



## 2 major tax law changes for individuals in 2019

While most provisions of the Tax Cuts and Jobs Act (TCJA) went into effect in 2018 and either apply through 2025 or are permanent, there are two major changes under the act for 2019. Here's a closer look.

### 1. Medical expense deduction threshold

With rising health care costs, claiming whatever tax breaks related to health care that you can is more important than ever. But there's a threshold for deducting medical expenses that was already difficult for many taxpayers to meet, and it may be even harder to meet this year.

The TCJA temporarily reduced the threshold from 10% of adjusted gross income (AGI) to 7.5% of AGI. Unfortunately, the reduction applies only to 2017 and 2018. So for 2019, the threshold returns to 10% — unless legislation is signed into law extending the 7.5% threshold. Only qualified, unreimbursed expenses exceeding the threshold can be deducted.

Also, keep in mind that you have to itemize deductions to deduct medical expenses. Itemizing saves tax only if your total itemized deductions exceed your standard deduction. And with the TCJA's near doubling of the standard deduction for 2018 through 2025, many taxpayers who've typically itemized may no longer benefit from itemizing.

### 2. Tax treatment of alimony

Alimony has generally been deductible by the ex-spouse paying it and included in the taxable income of the ex-spouse receiving it. Child support, on the other hand, hasn't been deductible by the payer or taxable income to the recipient.

Under the TCJA, for divorce agreements executed (or, in some cases, modified) after December 31, 2018, alimony payments won't be deductible — and will be excluded from the recipient's taxable income. So, essentially, alimony will be treated the same way as child support.

Because the recipient ex-spouse would typically pay income taxes at a rate lower than that of the paying ex-spouse, the overall tax bite will likely be larger under this new tax treatment. This change is permanent.

### **TCJA impact on 2018 and 2019**

Most TCJA changes went into effect in 2018, but not all. Contact us if you have questions about the medical expense deduction or the tax treatment of alimony — or any other changes that might affect you in 2019. We can also help you assess the impact of the TCJA when you file your 2018 tax return.