Standard Deduction

- Standard deduction increased to
  - $24,000 MFJ and QW
  - $18,000 HoH
  - $12,000 Single and MFS
- Additional standard deduction amount for age 65 and older and/or blind increased
  - $1,600 S, HoH, MFS, and QW
  - $1,300 MFJ
- Personal and Dependent exemptions reduced to $0

Standard Deduction Single Dependent Under 65

- Dependent standard deduction is the greater of
  - $1,050 or
  - Earned income plus $350 not to exceed standard deduction for filing status
    * Single $12,000

Filing Threshold

- Filing thresholds for most taxpayers is their standard deduction
  - Some exceptions apply (e.g. MFS, living apart)
- Filing threshold increased by additional standard deduction amount due to age 65 or older and/or blind

Tax Rates and Tax Brackets

- Tax rates and brackets modified
  - New rates: 10% 12% 22% 24% 32% 35% 37%
  - Lowest rate stays the same
  - Other rates adjusted downward
  - Tax brackets adjusted

Student Loan Debt Forgiveness

- Student loan debt forgiven due to death or disability of the student no longer included as income
**Kiddie Tax**

- Kiddie tax has been adjusted
  - Child's **unearned** income now subject to estate and trust tax rates and brackets
  - **Earned** income subject to single tax rates

**Moving Expenses**

- Moving expense adjustment eliminated except for:
  - Military members on active duty moving under military orders incident to permanent change of station (PCS)

**Alimony**

- Alimony treatment for new or modified* orders **after 12/31/18**
  - Alimony payments not deductible
  - Alimony received not taxable
    - Not compensation for IRA purposes
- Alimony under existing orders are grandfathered
  - Alimony payments continue to be deductible
  - Alimony received continues to be taxable
    - Compensation for IRA purposes
*Modification must specify that new rules intended to apply

**Medical Expenses**

- **2018** AGI threshold for deducting medical expenses **7.5%**
- **2019** AGI threshold for deducting medical expenses **10%**

**Itemized Deduction for Taxes**

- **Combined** itemized deduction for taxes limited to $10,000 ($5,000 MFS)
  - Includes state and local income or sales tax (SALT) and property taxes
  - Taxes deducted on Schedules C, E or F not subject to $10,000/$5,000 limitation
- Foreign real estate tax no longer deductible on Schedule A

**Home Mortgage Interest**

- Home mortgage interest limitation reduced
  - Acquisition debt incurred on or after December 15, 2017
    - Interest on acquisition debt up to $750,000 ($375,000 MFS) going forward
  - Acquisition debt incurred prior to December 15, 2017 is grandfathered
    - Taxpayer with binding written contract before December 15, 2017 also grandfathered if purchase completed before April 1, 2018
    - Deductible interest remains limited to mortgage interest on up to $1 million ($500,000 MFS) of acquisition debt
### Home Mortgage Interest cont.
- Limits apply to the combined amount of loans used to buy, build or substantially improve taxpayer’s main home or second home (called acquisition debt)
- Interest on home equity debt that is **not** acquisition debt is no longer deductible as home mortgage interest
  - regardless of when debt was incurred
- Interest on home equity debt remains deductible if used to buy, build, or substantially improve residence (subject to the applicable limitation)

### Charitable Contributions
- 50% limitation for cash contributions to qualified charities **increased** to 60% of AGI
  - 5-year carryover to the extent exceed 60%
- No charitable deduction allowed for payment to higher education institution in exchange for right to purchase tickets/seating at athletic event

### Casualty and Theft Losses
- Personal casualty and theft losses deduction eliminated
- Losses for presidentially-declared disaster area still allowed
- 2017 hurricane disaster losses remain deductible

### Deductions Subject to 2% Limitation
- All deductions subject to 2% AGI limitation have been suspended 2018 – 2025
  - No longer eligible to deduct employee business expenses
  - No longer eligible to deduct investment expenses

### Itemized Deductions
- Miscellaneous deductions **not** subject to 2% still in effect
  - Gambling losses to extent of winnings
  - Repayments in excess of $3,000
  - Loss on annuity at death of annuitant
  - Certain work-related expenses for person with a disability
- High income taxpayers no longer subject to limit on itemized deductions
Child Tax Credit

- Child tax credit (CTC) and additional child tax credit (ACTC) increased
  - Qualifying child must have SSN by April due date of return
    - This is a change
  - Maximum credit increased to $2,000 per qualifying child
  - Refundable up to $1,400
    - Earned income threshold decreased to $2,500 - down from $3,000
  - Income phase out begins at $200,000 ($400,000 MFJ)

Credit for Other Dependents

- New credit for other dependents
  - $500 credit for each dependent not qualified for child tax credit
  - Nonrefundable
  - Same income phase out begins at $200,000 ($400,000 MFJ)
  - Dependent may have ITIN
  - Dependent may not be spouse of taxpayer

ACA

- Affordability percentage for exemption purposes decreased to 8.05%
- Federal poverty lines updated
- Shared responsibility payment amount and percentage unchanged for 2018
  - Reduced to zero beginning tax year 2019

529 Plans K-12 Eligible

- 529 plans can be used for K-12 expenses
  - Distributions up to $10,000 per year can be used for tuition incurred at a public, private or religious elementary or secondary school
  - $10,000 is per student limit

AOC Qualified Expense Update

- Computers may be allowable educational expense for AOC (American Opportunity Credit)
  - Majority of schools rely on internet communication – thus computer “needed” while not specifically required
  - Keep expense receipts and documentation of electronic submission guidelines
    - Generally in course syllabus

Expired Benefits Not Renewed

- Deduction for private mortgage insurance (PMI)
- Exclusion from gross income of qualified principal residence indebtedness cancelation
- Deduction for qualified tuition & fees
- Credit for nonbusiness energy property (residential energy credit)
Individual taxpayers can deduct up to 20% of qualified business income (QBI) ─ A deduction from AGI to arrive at taxable income ─ In addition to standard or itemized deductions

New for 2018
Also referred to as Section 199A deduction

Schedule C income (combined if more than one)
Pass-through entity business income ─ Such as partnerships, S corporations, limited liability companies
Real Estate Investment Trust (REIT) 199A dividends

Schedule C is not affected
Self-employed health insurance deduction is not affected
IRA deduction is not affected
Schedule SE tax is not affected

20% of the lesser of ─ Schedule C profit ─ Taxable income in excess of any net capital gain* and before the QBI deduction
Plus
20% of qualified REIT dividends (section 199A dividends) ─ Form 1099-DIV has a new box 5 for 199A dividends
* The term "net capital gain" means the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year

Includes health insurance coverage for ─ Taxpayer ─ Spouse ─ Dependents ─ Child under 27 (as of year end) even though not the taxpayer’s dependent ─ "Child" includes stepchild, adopted child or foster child

Medicare
Can be paid by taxpayer or spouse
Other health coverage if not eligible for subsidized health coverage ─ Includes dental, vision, supplemental, limited coverage, etc. ─ Includes long-term care (LTC) insurance ─ Limited to the deduction cap as for Schedule A
Health coverage can be in name of the individual
- Satisfies requirement that it be "established under the trade or business"
- Maximum self-employed health insurance deduction is limited to net profit shown on Schedule C reduced by self employment tax deduction (1/2 of SE tax)
  - Not reduced for anything else