

# TaxUpdate

Cordie Bookkeeping & Tax Service  
3290 US Highway 42 SW  
London, OH 43140

2018 YEAR END NEWSLETTER



## Will I Itemize This Year?

Many itemized deductions are either eliminated or reduced in 2018. In addition, standard deductions increase dramatically. Here is what you need to know:

### Eliminations and reductions

You potentially may no longer itemize if your tax return has:

- miscellaneous deductions, including unreimbursed business expenses.
- home equity interest for funds not used to build, buy or substantially improve your home.
- casualty losses (unless in a federally declared disaster area.)
- state income, property and other taxes greater than \$10,000 in total.

### Likely to still itemize

Despite these changes, you may still itemize deductions. You probably will, if:

- you have high medical expenses and charitable contributions.
- you have a home mortgage.
- you are single and either own a home or live in a high-tax state.

Rest assured, a full review of your situation will help obtain the right filing solution for you.

## The Four Big Changes

*New tax laws impact everyone!*

2018 marks the first year of filing tax returns using 500 plus pages of tax code changes passed into law in late 2017. To help you plan for the new rules, here are the four biggest changes and their potential impact on your tax return.

**Tax rates are lower.** While five of the seven tax rates drop by 2 to 4 percent, the income ranges of these new rates fluctuate quite a bit. Review where your income now fits using the tax rate chart below.

**Exemptions are gone.** The \$4,050 income reduction for each exemption is now set to zero. Yes, zero. So your taxable income is now that much higher for each personal exemption you took in 2017.

**Standard deductions are virtually doubled.** To offset the loss of the personal exemption, the standard deductions are now higher: \$24,000 for married joint filers and \$12,000 for single filers.

**A Child Tax Credit for almost everyone.** The popular Child Tax Credit is now doubled to \$2,000 and with higher phaseouts. Virtually every taxpayer with a qualified child under the age of 17 will see this credit on their tax return.

Everyone will be impacted by the new tax changes. Please be prepared to see these new rules applied to your tax return this year.

### Standard Deductions for 2018

Single	\$12,000
Joint or Qualifying Widow	24,000
Head of Household	18,000
Married Filing Separate	12,000

### Key Retirement Plan Limits

Traditional IRA, Roth IRA	\$5,500 (+\$1,000 50 or over)
401(k), 403(b)	18,500 (+\$6,000 50 or over)
Simple IRA	12,500 (+\$3,000 50 or over)

### Income Brackets and 2018 Tax Rates

Tax Rate	Single	Married Filing Joint/Widow	Head of Household	Married Filing Separate	Estates & Nongrantor Trusts
10%	\$1 – 9,525	\$1 – 19,050	\$1 – 13,600	\$1 – 9,525	\$0 – 2,550
12%	9,526 – 38,700	19,051 – 77,400	13,601 – 51,800	9,526 – 38,700	
22%	38,701 – 82,500	77,401 – 165,000	51,801 – 82,500	38,701 – 82,500	
24%	82,501 – 157,500	165,001 – 315,000	82,501 – 157,500	82,501 – 157,500	2,551 – 9,150
32%	157,501 – 200,000	315,001 – 400,000	157,501 – 200,000	157,501 – 200,000	
35%	200,001 – 500,000	400,001 – 600,000	200,001 – 500,000	200,001 – 300,000	9,151 – 12,500
37%	Over 500,000	Over 600,000	Over 500,000	Over 300,000	Over 12,500

## Moving Expenses Gone?

Moving expenses can no longer be deducted by most taxpayers beginning in 2018. Now only those serving in the military relocated as part of their service can deduct moving costs. So if you plan to move a great distance for a new job, try to get your new employer to pick up some or all of this cost.

## Look for Your PIN

If you are in the IRS identity theft program, you will receive a one-time use PIN (personal identification number) to be entered on your tax return. This PIN is sent to you via the mail. Look for this form and save it. Your tax return cannot be filed without it.

## Retirement Contributions Still A Good Bet

While vast changes are made to the tax code, retirement accounts and their beneficial tax status is not one of them. So consider making contributions to your retirement accounts.

**Traditional IRA** – You can contribute up to \$5,500 into a Traditional IRA, or \$6,500 a year if you are 50 or over. You have until the April 15, 2019 filing deadline to make your contribution.

**Roth IRA** - The same deadlines hold for a \$5,500 contribution into a qualified Roth IRA (\$6,500 if you are age 50 or over). Unlike a Traditional IRA, Roth IRA contributions must be made with after-tax dollars.

### Mileage Rates

Item	2018	2017	Change
Business	54.5¢/mi	53.5¢/mi	+1.0¢
Medical/moving	18.0¢/mi	17.0¢/mi	+1.0¢
Charitable	14.0¢/mi	14.0¢/mi	—

### Section 179

Limits	2018	2017	Change
Section 179	\$1 million	\$510,000	+\$490,000
Property limit	\$2.5 million	\$2.03 million	+\$470,000

## Don't Forget These Things

Tax return filings can often be delayed by missing items. Here is a list of the most common forgotten things:

- ❑ **Healthcare (Form 1095).** You will need to prove your health insurance coverage once again in 2018. This is done with Form 1095. Make sure you receive yours from your health insurance provider or employer by Jan. 31 or shortly thereafter.
- ❑ **Education (Form 1098T).** To claim educational expense deductions and credits you must prove you paid by providing this form. It should be sent to you from your school.
- ❑ **Business (1099 MISC).** As a small business, don't forget to issue these forms to your vendors (usually on or before Jan. 31) or you may be fined. As an individual, try to keep track of 1099s and follow up with any vendor that does not send you an accurate and timely form.
- ❑ **Investments.** While many brokerage firms are now providing the original cost of investments that are sold during the year, many transactions lack the proper historic cost of your investment or it is simply wrong. You will need to provide accurate information of this activity to properly record the gain or loss on your tax return.
- ❑ **Signed e-file authorization.** Should your tax return be filed electronically, it cannot be done until you have reviewed your tax return and sent in your electronic filing authorization form 8879.

## Alimony Tax Rules Changing

The taxation of alimony will change drastically starting in 2019. Here's what you need to know:

### New rules

Any divorce agreement effective after **Dec. 31, 2018** will be subject to new rules for alimony, namely:

- Alimony is no longer tax-deductible for the payer.
- Alimony is no longer taxed as income for the recipient.

That means alimony will be much less affordable for those paying it, while those receiving alimony will not have to claim it as income.

### What you need to know

**New agreements only.** These new tax rules only affect divorce agreements completed after 2018. Tax treatment of agreements made before the end of 2018 or earlier won't change.

**Understand your situation.** For pending agreements, the completion date will have a major tax impact on both parties. Understand the implications for you.

**Get tax help.** Because this change is so drastic, taxes are going to be front and center in any divorce settlement. Please ask for help.

## New Tax Rules for Small Business

Every small business from sole proprietors to S corporations and partnerships will see changes to their 2018 tax filings. Here are some of the revised tax laws to help you prepare.

- 1 **New business deduction.** There is a new 20 percent small business income deduction. This new tax benefit has many limits and qualifications, but should benefit most businesses.
- 2 **Revised capital expensing rules.** There is a new 100 percent first-year bonus depreciation benefit, and Section 179 capital purchase expensing limits increase to \$1 million.
- 3 **Limited entertainment deduction.** While most qualified business meals can still be deducted by 50 percent, entertainment related expenses are typically no longer deductible.

*This publication provides summary information regarding the subject matter at time of printing. Please call with any questions on how this information may impact your situation.*