

A BRIEF SUMMARY OF THE NEW INDIVIDUAL TAX LAWS FOR 2018

- There is a \$10,000 maximum deduction allowed on Schedule A (Itemized Deductions) for state and local taxes.
- Home Equity Loan interest is not deductible unless the money borrowed was used to substantially improve your primary residence.
- The standard deduction is increased to \$24,000 for Married Filing Jointly, \$18,000 for Head of Household, and \$12,000 for Single.
- The personal exemption deduction has been eliminated.
- The child tax credit has doubled, to \$2,000 per child under 17.
- There is a new \$500 credit for dependents that are not your children.
- The maximum mortgage amount that you can deduct interest on is \$750,000 for new mortgages, older loans are grandfathered to the previous \$1,000,000 maximum.
- The Schedule A “**2% miscellaneous deductions**” have been **eliminated**. This includes: union & professional dues, uniforms, unreimbursed employee business expenses (including mileage), accounting and investment fees, safe deposit boxes, licenses, home office deduction, job search costs, IRA custodial fees, etc.
- Medical expenses over 7.5% of your adjusted gross income are deductible if you itemize (Sch. A).
- The deduction for work-related moving expenses is eliminated, and any moving expense reimbursed by your employer is now taxable.
- Casualty losses are only deductible if they occur as a result of a Presidentially declared disaster.
- The penalty for not having health insurance is eliminated starting in **2019**. It remains in effect for 2017 and 2018 tax returns.
- For divorces **after** 12/31/17, there is no longer a deduction allowed for alimony paid, and the recipient does not have to include it in their income. The alimony deduction/inclusion in income still applies for divorces prior to 1/1/2018.
- “Kiddie tax” for dependents with investment income over \$2,100 is now taxed at the estate and trust rates, not the parent’s tax rate.
- There is a new deduction for 20% of qualifying business income from Partnership, S-Corp, and Schedule C income, subject to limitations based on the adjusted gross income of the taxpayer, and the type of business. This is a very complicated calculation with a lot of variables, so if you have that type of income, please discuss it with Joe to see how the deduction will apply in your case.