions and have proof of all donations.
  - **Volunteering:** Driving a personal vehicle while donating services on a trip sponsored by a qualified charity could qualify for a tax break. Itemizers can deduct 14 cents per mile for charitable mileage driven in 2019.
  - **Summer work:** Although workers may not have earned enough money from a summer job to require filing a tax return, they may still want to file when tax time comes around. It is essential to file a return to get a refund of any income tax withheld. There is no penalty for filing a late return for those receiving refunds, however, by law, a return must be filed within three years to get the refund.

- **Withholding:** Newlyweds, summertime workers, homeowners and every taxpayer in between should take some time to check their tax withholding to make sure they are paying the right amount of tax as they earn it throughout the year. A withholding calculator on [irs.gov](https://www.irs.gov) helps employees estimate their income tax, credits, adjustments and deductions and determine whether they need to adjust their withholding by submitting a new Form W-4, Employee's Withholding Allowance Certificate. Taxpayers should remember that, if needed, they should submit their new W-4 to their employer, not the IRS.
- In addition to these tips, taxpayers should visit [irs.com](https://www.irs.gov) for the full schedule of deductions and credits that may be available to them.

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# Can you DEFER TOO MUCH TAXABLE INCOME?

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It sounds unlikely, but it's possible you can defer too much taxable income.

Deferring your individual or small business income tax is usually a good idea since it gives you more cash and room to breathe before paying. And because most will land in the same or a lower tax bracket in subsequent years, that income would generally be taxed at lower rates.

There are many opportunities for both individuals and businesses to defer taxable income. Individuals can prepay expenses and arrange for installment sales or property of like-kind exchanges of real estate, according to the financial news website MarketWatch.

Small business owners have more options, including prepaying deductible expenses at year's end. Late-year invoices in this case will go unpaid until the next year. The Tax Cuts and Jobs Act also provides generous first-year depreciation allowances. And you can make deductible contributions to retirement plans, among other opportunities.

However, think twice about deferments as you could wind up with too much deferral, especially if put off beyond 2020. How?

Tax rates for 2020 will likely remain the same as 2019, but individual cuts could be in jeopardy after next year. Scheduled to remain in place through 2025, those rate cuts could be jettisoned if another political party takes over — and probably would be if they win the White House, according to MarketWatch, especially for wealthier individuals.

Now's the time to sit down with your CPA or tax adviser to consider your potential liability should those rates rise after 2020, especially for business income.

One area to keep a close eye on is qualified business income, or QBI. The TCJA created a new 20% personal deduction for QBI from such entities as sole proprietorships or partnerships, among others, known as pass-through entities. But the deduction can't go beyond 20% of personal taxable income, as figured prior to taking a QBI deduction or before net capital gains.

This is where too much deferral comes in: Taking those first-year depreciations or deductibles could potentially lower your QBI deduction. Unlike most deferrable tax income, QBI deductions are permanent. But because of political uncertainty, those moves may reduce QBI deductions should the presidency or Congress change hands.

This is just another example of how your CPA or tax professional can save you money year-round by helping you keep abreast of potential pitfalls in your tax strategy that might mean higher tax rates down the line.

Stay tuned and keep your eyes on Washington — and your taxes.



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## 2019 TAX RATES

Tax Bracket	Single	Married Filing Jointly	Head of household
10% tax bracket	Up to \$9,700	Up to \$19,400	Up to \$13,850
Beginning of 12% bracket	\$9,701	\$19,401	\$13,851
Beginning of 22% bracket	\$39,476	\$79,851	\$52,851
Beginning of 24% bracket	\$84,201	\$168,401	\$84,201
Beginning of 32% bracket	\$160,726	\$321,451	\$160,701
Beginning of 35% bracket	\$204,101	\$408,201	\$204,101
Beginning of 37% bracket	\$510,301	\$612,351	\$510,201



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# Self-employment creates tax challenges

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**D**o you own a small business, perform a service for a living, or work as a freelancer or contractor in an industry such as ride-sharing service? If so, you're one of 24 million Americans who are self-employed.

While the self-employed enjoy certain freedoms many other workers do not — such as working remotely, setting their own hours and being their own boss — they also must deal with the tax challenges for income that comes to them without taxes and deductions withheld. The self-employment tax accounts for Social Security and Medicaid deductions and is paid for by individuals using the 1040

form Schedule SE, either with annual or quarterly payments.

Self-employed persons often say they are “double taxed,” by which they mean they take on the burden of paying for Social Security, Medicare and Medicaid taxes normally paid partially by employers. Traditionally, employers pay 6.2% of the Social Security tax, with the employee paying the remaining 6.2%, plus 1.45% for Medicaid. With an employer payment, the entire tax 12.4% falls on the self-employed.

But who is classified as self-employed? The IRS uses the following criteria. You are self-employed if you are:

- An independent contractor or sole proprietor of a business;

- part of a partnership of a business or trade;

- in what the IRS calls “other business” in some capacity, or part-time;

- made \$400 or more in net earnings from self-employment, or \$108.28 or more for church employee income; or

- spouses in joint ventures.

## Self-employment tax deductions

The self-employed are also unique in their available deductions, the largest of which is the ability to subtract half of the self-employment tax. The Tax Cuts and Jobs Act of 2017 also did away with some cuts and deductions for the self-employed, but several still remain.

For home workers, the IRS allows a

home-office deduction that also includes property taxes, insurance and utilities, among other expenses. Other deductions include a 20% deduction for pass-through entities, which excludes some of your income from taxes, and health care premiums.

Business expenses such as cellphone and internet service, office supplies, software and computers are also deductible, as are advertising expenses, websites and business travel.

These deductions help ease the burden on the self-employed but the best advice to lessen the blow is to pay taxes quarterly. Otherwise, annual penalties for some self-employed individuals can be levied come April 15.



# Your guide to surviving an **AUDIT**

## GREEN SHOOT MEDIA

**T**he idea of being audited strikes fear and loathing in the hearts of taxpayers. But before you begin to hyperventilate, take solace in the fact that only 0.6% of all individual income tax returns were recently audited, according to the IRS.

But that low figure is not a license to fudge numbers or take deductions and credits for which you do not qualify. These actions raise red flags that can trigger an audit. And you can almost expect the IRS to contact you if it finds discrepancies in your returns.

While stressful, most taxpayers who receive notice of an audit can survive the process. Unless you've done something wildly out of bounds, according to tax experts, an audit will result in one of three outcomes:

- You'll owe money.

- They'll owe you money.
- There's no problem.

## IRS audit do's and don'ts

The IRS conducts three types of audits that can generally review your taxes for the previous three years, although longer under special circumstances. These include a correspondence audit, conducted in writing; an office audit, in which you'll meet with an auditor at an IRS office; and a field audit, during which an auditor could come to your home or business.

Don't be fooled. The IRS will not call you to initiate an audit. You'll receive notice in writing. If you do receive a call, you're likely being targeted by a scam. The same goes for email, texts and threats of jail time.

Don't ignore it. An audit isn't going to disappear because you slide that notice into a desk drawer. In fact, it may get worse,

resulting in penalties and more taxes and fees the longer you delay.

Be direct. Take a page from the advice attorneys give witnesses — answer only the questions you're asked. Protect your interests by being direct, but refrain from providing too much information if it's not specifically sought.

## Need help?

If you've used a tax professional to prepare your taxes, they should be present for any audit or can represent you without your presence. Tax-filing software companies often offer audit defense as part of packages and will offer assistance in the event of an audit.

In the end, it pays to be prepared and to know your rights. Keep all of your records and documentation in order and educate yourself on the process. You have a right to professional treatment, representation and an appeal in case the audit doesn't go your way.

# MISS A YEAR?

## Here's how you can file back taxes

### GREEN SHOOT MEDIA

**I**t seems like it might be an intentional act — and it often is — but failing to file a tax return happens in other circumstances, too.

Intentional or not, the obligation never goes away and interest and penalties pile up as time goes by.

For most people, paying taxes is not exactly cause for rejoicing but it is a responsibility. For the record, the IRS requires you to file in each year that your income is greater than your standard deduction, plus one exemption if you are not the dependent of another taxpayer. If you are filing back taxes, you must use the forms and deductions for those years to avoid overpaying or underpaying.

If you are among those who did not file, catching up might not be hard as it seems. The tax-filing software company TurboTax offered these tips for filing back taxes.

### Collect income information

If you've neglected to file for multiple years, gathering information about your income might be difficult. Nevertheless, if you are missing a W-2 or 1099, your employer may be able to provide copies. You can also request a substitute from the IRS by filing Form 4852, which is available for download at [irs.gov](https://www.irs.gov).

You must also report the sale of capital assets, such as stocks, but you can put the brakes on penalties and interest by estimating your income and making a payment until you receive a W-2 or 1099.



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### Determine deductions

As with any tax filing, you can reduce your bill by claiming deductions as you normally would. Just be sure to have documentation if you plan to itemize. If not, claim the standard deduction, as well as deductions for any eligible dependents in the year or years you did not file.

### Obtain the proper forms

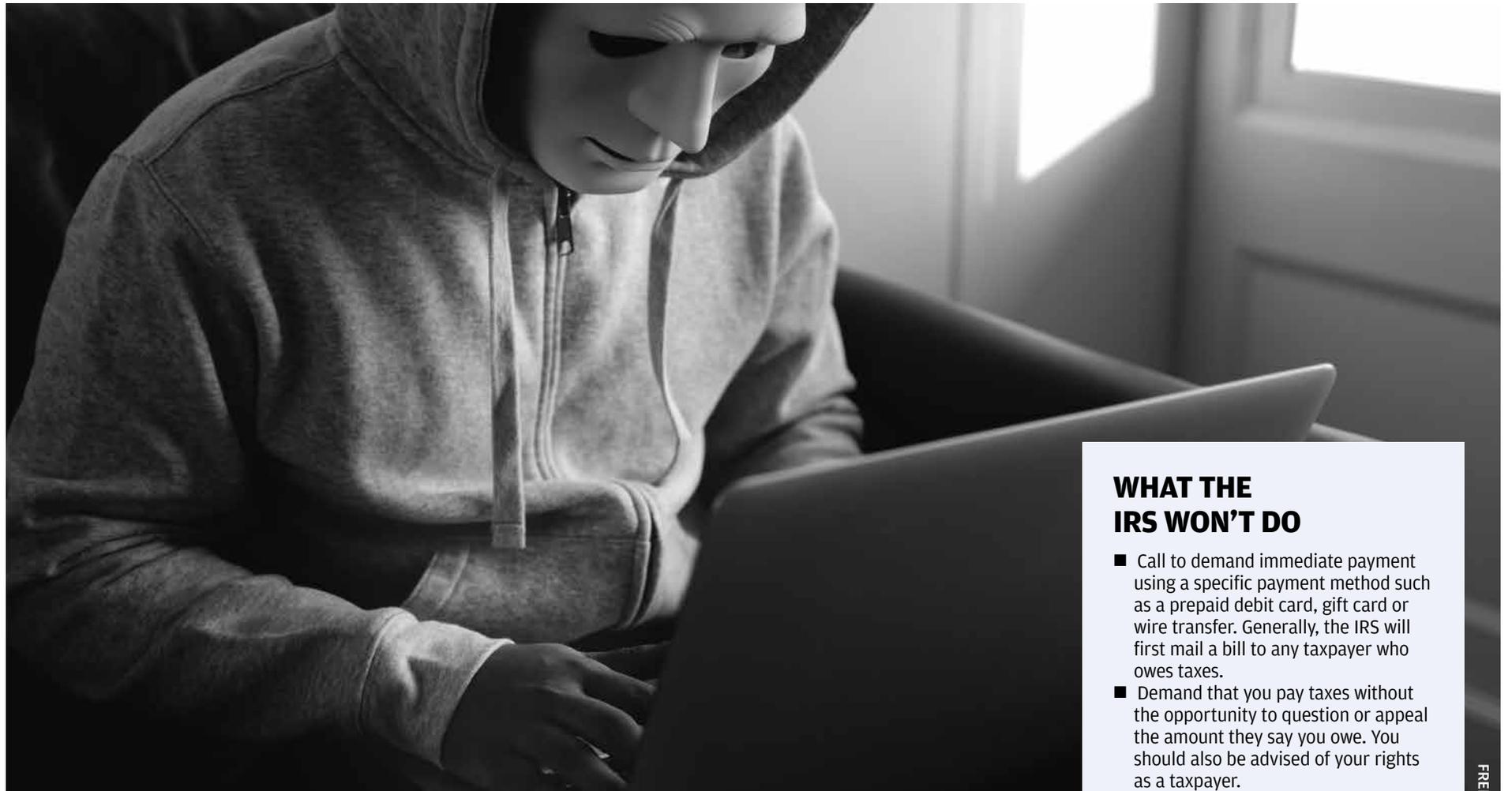
When you've gathered your information and documents, you must file using forms for the year or years you missed. Fortunately, the IRS maintains forms for previous years, either on their website at [irs.gov](https://www.irs.gov) or by mail. Forms are also available on some tax-prep software sites.

### Complete tax forms

One reason for using the original forms is that tax law changes annually, so those specific forms contain the applicable instructions for the tax year you are filing. If you use the wrong forms, you may underpay or overpay.

### Mail or e-file your return

When your back taxes are complete, you can either mail or e-file your forms and supporting documents according to instructions, just as you normally would. Once you're done, your pocketbook may be lighter but you'll stop accruing penalties and interest that can make a bad situation worse.



# GET A CALL OR EMAIL FROM THE IRS? IT'S MOST LIKELY A SCAM

## GREEN SHOOT MEDIA

**T**hey arrive in your email inbox and via the U.S. mail, by robocalls or texts on your phone; sometimes scammers even show up in person. These are the routes in which tax scams find their way to you. And while most know better, many don't.

First, know the rules: The IRS doesn't conduct official business using email, nor will representatives call you (in most cases). The IRS initiates most contacts through regular mail delivered by the United States Postal Service.

Unless you have an overdue tax bill,

have a delinquent return or employment tax payment, or tour a business as part of an audit or investigation, the IRS won't call or visit. And when they do, they'll issue official notices through the mail beforehand.

But scammers prey on taxpayers' fears and insecurities, and some will fall for the scheme. Scam artists work year-round, according to the IRS, flooding email inboxes with phishing scams and robocalls that seem authentic enough that some lose money.

### New scams uncovered

Recently, the IRS warned taxpayers involving two new twists on tax scams

involving Social Security numbers and threats from a fictional government agency.

In the first instance, scammers claim they will suspend or cancel the victim's Social Security number, a common fear tactic in which con artists mention overdue taxes and use these false threats to fleece people.

The second new scam involves the scammer sending a letter threatening a lien or levy. The letter is from a fake agency called the "Bureau of Tax Enforcement, which doesn't exist according to the IRS. But it also references the IRS, which may cause the recipient into believing the letter is authentic.

## WHAT THE IRS WON'T DO

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail a bill to any taxpayer who owes taxes.
- Demand that you pay taxes without the opportunity to question or appeal the amount they say you owe. You should also be advised of your rights as a taxpayer.
- Threaten to bring in local police, immigration officers or other law enforcement to have you arrested for not paying. The IRS also cannot revoke your driver's license, business licenses or immigration status. Threats like these are common tactics scam artists use to trick victims into buying into their schemes.

### If you receive any of these threats, here's what you should do:

- Contact the U.S. Treasury Inspector General for Tax Administration to report a phone scam. Use their "IRS Impersonation Scam Reporting" web page. You can also call 800-366-4484.
- Report phone scams to the Federal Trade Commission. Use the "FTC Complaint Assistant" on [ftc.gov](http://ftc.gov). Please add "IRS Telephone Scam" in the notes.
- You also should report an unsolicited email claiming to be from the IRS, or an IRS-related component like the Electronic Federal Tax Payment System. Contact the IRS at [phishing@irs.gov](mailto:phishing@irs.gov).

# WHICH VERSION OF TURBOTAX SOFTWARE IS RIGHT FOR YOU?

SIAN BABISH | BestReviews

Students, homeowners and entrepreneurs all share one thing in common: They have to file their taxes. To make the job easy, many turn to Intuit's user-friendly TurboTax software.

TurboTax utilizes a combination of question-and-answer sections and fill-in-the-blanks. Provided you're accurate and honest with your information, filing is simple. Since TurboTax covers both state and federal filings, it's essentially one-stop software.

With tax upon us, we've put together this TurboTax software buying guide to help you find the best one for your needs. We're including our top pick, the Intuit TurboTax Deluxe + State 2019 Tax Software PC/Mac Disc, which guides homeowners through deductions.

## Considerations when choosing TurboTax software

■ **User-friendly:** Let's face it: filing taxes can be complicated and intimidating. TurboTax uncomplicates the process by explaining tax lingo in plain language. The software seamlessly guides you through sections in a frustration-free way. You can even save your progress and return to it later.

■ **Expert help:** TurboTax employs a interview process to obtain all the information it needs for your filing. If you feel you need more guidance that requires a detailed explanation, you can access a live TurboTax agent. This connects you to tax professionals who can help you pinpoint the right information.

■ **Easy e-filing:** With TurboTax, you can e-file instead of dealing with the headache of paperwork. Not only is it hassle-free, it often results in a much faster refund. Keep in mind there is an additional fee for some e-filings.

■ **Affordable filing:** It's often much less expensive to file with TurboTax than to go through an accountant or tax-preparation service. It also means you know the status of your filing, instead of waiting for preparation and filing to go through.

## Features

■ **Using the software:** TurboTax is step-oriented, so it's easy to pace yourself during filing. To progress through to the end, you need to satisfy each screen's questions with appropriate information. TurboTax organizes like information to help you get through sections more quickly, instead of flipping through paperwork the whole time.

■ **Final submission:** Don't worry: TurboTax catches if you're missing any

information or if something sounds incorrect. Once you finalize your filing, the software performs a cursory audit to make sure all your boxes are ticked. If you need to submit additional data, TurboTax prompts you and returns to the screen where it goes.

■ **Free trial:** When you use the online version of TurboTax, you can try it out for free. Perhaps the best part of using the online version is that through the interview process, TurboTax determines which software is best for your tax situation. If you like it enough to complete your filing, TurboTax simply deducts the fees from your refund.

■ **Price:** Basic TurboTax software for simple filings costs \$25 to \$50, but if you're a homeowner, have diverse income sources or deductions, expect to spend closer to \$100. Business owners can purchase TurboTax software with advanced capabilities starting at \$100 and above.

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## FAQ

### Q Are there any additional filing fees when I use TurboTax?

A. Yes. You can spend up to \$40 per state return, though it varies and is sometimes bundled with the software for a better price. E-filing returns (state or federal) cost approximately \$20 to \$25 apiece.

### Q I'm recently divorced/widowed and my filing is totally different this year. Will TurboTax guide me through the changes?

A. Yes, and this is where the question-and-answer platform excels the most – when it comes to changes in your financial situation or history. Make sure you have your previous year's filing on hand for comparison.

## TurboTax software we recommend

**Best of the best:** Intuit TurboTax Deluxe + State 2019 Tax Software PC/Mac Disc

■ **Our take:** Well-rounded software for those with deductions, those who own a home, and single individuals.

■ **What we like:** User-friendly to do personal taxes. Guides users through 2019 tax law changes.

■ **What we dislike:** Not all forms for 2019 changes are available.



## Best bang

### for your buck:

Intuit TurboTax Home & Business + State 2019 Tax Software PC/Mac Disc

■ **Our take:** Popular for small business owners, side hustlers, freelancers and self-employed tax filing.

■ **What we like:** Best option if you have a side business, and includes one state e-file. Automatic tax form updates.

■ **What we dislike:** Slight learning curve if it's the first year filing your extra income.



## Honorable

### mention:

Intuit TurboTax Business 2019 Tax Software PC Disc

■ **Our take:** Essential for small business owners with five or fewer employees who need an all-in-one tax software.

■ **What we like:** Can be used by LLCs, S or C corporations, and comes with live phone support.

■ **What we dislike:** Some glitches with installation if you're not using Windows 10.



BESTREVIEWS

Install TurboTax before you plan on filing taxes – it gives you peace of mind to work out any technical difficulties and get used to its dashboard.

# THE NEW W-4: WHAT FOR?

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**T**he federal government wants to make sure you pay your taxes in full and on time. So it has designed a new W-4 form to “help” you (and your employer) through the process.

It should not come as a surprise that the new form is complicated and invasive, and it even requires an online app or long worksheet to complete it properly.

No longer will you simply list the number of “allowances” (dependents) so your employer can determine the appropriate withholding. Now a complicated formula will determine how much should be withheld for taxes — not only on your salaried income, but on your side jobs, or even your spouse’s self-employment income.

You may not want your boss knowing that you freelance on the side and earn an extra \$15,000 a year, or that your spouse has an income from his or her small business or earns dividends from a trust fund. But now there’s a place on the new W-4 form to list all that income — and have the taxes for that income taken out of your paycheck.

The 2020 W-4 will be given to all new employees, and those whose tax status has changed in the past year. If you didn’t get divorced, have a child or change jobs, you won’t be required — but will be encouraged — to fill out the new form.

Alice Jacobsohn of the American Payroll Association, which is helping employers explain the new format, concedes that the new longer form can be intimidating. And, when pressed, she notes that you’re not actually required to input all that information — only to make sure you pay your taxes on time and in full. Encouraging use of the new W-4 is not an easy task — even if it will make collections simpler for the government.

The new form comes with its own long set of instructions. In step 1, you state your name, address, Social Security number and filing status (single, married, head of household). If you then skip to step 5 and just sign the form, your employer must rely on your withholding status (single, married, head of household) and can’t otherwise reduce or increase your withholding. That means you might not have accurate with-

holding, resulting in payments and possible penalties or a refund.

But steps 2-4 add more precision to the process. In step 2, you can add information about other income if you have multiple jobs or if your spouse has a job. In fact, there’s a handy online tool to help you estimate how much should be withheld if you find yourself in this position. You can find it at [irs.gov/W4App](https://irs.gov/W4App). Or you can do it yourself, with the worksheet that is part of the form.

In step 3, you can claim credit for a dependent child under age 17 as of Dec. 31. They’re worth \$2,000 each, if your income is under \$200,000 (\$400,000 married, filing jointly). That’s also where you can claim foreign tax credits and education tax credits.

Then step 4 lets you add in other adjustments, such as retirement income, stock dividends and interest — if there has been no withholding at the source. In this section, you can also ask for “extra” withholding if you want a refund when you file next year. And the worksheet and app also have a place to calculate your deductions for qualifying home mortgage interest, charitable contributions, state and local taxes (up to \$10,000), and medical expenses in excess of 10% of your income.

By now you’ve figured out that the formerly simple task of filling out your W-4 form can be as complicated as actually filing your tax return! But you can still do it the old-fashioned way. Let your employer follow IRS form instructions and withhold from your salary — and keep the rest of your income private. Then file quarterly estimates, paying taxes on your other income throughout the year.

You’ll be safe as long as you pay in at least 100% of your income tax liability from last year, or at least 90% of the current year’s estimated taxes (assuming your income is under \$150,000). Then, only the IRS will know your total family income. And you might not get a refund.

That’s the price of privacy over convenience. And that’s The Savage Truth.

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