



Professional Services

Monthly Accounting, Taxes and Payroll

2018 Tax Return Changes

Hi All,

Yes! I guarantee this year will be one of the craziest tax years. We are gearing-up now to know all the ins and outs. We are asking from all of you to be patient. A few of the changes are below:

Tax Brackets and Tax Rates (see the charts below)

10% 12% 22% 24% 32% 35% 37%

Standard Deductions

MFJ (Married Filing Jointly)	\$24,000
HOH (Head of Household)	\$18,000
Married Filing Single	\$12,000
Single	\$12,000

**Additional amount if over the age of 65 or blind:

Unmarried individuals	\$1,600
Each spouse meeting criteria	\$1,300

Personal Exemptions are repealed. (Itemized Deductions below)

Child Tax Credit

\$2,000 per child.

\$500 nonrefundable for other qualifying dependents.

Alimony

Beginning with divorces finalized in 2019, alimony payments to an ex-spouse are no longer deductible and not taxable to the recipient.

If the divorce is finalized in 2018, alimony is still a deduction for the payee and an income for the person receiving the alimony.

Below are the NATP rulings on the items above. Please take a moment and read these. They can save you time and a headache when preparing your tax returns.

Thank you and we will be looking forward to working with you again this year!

Betty Smith

Itemized Deductions

With the exception of state and local income taxes, mortgage interest, medical expenses, disaster losses, charitable contributions, and other deductions not subject to the 2% floor, all other itemized deductions are repealed. The overall limitation on itemized deductions for upper-income individuals is also repealed.

State and Local Taxes

Taxpayers can claim a deduction for a combination of state and local income tax, sales tax, or real property tax. The aggregate deduction is capped at \$10,000. Foreign real property taxes are no longer deductible.

Under this provision, an individual may not claim an itemized deduction in 2017 on a prepayment of income tax for a future taxable year in order to avoid the dollar limitation applicable for taxable years beginning after 2017.

Medical Expenses

For 2017 through 2018, expenses exceeding 7.5% of income are deductible; that percentage increases to 10% in 2019. Under this provision, these thresholds also apply for determining AMT.

Charitable Contributions

Taxpayers who are able to itemize deductions can include charitable contributions. The current limitation of 50% of income is increased to 60%.

Mortgage Interest

The deduction for mortgage interest is capped at \$750,000 of debt. The interest deduction is allowed on a first or second home. The interest on home equity loans will no longer be deductible. Interest on up to \$1 million of acquisition debt for loans prior to December 15, 2017 is grandfathered.

Teacher Expenses

The bill retains the present law above-the-line deduction of \$250 (indexed for inflation) for out-of-pocket expenses.

Bicycle Commuting Reimbursement

The exclusion from gross income and wages for qualified bicycle commuting reimbursements up to \$20 is suspended.

Moving Expense Reimbursements

The exclusion from gross income and wages for qualified moving expense reimbursements is repealed except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order.

Individuals

Tax Brackets and Tax Rates.

There are seven tax rates: 10%, 12%, 22%, 24%, 32%, 35% and 37%

Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,525	10% of taxable income
\$9,526 - \$38,700	\$952.50 + 12% of the amount over \$9,525
\$38,701 - \$82,500	\$4,453.50 + 22% of the amount over \$38,700
\$82,501 - \$157,500	\$14,089.50 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$32,089.50 + 32% of the amount over \$157,500
\$200,001 - \$500,000	\$45,689.50 + 35% of the amount over \$200,000
\$500,001 +	\$150,689.50 + 37% of the amount over \$500,000

Married Individuals Filing Joint Returns and Surviving Spouses

If Taxable Income Is Between:	The Tax Due Is:
0 - \$19,050	10% of taxable income
\$19,051 - \$77,400	\$1,905 + 12% of the amount over \$19,050
\$77,401 - \$165,000	\$8,907 + 22% of the amount over \$77,400
\$165,001 - \$315,000	\$28,179 + 24% of the amount over \$165,000
\$315,001 - \$400,000	\$64,179 + 32% of the amount over \$315,000
\$400,001 - \$600,000	\$91,379 + 35% of the amount over \$400,000
\$600,001 +	\$161,379 + 37% of the amount over \$600,000

Married Filing Separately

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$9,525	10% of taxable income
\$9,526 - \$38,700	\$952.50 + 12% of the amount over \$9,525
\$38,701 - \$82,500	\$4,453.50 + 22% of the amount over \$38,700
\$82,501 - \$157,000	\$14,089.50 + 24% of the amount over \$82,500
\$157,001 - \$200,000	\$32,089.50 + 32% of the amount over \$157,500
\$200,001 - \$300,000	\$45,689.50 + 35% of the amount over \$200,000
\$300,001 +	\$80,689.50 + 37% of the amount over \$300,000

Heads of Household

If Taxable Income Is Between:	The Tax Due Is:
0 - \$13,600	10% of taxable income
\$13,601 - \$51,800	\$1,360 + 12% of the amount over \$13,600
\$51,801 - \$82,500	\$5,944 + 22% of the amount over \$51,800
\$82,501 - \$157,500	\$12,698 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$30,698 + 32% of the amount over \$157,500
\$200,001 - \$500,000	\$44,298 + 35% of the amount over \$200,000
\$500,001 +	\$149,298 + 37% of the amount over \$500,000

Trusts & Estates

If Taxable Income Is Between:	The Tax Due Is:
\$0 - \$2,550	10% of taxable income
\$2,551 - \$9,150	\$255 + 24% of the amount over \$2,550
\$9,151 - \$12,500	\$1,839 + 35% of the amount over \$9,150
\$12,501 +	\$3,011.50 + 37% of the amount over \$12,500

Alternative Minimum Tax

Alternative Minimum Tax (AMT) Exemptions

Filing Status	Exemption Amount:
Individual	\$70,300
Married Filing Jointly & Surviving Spouses	\$109,400
Married Filing Separately	\$54,700

The phaseout thresholds are increased to \$1,000,000 for married taxpayers filing a joint return, and \$500,000 for all other taxpayers (other than estates and trusts). These amounts are indexed for inflation.

Estate Tax Exemption

The estate and gift tax exemption is doubled for estates of decedents dying and gifts made after December 31, 2017, and before January 1, 2026. This is accomplished by increasing the basic exclusion amount provided in §2010(c)(3), and indexed for inflation. The exemption increases to \$11,200,000 in 2018.

The generation skipping transfer (GST) tax exemption is also doubled.

Standard Deduction

Married filing jointly	\$24,000
Head of Household	\$18,000
Single	\$12,000
Married filing separately	\$12,000
Additional amount if over age 65 or blind.	\$1,600 – Unmarried individuals \$1,300 – Each spouse meeting criterion

Personal Exemptions

The personal exemption is repealed.

Kiddie Tax

The kiddie tax applies to unearned income for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages. Taxable income attributable to net unearned income will be taxed according to the brackets applicable to trusts and estates. The rules for tax applicable to earned income are unchanged.

Child Tax Credit

The child tax credit will increase to \$2,000 per qualifying child and will be refundable up to \$1,400, subject to phaseouts. To receive the refundable portion of the child tax credit, a taxpayer must include a social security number for each qualifying child claimed on the tax return.

Also included is a temporary \$500 nonrefundable credit for other qualifying dependents who are not qualifying children.

Phaseouts, which are not indexed for inflation, will begin with adjusted gross income of more than \$400,000 for married taxpayers filing jointly and more than \$200,000 for all other taxpayers.

Student Loan Interest Deduction

For 2018, the maximum amount that you can deduct for interest paid on student loans remains at \$2,500. Phaseouts apply for taxpayers with modified adjusted gross income (MAGI) in excess of \$65,000 (\$135,000 for joint returns) and is completely phased out for taxpayers with modified adjusted gross income (MAGI) of \$80,000 or more (\$165,000 or more for joint returns).

For graduate students who teach or the children of university employees, the deferred tuition provided would not be taxable.

There are no changes to the current law regarding the American Opportunity Credit or the Lifetime Learning Credit.

Section 529 Plans

Distributions of up to \$10,000 per beneficiary can be used for tuition expenses for public, private or religious elementary or secondary school. The limitation applies on a per student basis rather a per account basis.

Distributions can also be made for expenses related to homeschool. Expenses include:

- Curriculum and curricular materials
- Books or other instructional materials
- Online educational materials
- Tuition for tutoring or educational classes outside of the home (but only if the tutor or instructor is not related to the student)
- Dual enrollment in an institution of higher education
- Educational therapies for students with disabilities

Rollovers from a 529 plan to an ABLÉ account are allowed without penalty provided the ABLÉ account is owned by the same designated beneficiary of the 529 plan or a member of the designated beneficiary's family. Rolled-over amounts count towards the overall annual limitation on contributions to the ABLÉ account.

Discharged of Student Loan Indebtedness

The exclusion from income resulting from the discharge of student loan debt is expanded to include discharges resulting from death or disability of the student.