

HLW TAX NEWSLETTER

JANUARY 2018

New Tax Reform Highlights

The information below is based on our interpretation of some of the new tax laws at this time. Our information comes from several education sources. We will continue to expand our knowledge of these new laws and hopefully update you again later this year.

The following is a brief summary of some of the changes in the new tax cuts and tax reform that we felt was important to the majority of our clients.

On a Positive Note

- Congress can no longer deduct their living expenses away from home!
- Lower Individual tax rates: 10%, 12%, 22%, 24%, 32%, 35% & 37%.
- The standard deduction was increased. For single it was \$6,300 and now it is \$12,000 and for MFJ it went from \$12,000 to \$24,000.
- For taxpayers who itemize and have large medical expenses, they have expanded the deduction for 2017 and 2018 by lowering the threshold to expenses exceeding 7.5% of AGI.
- Mortgage interest deduction was preserved for main and second homes. Home loans entered into prior to 12-15-17 are grandfathered in. The aggregate amount of both or one home cannot exceed \$1,000,000. For loans entered into after 12-14-17 the aggregate amount of the loans for one or two homes cannot exceed \$750,000.
- Preferential long term capital gains rates are from 0% to 20%.
- The new AMT (Alternative Minimum Tax) thresholds will reduce the number of taxpayers that will have to pay AMT by increasing the exemption amount.
- Alimony agreements entered into or amended in 2019 will no longer be taxable.
- The individual mandate for health insurance will be eliminated for tax year 2019.
- The new child tax credit was increased to \$2,000 per child and the phase out does not begin until \$200k single and \$400k MFJ. A new credit was added that will kick in for your dependents after age 16 and includes parents that are your dependents! This credit is up to \$500 and is non-refundable.
- 529 plans were expanded to include allowable distributions of up to \$10,000 per year for elementary and secondary education.
- Educators retained their \$250 adjustment for supplies purchased. Educators can possibly deduct most of their other out of pocket expenses as a charitable donation.
- C-Corporation tax rate is now a flat 21%.
- The new law provides a deduction for pass-through and sole proprietorship businesses of up to 20% of their QBI (another test applies and it is the lesser of 2 calculations). Service businesses are subject to the previous mentioned calculations, but could be limited or excluded from the credit based on income.
- Beginning with assets purchased on 9-27-17 through 12-31-2022 businesses can take 100% bonus depreciation on fixed assets.
- Alternative Minimum Tax was repealed for businesses.

With All of Those Positives, There Has To Be Some Negatives

- Personal exemptions have been eliminated. Though the standard deduction was increased, the loss of the personal exemption is a decrease in deductions of approximately \$4,000 per person.
- The new law limits the amount of taxes you can deduct on the schedule A to a maximum of \$10,000.
- Home equity debt on mortgages (debt that was not used to purchase or improve the home) will no longer be deductible after 12-31-17.
- Miscellaneous itemized deductions subject to the 2% floor on the Sch A are no longer deductible. This includes large deductions for many, such as non-reimbursed employee expenses and mileage as an employee.
- Entertainment expenses for a business are no longer deductible.
- Alimony agreements entered into or amended in 2019 will no longer be deductible.
- You can no longer deduct moving expenses and employers can no longer reimburse you tax free for moving expenses.

We understand that many taxpayers are anxious about how the new tax laws will affect them personally. Each taxpayer is unique and so unfortunately there is no general opinion or dollar amount we can provide to you.

Later in the year when we have the software available, we can prepare an individual 2018 tax forecast for you if you feel it is necessary. Income tax forecasts are billed separately at \$145.00 per hour.

We hope you found this update to be helpful!

**We would love to hear from you on
Yelp, Facebook and Google!**

**VISIT OUR WEBSITE FOR ADDITIONAL
HELPFUL TOOLS:**

WWW.HLWTAX.COM

**Our regular office hours are Monday through
Thursday 8:00am to 4:00pm.**

**Our extended tax season office hours are
Monday through Friday 7:30am to 5:30pm,
and Saturdays from 9:00am to 3:00pm. We are
always closed on Sundays.**



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