2018 Tax Overview Guide – The Tax Cuts and Jobs Act

All County Tax Services has been providing personal income tax preparation as well as corporate tax and business services for 4 years. After reviewing the recent tax bill that was signed in December 2017, we have compiled the following list of significant changes. This guide is purely designed to outline the contents of the new bill and the Internal Revenue Service is still fully defining the requirements. This document can serve as a guide, and should not be solely relied upon to make tax-related decisions. For a fully customized and accurate report, please consult with an experienced tax advisor at All County Tax Services.

Personal Tax

<table>
<tr><th></th><th>CHANGE</th><th>TAX SAVINGS SUGGESTION / WARNING</th></tr>
<tr><td>1</td><td>Standard Deductions – the new standard deduction nearly doubles. As a result, many taxpayers may no longer be able to itemize.
<table>
<tr><th>Filing Status</th><th>TCJA</th></tr>
<tr><td>Married Filing Jointly</td><td>$24,000</td></tr>
<tr><td>Head of Household</td><td>$18,000</td></tr>
<tr><td>Single</td><td>$12,000</td></tr>
<tr><td>Married Filing Separately</td><td>$12,000</td></tr>
<tr><td>Qualifying Widow(er)</td><td>$24,000</td></tr>
<tr><td>Additional Amount – Unmarried</td><td>$1,600</td></tr>
<tr><td>Additional Amount – Married</td><td>$1,300 per spouse</td></tr>
</table></td><td>Just because they can no longer Itemize does not mean a taxpayer will see a tax increase – many will see a tax decrease as a result.</td></tr>
<tr><td>2</td><td>Personal Exemptions – personal exemptions are being eliminated. This will have a significant impact on taxpayers claiming multiple dependents or who have had large itemized deductions in the past.</td><td>Taxpayers with a large number of dependents or dependents over the age of 16 may want to review their withholding to ensure enough is being withheld.</td></tr>
<tr><td>3</td><td>Child Tax Credit – the child tax credit gets an upgrade! If you have a tax balance due, the CTC can reduce your tax by up to $2,000 per child under 17. If you do not have tax due, only $1,400 per child is refundable (i.e. payable to you). The credit stays in place to a much higher income.</td><td>This is great news for mid- and high- income tax individuals as the credit is larger and even low-income taxpayers should see a benefit.</td></tr>
<tr><td>4</td><td>Non-Qualifying Child Credit – there is a new $500 credit in place for taxpayers who have a dependent who is not considered a qualifying child (this could be a parent, disabled child, etc.).</td><td>Taxpayers with this type of dependent will see a small benefit but it may appear to be reduced compared to prior years.</td></tr>
<tr><td>5</td><td>Mortgage Interest – the mortgage debt limit has been reduced from $1,000,000 to $750,000 (for mortgages acquired after December 15, 2017) and can only be leveraged for primary residences. Home equity loans (except for improvements to a residence) are no longer deductible.</td><td>Taxpayers need to be careful since refinance loans to consolidate debt are no longer deductible.</td></tr>
<tr><td>6</td><td>Itemized Taxes – State and local taxes (or sales tax) and property taxes can only be itemized up to $10,000.

Medical deductions are still itemized over 10% of income.
(For 2017 & 2018 only, this limit is 7.5%)

Charitable contributions are now capped at 60% of income instead of 50% as previous.

All itemized deductions previously subject to the 2% threshold are no longer allowable. This includes tax preparation fees, investment fees, legal fees, and unreimbursed employee expenses.</td><td>Employees who currently have significant work-related expenses may want to speak with their employers to re-negotiate their agreements as they will no longer be able to write-off their work expenses. In some very small circumstances, a change in employment status might be beneficial, but needs reviewed heavily.</td></tr>
<tr><td>7</td><td>Casualty Losses – loses can now only be deducted for Presidentially-declared disaster areas. State declarations do not count. There is no income limit and the taxpayer does not need to itemize.</td><td></td></tr>
<tr><td>8</td><td>Estate Tax – the (Federal) estate tax exemption has increased significantly to $11,000,000 (per person).</td><td>State-level estate taxes have not changed.</td></tr>
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9 **Moving Expense** – no longer deductible except for military.

10 **Kiddie Tax** – this tax gets a total overhaul. This tax is no longer linked to the parent if over $1,050 but is now taxed as the same rate as Trusts and Estates.

Children under 19 with investment income could now be taxed 37% on income over $12,500.

11 **Healthcare** – the shared responsibility payment (i.e. the penalty) has been repealed starting in tax year 2019. Taxpayers can still obtain marketplace insurance, but will no longer be penalized.

The mandate is still in place for tax year 2018 so taxpayers will have to pay if they no longer have insurance.

12 **Retirement Loans** – if a taxpayer loses their job and had a loan against their 401(k), they now have until the tax return due date of that tax year to repay the loan instead of just 60 days.

13 **Teachers Deduction** – the $250 deduction remains. Any amount above that can be included in charitable contributions, pending receipts are managed.

14 **Like-Kind Exchanges** – these exchanges are now solely limited to real estate.

15 **Back-Door Roth Conversions** – this allowance has been removed.

16 **Education Expense** – Section 529 plans can now be used for elementary and secondary education with a $10,000 limit. This cannot be used to offset the cost of homeschooling. This does not count as a credit, just an extended allowance of Sec 529.

Taxpayers looking to send their children to private school can not leverage the cost as a deduction.

17 **Alimony** – for divorce agreements or renegotiations after December 31, 2018, alimony is no longer deductible by the payer, nor is it includable as income by the recipient.

This is, ultimately, the same law as has been in place for child support.

18 **Tax Brackets** – all tax rates have been decreased for all tax brackets.

Rate	Joint Return	Individual Return
10%	$0 - $19,050	$0 - $9,525
12%	$19,050 - $77,400	$9,525 - $38,700
22%	$77,400 - $165,000	$38,700 - $82,500
24%	$165,000 - $315,000	$82,500 - $157,500
32%	$315,000 - $400,000	$157,500 - $200,000
35%	$400,000 - $600,000	$200,000 - $500,000
37%	Over $600,000	Over $500,000

19 **Long-Term Capital Gains** – gains sold over one year are still subject to preferred treatment at a lower tax rate.

20 **Alternative Minimum Tax** – the AMT remains in place but with typically higher exemptions.

Custom Report: All County Tax Services will review your 2017 tax information and provide a report based on any known situational changes. These are available for a small fee by contacting All County Tax Services.

Disclaimer: All the above information is subject to change and will change as the Internal Revenue Service creates Regulations and clarification on all of the subject matter. Please contact All County Tax Services throughout the year with any questions you may have.

All County Tax Services

IRS ENROLLED AGENT