

## 2018 TAX LAW CHANGES AT A GLANCE

**Format Changes.** The 1040 form will look quite different. Pages 1 and 2 are reduced to “postcard”- sized half pages. However, it is anything but simplified – there are 6 new Schedules added.

**Tax Rates.** The tax rates for 2018 are lower than they were in 2017. Given the same taxable income, most taxpayers will pay less tax in 2018.

**Standard Deduction.** Fewer taxpayers will itemize their deductions because the standard deduction increases to:

\$24,000 Married Filing Joint  
\$18,000 Head of Household  
\$12,000 All Other Taxpayers

**Personal Exemptions.** The deduction for personal exemptions is eliminated.

**Child Tax Credit.** The child tax credit increases to \$2,000 per qualifying child (\$1,400 of this is refundable). Also, the income phase-out increases to \$400,000 (MFJ) or \$200,000 (all others).

**Qualifying Dependent Credit.** There is a new nonrefundable credit for qualifying dependents other than qualifying children.

**Itemized Deductions Phase-Out.** There is no longer any phase-out of itemized deductions due to high income levels.

**SALT Deductions.** The deduction for state and local taxes, including income and property taxes, is now limited to a total of \$10,000 (\$5,000 for Married Filing Separate).

**Home Mortgage Interest.** The deduction for home mortgage interest is now limited to debt of up to \$750,000 (\$375,000 for MFS). Acquisition loans taken out before 12/15/17 are exempt from the new limit.

**Home Equity Interest.** The interest on home equity debt is now deductible **only** if the proceeds are used to buy, build or substantially improve the home that secures the loan.

**Miscellaneous Itemized Deductions.** The deduction for miscellaneous itemized deductions subject to the 2% floor has been eliminated. This would include:

- Unreimbursed employee expenses
- Investment fees
- Safe deposit box fees
- Tax preparation fees
- Excess deductions on termination of estate or trust

**Charitable Contributions.** The deduction for charitable contributions is generally unchanged. However, many taxpayers will not be itemizing in 2018 due to the higher standard deduction; these taxpayers will not have a specific deduction for charity. Please call us to discuss ways to remedy this situation.

**Casualty Losses.** The deduction for personal casualty losses is eliminated except for losses from a federally declared disaster.

**Moving Expenses.** The deduction for moving expenses is repealed for everyone except active duty military personnel.

**Alternative Minimum Tax.** Fewer taxpayers will be subject to the AMT because of the new tax law. The AMT exemption amounts are increased and more importantly, the income threshold is increased to \$1 million (Married Filing Joint and Surviving Spouse) or \$500,000 (all other taxpayers).

**Section 199A Deduction.** This is a brand-new deduction of up to 20% of business income that is reported on a personal tax return from a sole proprietorship or a pass-through partnership, S corporation, trust or estate. The rules on this new deduction are voluminous and **very** complex, so please contact us if you wish to discuss how this new deduction may benefit you.

**Alimony.** For divorce or separation agreements entered into after 12/31/18 alimony and separate maintenance are not deductible by the payor and not included in income by the payee.

**Repeal of Individual Mandate.** After 12/31/18 the amount of the ACA (Obamacare) shared responsibility payment (the penalty for not being covered by health insurance) is **zero**.

**Estate and Gift Tax Exemption.** The estate and gift tax exemption amount has more than doubled from \$5.49 million in 2017 to \$11.18 million in 2018, and is indexed for inflation.