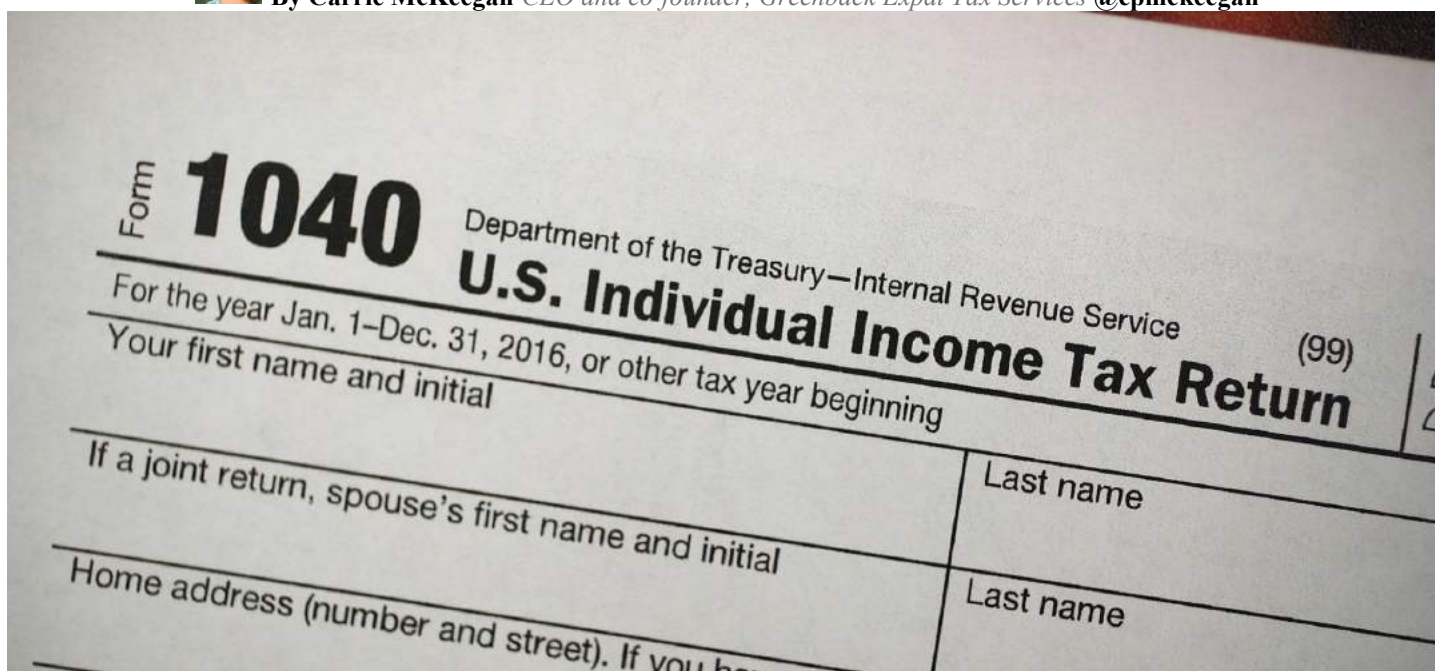


The IRS Just Made It a Lot Easier for You to Mess Up Your Taxes

Think the IRS's tax forms are too complicated? It's about to get worse.



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The postcard-sized 1040 will make matters more complicated- not easier- for most businesses.

For every business owner, when it comes to tax time, the dream is twofold. First, you want to know, with certainty and confidence that you've taken advantage of every single potential [tax deduction](#) and money-saving opportunity legally allowed. Second, you want the [tax filing process](#) to take as little time as possible, so you can focus on the real work of [running a business](#).

On Monday, the *New York Times* published a [sneak peek of the new "postcard-sized" 1040 form](#). I immediately looked it over--and my first thought was that it's looking like neither of those wishes will come true in 2019.

Here's what's changing, and how it will affect you as an entrepreneur or small business owner:

The form's short length is a facade.

[President Trump's tax reform bill](#), the Tax Cuts and Jobs Act, was widely pitched as a massive simplification of the U.S. tax system. That premise is heavily debated among tax practitioners, individuals and business owners alike.

The launch of the postcard-sized 1040 is meant to be the accompanying proof, essentially showing that the tax rules are so simple that people can limit their work to the time it takes to fill out a postcard. In reality, approximately 30 percent of individual taxpayers who previously itemized will benefit from the higher standard deduction, [according to the Tax Policy Center](#). That means 70 percent won't be able to take advantage of the smaller form.

This will most likely only benefit individuals who are employees with limited sources of income, few or no deductions and overall very simple tax returns. For everyone else, the situation may become much more complicated because not everything fits on the postcard, so you will need to file additional pages, schedules, and/or worksheets for different situations.

The new form only has five income categories:

1. Wages, salaries, tips, etc.
2. Interest
3. Dividends
4. Pensions, IRAs, annuities
5. Social Security

There's another line which allows you to record total income for all the other types of income such as capital gains, business income, and alimony. If you have any of these types of income--and it's extremely likely you will--you'll need to file anywhere from one to six extra numbered schedules.

This will have a particularly significant impact on business owners who operate pass-through entities, independent contractors, entrepreneurs, and self-employed individuals not organized at the State level who are currently reporting on a Schedule C. Given that [95 percent of businesses in the US are pass-through entities](#), this is of no small consequence for small business owners.

The postcard lacks a bird's-eye view of your tax situation, making it easy to miss deductions.

Not having all the information on one form can also cause problems and confusion, leading to poor visibility of the whole picture. Let me share an example.

If you own a small business or LLC/S Corp and you have some capital gains and a rental property, then in 2017 you probably filed a 1040, a Schedule B (Interest and Dividends), a Schedule C (Business Income), a Schedule D (Capital Gains), a Schedule SE (Self-employment Tax) and a Schedule E (Rental Income).

For your 2018 taxes, you will need to fill out all these same forms *plus* a Schedule 1 (Additional Income and Adjustments to Income), a Schedule 2 (Tax), and a Schedule 4 (Other Taxes). The net result with all these forms holding disparate data is that it will be easier to miss credits and deductions and make mistakes since you--or your accountant--will have to comb through all schedules to see the end-to-end view.

The idea of a simpler tax code is wonderful in theory. The Tax Cuts and Jobs Act didn't deliver that. Instead, it delivered a big tax break for large corporations and a good amount of confusion for everyone else.

If the new law had simplified the tax code, a postcard-sized tax form would've been a natural complement and a welcome addition. However, since the tax code is still so complicated, all this does is create even more forms--and even more confusion.

Imagine the current two-page Form 1040 stripped to an 8x10 single page, and an entourage of (at a minimum, six) brand-new forms to fill out and file for most taxpayers. You and your accountant are probably going to have a lot more work to do in 2019.

PUBLISHED ON: JUN 27, 2018