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Items of Note for 2018 Tax Returns

The 2018 tax filing season officially starts on Monday, January 28, 2019 when the IRS will begin accepting all returns (electronically and paper filed). The individual tax filing deadline is **Monday, April 15, 2019.**

Major tax reform was signed into law in late 2017 (effective in 2018). As a result, there are extensive changes on 2018 tax forms and rules. A summary of some of these changes are listed below. For further information, see the **Client Forms** section of our website for IRS Publication 5307 and Tax Cuts and Jobs Act Impact on Individuals and Businesses.

Summary of some pertinent 2018 changes

- Form 1040 has been re-designed for 2018 and is supplemented with new Schedules 1 through 6.
- Most income tax rates have been reduced.
- Standard deduction amounts have been increased for all taxpayers
  - Single and MFS - $12,000
  - MFJ - $24,000
  - HOH - $18,000
- Personal exemptions have been suspended
- The maximum child tax credit has been increased to $2,000 per qualifying child
- There is a new "Qualified Business Income ("QBI") deduction for eligible taxpayers. You may be able to deduct up to 20% of your QBI from your qualified trade or business.
- Changes to itemized deductions:
  - Overall itemized deductions are no longer limited based on AGI
  - Deduction of state and local income, sales, and property taxes is limited to a combined total deduction of $10,000 ($5,000 if MFS).
  - Job-related and other miscellaneous itemized deductions (subject to 2% AGI floor) are no longer deductible.

- Changes to itemized deductions (continued):
  - Mortgage interest deduction is limited
    - If your loan was originated or treated as originating on or before Dec. 15, 2017, you may deduct interest on up to $1,000,000 ($500,000 MFS) in qualifying debt.
    - If your loan originated after that date, you may only deduct interest on up to $750,000 ($375,000 MFS) in qualifying debt.
    - The limits apply to the combined amount of loans used to buy, build or substantially improve the taxpayer's main home and second home.
  - Interest paid on most home equity loans is not deductible unless the loan proceeds were used to buy, build, or substantially improve your main home or second home.
  - Limit on charitable contributions of cash has increased from 50 percent to 60 percent of your adjusted gross income.
  - Net personal casualty and theft losses are deductible only to the extent they're attributable to a federally declared disaster.
  - Miscellaneous itemized deductions are suspended.
  - The deduction for moving expenses is suspended (except for certain members of the Armed Forces on active duty).

- Alternative minimum tax (AMT) exemption amount increased to $70,300 ($109,400 MFJ) and the income level at which exemption begins to phase out increased to $500,000 ($1,000,000 MFJ). This means that many taxpayers will no longer be subject to AMT.

- Alimony and separate maintenance payments are no longer deductible (by payor) or includible in income (by payee) for any divorce or separation agreement executed after December 31, 2018, or for any divorce or separation agreement executed on or before December 31, 2018, and modified after that date.

- You can no longer recharacterize a conversion from a traditional IRA, SEP or SIMPLE to a Roth IRA. The new law also prohibits recharacterizing amounts rolled over to a Roth IRA from other retirement plans, such as 401(k) or 403(b) plans.