2018 Tax Cuts and Jobs Act Highlights

- Changes to itemized deductions:
  - The medical expense deduction can be taken if they exceed 7.5% of your AGI (adjusted gross income).
  - State and local taxes deductions (SALT) now has a $10,000.00 limit on the amount you can deduct. SALT amounts are limited to a combined total of $10,000.00 ($5,000.00 if you use married filing separately status). This limitation applies to state and local income (or sales) taxes and property taxes. Interest on home equity loans or second mortgages will no longer be deductible after 2017. However, if the money was used for home improvements or renovations to your home then interest ***is*** deductible.
  - Charitable contributions survive and, in fact, the limit that can be contributed in any one year was raised from 50% of AGI to 60%.
  - Form 2106 – Unreimbursed Employee Expenses and other miscellaneous deductions such as union dues are no longer deductible. However, if you are a qualified performing artist, a fee-based state or local government official, an employee with impairment related work expenses or an armed forces reservist then you ***can*** use Form 2106 and deduct job related expenses.
  - Theft and personal casualty losses are no longer deductible unless it is a federally declared disaster area.
- Changes to the child tax credit:
  - The child tax credit has been increased from $1,000 to a maximum of $2,000 per qualifying child. The age cut off remains at 17 years old.
  - The refundable portion of this credit is limited to $1,400 but will be adjusted for inflation after 2018.
  - The earned income threshold for the refundable portion of the credit has been lowered to $2,500.
  - The beginning phase out for the credit increases to $200,000 for single filers and $400,000 for joint filers.
  - There is also a $500 nonrefundable credit available for other dependents in your household that do not meet the definition of a qualifying child.

- The Child and Dependent Care Credit has been kept in place and can be worth as much as $1,050 for one child under age 13 or $2,100 for two children. In addition, up to $5,000 of income can be sheltered in a dependent care flexible spending account (FSA) on a pre-tax basis.
- Alimony is still deductible for the payor and taxable for the recipient for the 2018 tax year. However, starting January 1, 2019 alimony will not be deductible for the payor nor included as income by the recipient. This law does not impact alimony awards in judgments and court orders dated prior to and including December 31, 2018.
- The moving expense deduction has been eliminated except for members of the armed forces.
- There are no changes to the education credits.
    - Parents can use 529 plans not only to cover tuition costs at colleges and universities but may now also use them to cover tuition costs at K-12 institutions. However, withdrawals for tuition at K-12 institutions are limited to $10,000 per beneficiary per year.
        - 529 plans allow for state tax deductions.
- Entertaining clients is no longer deductible as a business expense. Although, business meals with a client continue to be 50% deductible.
    - Meals provided for the convenience of the employer was lowered from 100% deductible to 50% deductible.
- Farm equipment and machinery other than grain bin, fence, or other land improvement structures can now be depreciated over 5 years if the original use of the asset begins with the tax payer.
- The residential energy efficiency property tax credits and the non-business energy property tax credits are good through 2019. Both credits are then reduced each year until the end of 2021.
    - The residential energy efficiency property tax credit is available for both existing homes and homes under construction and is 30 percent of the cost of alternative energy equipment installed on or in a home. This includes the cost of installation. Examples of equipment eligible for the tax credit are solar hot water heaters, solar electric equipment, wind turbines, and fuel cell property.
    - The non-business energy property tax credit is for existing homes only ***not*** homes under construction and has two parts:

        - The first part of this credit is worth 10 percent of the cost of qualified energy-saving equipment or items added to a taxpayer's main home during the year. For example, energy-efficient exterior windows and doors, certain roofs, insulation. However, the cost of installation is not included.

        - The second part of the credit is not a percentage of the cost but includes the installation costs of some high-efficiency heating and air condition systems, water heaters, and biomass fuel stoves. Different types of property have a different dollar limit for example windows have a $200 limit. The overall credit has a maximum lifetime limit of $500.

- The penalty for not having health insurance is $695 per adult and $347.50 per child for a maximum of $2,085 per family or 2.5% of the household income whichever is greatest.
    - For the 2019 tax year, the penalty for not having health insurance will be eliminated.
- The 199A Qualified Business Income Deduction is available to certain pass-through business entities including taxpayers who file a Schedule C and/or a Schedule F.
    - The deduction is equal to 20% of the net income and is subject to certain limitations and phase outs.
- Businesses will be able to deduct 54.5 cents per mile of business travel driven.
- The standard deduction has been raised to $24,000 for married filing jointly (MFJ) filers, $12,000 for single tax payers or married tax payers filing separately (MFS), and $18,000 for head of household filers (HOH).
    - Add an additional $1,300 for each individual over the age of 65 and another $1,300 for individuals considered legally blind. This amount increases to $1,600 if the taxpayer is unmarried and not a surviving spouse.
- As per the IRS, all individual returns are to be filed on Form 1040. Forms 1040-A and 1040-EZ have been eliminated.