

2018 Tax Update



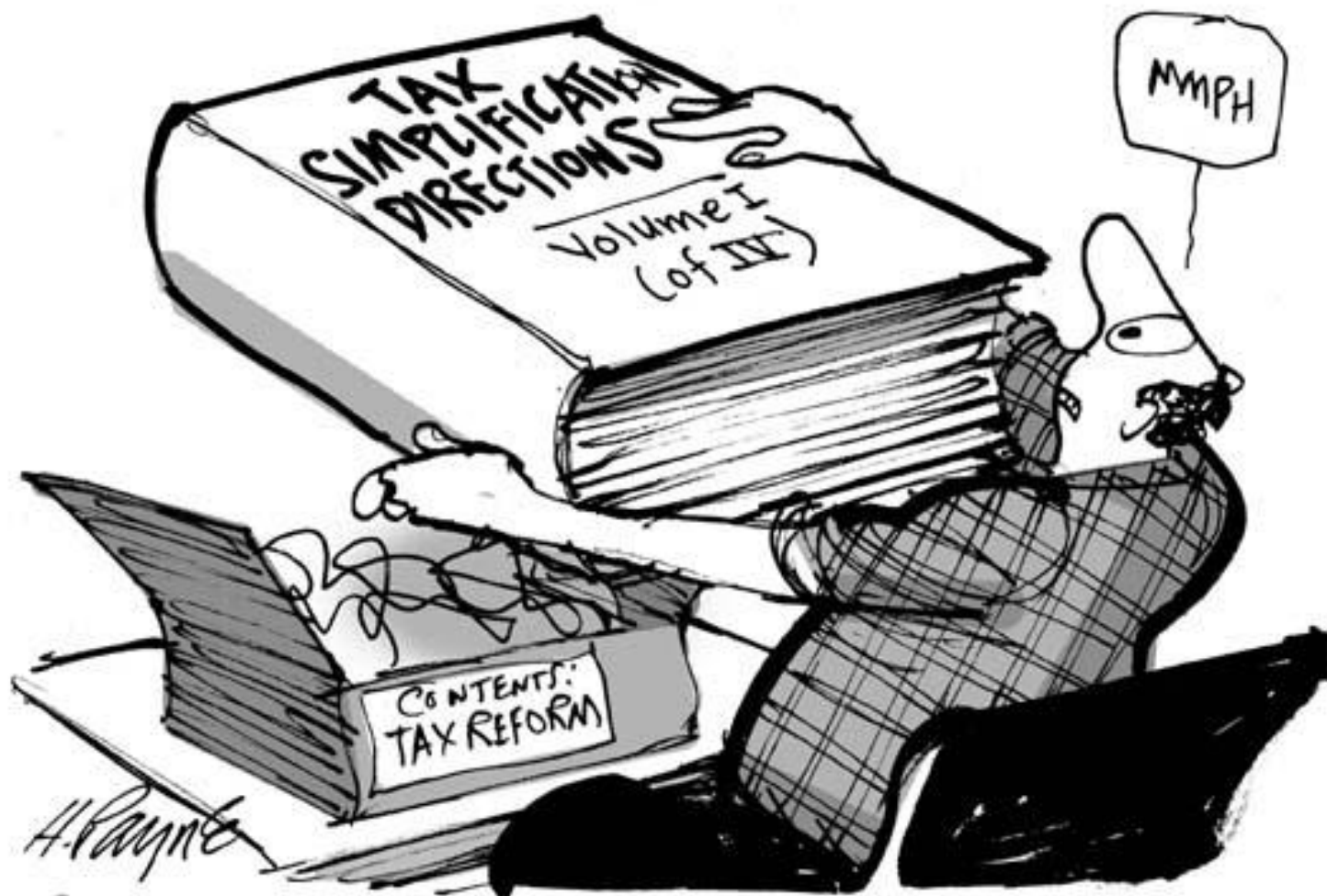
ROBERT CORDASCO, CPA
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WWW.CORDASCOCPA.COM



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Individual Income Tax Rates



2018

NEW TOP OF EACH BRACKET

	Single	Married	MFS	HOH	T&E
10%	9,525	19,050	9,525	13,600	2,550
12%	38,700	77,400	38,700	51,800	-
22%	82,500	165,000	82,500	82,500	-
24%	157,500	315,000	157,500	157,500	9,150
32%	200,000	400,000	200,000	200,000	-
35%	500,000	600,000	300,000	500,000	12,500
37%	500,000 +	600,000 +	300,000 +	500,000 +	12,500 +

NEW TOP OF EACH CAPITAL GAINS BRACKET

	Single	Married	MFS	HOH	T&E
0%	45,000	77,200	38,600	51,700	2,600
15%	425,800	479,000	239,500	452,400	12,700
20%	425,800 +	479,000 +	239,500 +	452,400 +	12,700 +

"Kiddie tax" applies ordinary and capital gains rates applicable to trust & estates to the net unearned income of a child

Comparison of MFJ Rates



Taxable Income Range	Scheduled 2018 Rate	TCJA
\$1 to \$19,050	10%	10%
\$19,051 to \$77,400	15%	12%
\$77,401 to \$156,150	25%	22%
\$156,151 to \$165,000	28%	22%
\$165,001 to \$237,950	28%	24%
\$237,951 to \$315,000	33%	24%
\$315,001 to \$400,000	33%	32%
\$400,001 to \$424,950	33%	35%
\$424,951 to \$480,050	35%	35%
\$480,051 to \$600,000	39.60%	35%

New Standard Deduction



2017

STANDARD DEDUCTION

Single	Married	MFS	HOH
6,350	12,700	6,350	9,350

2018

STANDARD DEDUCTION

Single	Married	MFS	HOH
12,000	24,000	12,000	18,000

** Personal exemptions eliminated for 2018 until 2025

** Extra \$1,300 per person over 65 or blind. \$1,600 is not married.

Child & Family Tax Credit



	2017	2018
Credit for Children	1,000	2,000
Credit for other Family Members	-	500
Phase-out Begins	110,000	400,000
Refundable Amount (credit for children only)	1,000	1,400

**All figures for Married Filing Jointly

Modifications to Itemized Deductions



	2018
SALT Deduction	Limited to \$10,000
Mortgage Interest Deduction	Limited to interest on up to \$750,000 of acquisition indebtedness; Repeals deduction for home equity indebtedness
Charitable Contributions	Percentage Limit increased from 50% to 60% (for cash)
Personal Casualty Losses	Repealed, except for declared disasters
Medical Expenses	Expanded for two years by setting the deduction threshold to 7.5% of AGI for all taxpayers
Job Expenses & Miscellaneous Deductions	All deductions subject to the 2% floor repealed; Many above-the-line deductions retained
Overall Limitation on Itemized Deductions	Suspended for 2018 until 2025
Alimony Paid	Repealed for any divorce or separate instrument executed after 12/31/18 (no sunset)
Moving Expenses	Repealed

SIMPLE, FAIR "POSTCARD" TAX FILING

1	Wage and compensation income	1	<input type="text"/>
2	Add 1/2 of investment income	2	<input type="text"/>
3	Subtract contributions to specified savings plans	3	<input type="text"/>
4	Subtract standard deduction OR	4	<input type="text"/>
5	Subtract mortgage interest deduction	5	<input type="text"/>
6	Subtract charitable contribution deduction	6	<input type="text"/>
7	Taxable income	7	<input type="text"/>
8	Preliminary tax (from tax table)	8	<input type="text"/>
9	Subtract child credit	9	<input type="text"/>
10	Subtract earned income credit	10	<input type="text"/>
11	Subtract higher education credit	11	<input type="text"/>
12	Total tax	12	<input type="text"/>
13	Subtract taxes withheld	13	<input type="text"/>
14	Refund due / taxes owed	14	<input type="text"/>

SPEAK UP NOW! VISIT: WAYSANDMEANS.HOUSE.GOV/TAXREFORM



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☐ Married filing separate return ☐ Qualifying widow(er) ☐ Head of household

Standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

Spouse or qualifying person's first name and initial (see inst.)	Last name	Spouse's social security number
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Standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Your spouse was born before January 2, 1954
☐ Your spouse is blind ☐ Your spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	Presidential Election Campaign.
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City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6.

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

**Sign
Here**

Joint return?
See instructions.
Keep a copy for
your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately reflect all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>

Paid Preparers	Print/type preparer's name	Preparer's signature	PTIN	Check if: <input type="checkbox"/> 3rd Party Designee <input type="checkbox"/> Self-employed
	Firm's name ▶		Firm's EIN ▶	

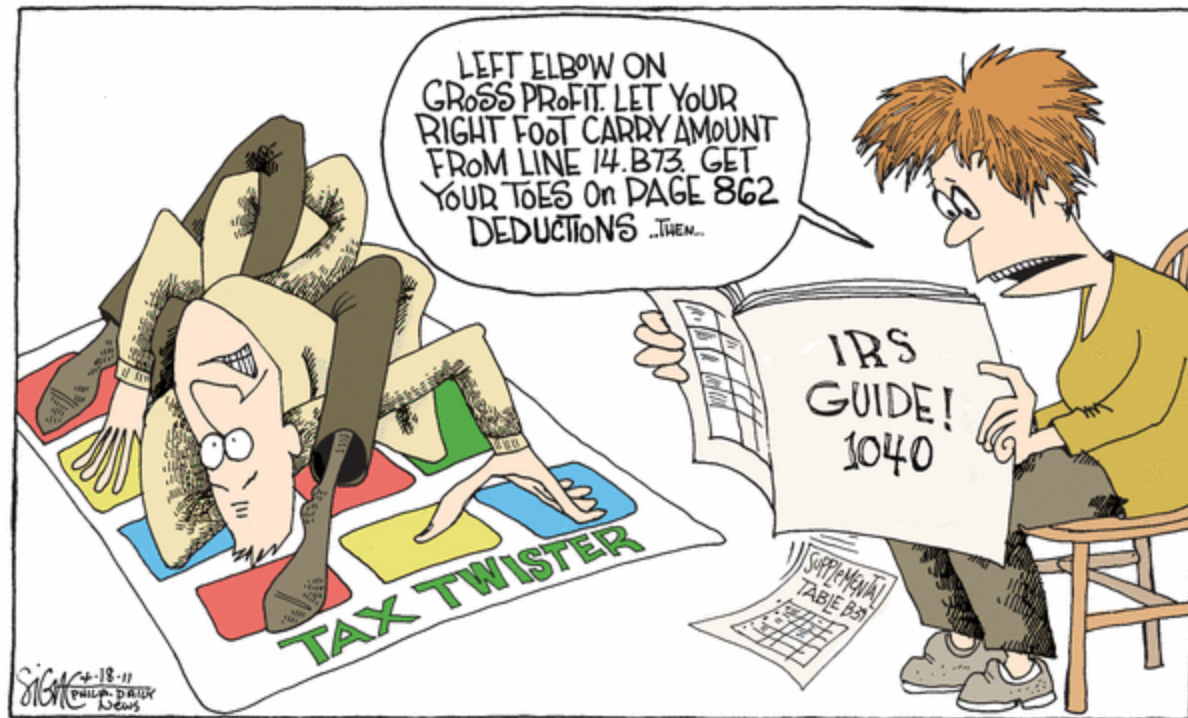
Standard Deduction for—

- Single or married filing separately, \$12,000
- Married filing jointly or Qualifying widow(er), \$24,000
- Head of household, \$18,000
- If you checked any box under Standard deduction, see instructions.

Refund

Direct deposit? See instructions.

1	Wages, salaries, tips, etc. Attach Form W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRAs, pensions, and annuities	4a	
5a	Social security benefits	5a	
6	Additional income and adjustments to income. Attach Schedule 1	6	
7	Adjusted gross income. Combine lines 1 through 6	7	
8	Enter the standard deduction; otherwise, attach Schedule A	8	
9	Qualified business income deduction (see instructions)	9	
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	
11	Tax (see instructions). Attach Schedule 2 if required	11	
12	If your only nonrefundable credit is the child tax credit and/or credit for other dependents, enter the total here; otherwise, attach Schedule 3	12	
13	Subtract line 12 from line 11	13	
14	Other taxes. Attach Schedule 4	14	
15	Total tax. Add lines 13 and 14	15	
16	Federal income tax withheld from Forms W-2 and 1099	16	
17	Refundable credits: a EIC (see inst.) b Sch 8812 c Form 8863 d Other payments or refundable credits from Schedule 5		
18	Add lines 16 and 17 a through d. These are your total payments	18	
19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	19	
20a	Amount of line 19 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	20a	
b	Routing number	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number		
21	Amount of line 19 you want applied to your 2019 estimated tax	21	
Amount You Owe	22 Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	22	
	23 Estimated tax penalty (see instructions)	23	



AMT Exemption Increase



	2017	2018
Single or Head of Household	54,300	70,300
Married Filing Jointly	84,500	109,400
Begin of Phaseout, Single or HoH	120,700	500,000
Begin of Phaseout, MFJ	160,900	1,000,000

Other Notable Individual Provisions

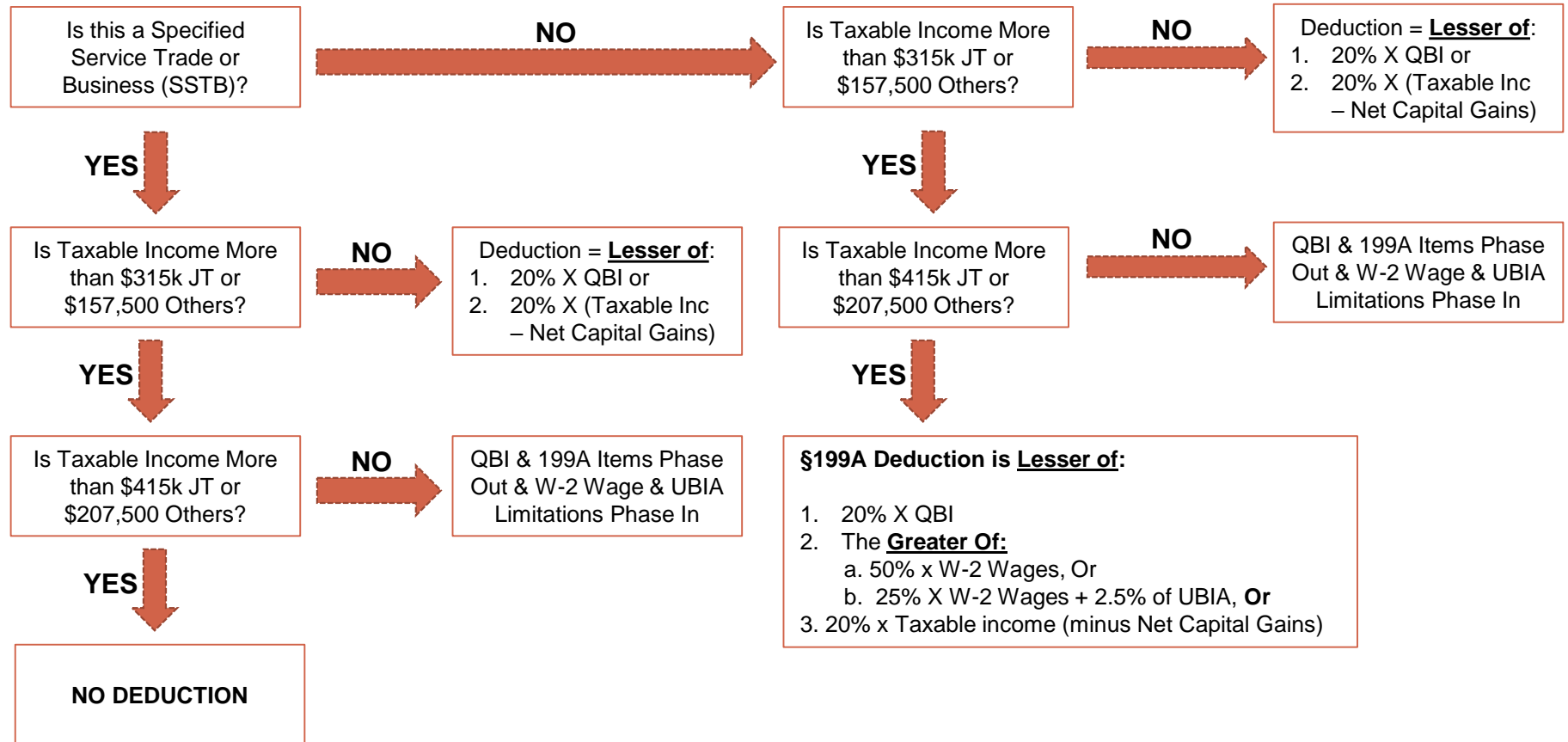


- Individual Health Insurance Mandate Penalty Eliminated 2019
- Roth IRA Recharacterization Eliminated
- 529 Allowed to Pay K-12 Tuition up to \$10k
- Qualified Opportunity Zones



“Give me a couple years, and I can answer your simple question about the new regulations.”

§199A Qualified Business Income Deduction



SSTB



- Health
- Law
- Accounting
- Actuarial Services
- Performing Arts
- Consulting
- Athletics
- Financial Services
- Brokerage Services

- Investing & Investment Management
- Trading
- Dealing in securities, partnership interests or commodities
- Any business where the principal asset is the reputation or skill of one or more of its employees or owners

C Corporation Changes



- Flat 21% Rate after December 31, 2017
- Personal Service Corporations taxed the same as any C Corporation
- 70% dividend received deduction reduced to 50% & 80% dividend received deduction reduced to 65%
- Corporate AMT eliminated



Bonus Depreciation



Period	Applicable Percentage
9/27/2017 -2022	100%
2023	80%
2024	60%
2025	40%
2026	20%

Expanded to include used property

Expanded Section 179



- Effective for property placed in service after December 31, 2017
- Annual limit raised to \$1 million
- The threshold phases out starting at \$2.5 million
- The SUV limitation remains at \$25,000
- All limits are indexed for inflation after 2018

Qualified Real Property



- Qualified improvement property and improvements to nonresidential real property for roofs; heating, ventilation & air-conditioning; fire protection & alarm systems; and security systems
- Qualified improvement property is an improvement to the interior portion of nonresidential real property
- Eligible for Section 179 expensing
- No Bonus Depreciation



Expanded Availability



- Single \$25 million gross receipts test for determining
 - Use of cash method accounting
 - Not required to use inventories
 - Not required to apply the UNICAP rules
 - Not required to use % of completion for a small construction contractor
- Indexed for inflation

Limitation on Deduction of Business Interest



- Applies to businesses with gross receipts over \$25 million
- Interest deduction is limited to 30% of adjusted taxable income plus interest income and floor plan financing interest
- Limitation is applied at the entity level and not the shareholder/partner level
- Any business interest not allowed is carried forward indefinitely
- Elect to exclude real property business if use ADS

THERE ARE 3
KINDS OF
ACCOUNTANTS
IN THE WORLD.

THOSE WHO CAN
COUNT & THOSE
WHO CAN'T.

Net Operating Losses



- 2 year carryback provision repealed for years beginning after December 31, 2017 (except for certain farm losses & casualty insurance companies)
- NOLs may be carried forward indefinitely
- Only 80% of taxable income in future years may be reduced by NOL

Limit on Excess Business Loss



- Applies to noncorporate taxpayers, partners and shareholders for tax years 2018 until 2025
- Limits the amount of current year loss from a business to \$500k for married filing joint (\$250k for all other taxpayers)
- Limit adjusted for inflation annually
- Excess is carried forward as a net operating loss

Other Business Provisions



- Like Kind Exchanges of Real Property
- Research and Experimental Expenditures after 2021
- Employer Credit for Paid Family & Medical Leave
- Employer's Deduction for Entertainment, Commuting Benefits and Meals



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