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"The Tax Cuts and Jobs Act"
New Tax Laws 2018 and Beyond (2025)

On December 19, 2017, Congress passed the largest and most complex tax reform bill in more than three decades (30 years) since 1986 under President Reagan. President Trump signed the legislation on December 22, only 50 days after the bill was first introduced in the House. The bill will affect the taxes of most taxpayers beginning in 2018 and continue until 2025 (or until they are changed again.)

Most individual tax provisions are temporary. They expire in 2025. Unless extended by another Congress, the provisions will revert automatically to the rules now in effect for 2017. Corporate tax changes are made permanent.

Does anyone know what "Permanent" means? Yes, no, close answer, could be!! Good answers.
"Permanent is only until Congress changes it again." So how long is permanent? Could be two years depending on the mid-year elections or 2020 when the presidency comes back up for debate and election.

So let's look and discuss some of the changes and how it will affect you personally.

FOUR BIG CHANGES
- Tax Rates are Lower – While 5 of the 7 tax rates drop by 2 to 4%, the income ranges of these new rates fluctuate quite a bit. Previously there were seven tax rates 10%, 15%, 25%, 28%, 33%, 35% and 39.6%. Now the new rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.
- Exemptions are Gone – The $4,100 income reduction for each exemption is set to zero. Yes zero. So your taxable income is now that much higher for each personal exemption you took in 2017. ($4,200 is the income threshold for other things.)
- Standard Deductions are Virtually Doubled – To offset the loss of the personal exemption, the standard deductions are now higher: $24,400 for a married joint filer, $12,200 for single filers, and $18,350 for Head of Households. (Folks age 65 and up and blind people set at $1300 more per person, $1650 if unmarried and not a surviving spouse).
- Child Tax Credit for Everyone – The popular Child Tax Credit is now doubled to $2,000 for each dependent under 17 with up to $1400 of the credit refundable to lower income taxpayers.
  - There is even a new $500 credit for other dependents. Virtually every taxpayer with a qualified child under the age of 17 will see this credit on their tax return. The phase outs are much higher AGI over $400,000 for couples and $200,000 for all other filers. (Such as college students, disabled adult's child and elderly parents).

ITEMIZING
Many itemized deductions are either eliminated or reduced in 2018. The new tax laws may have lowered rates, but have also axed some deductions such as (SALT) state and local taxes.
- The maximum amount deductible for state and local taxes is $10,000.
- You may not be able to itemize on your return if your deductions are lower than your standard deductions.

- You may still be able to itemize if you have high medical expenses, charitable contributions, and home mortgage, single and own a home or live in a high-tax state.
- Medical- AGI threshold was 7.5% for 2018 and goes to 10% of all filers beginning in 2019 and beyond.
- Home mortgages-Interest can be deducted up to $750,000 on new acquisition debt (primary & secondary residence) down from 1 million incurred after December 14, 2017.
- Home interest on existing or new home equity loans not deductible after 2017.
- Interest and taxes are still fully deductible on rental realty, businesses and farms on Schedules E, C, and F.
- Casualty losses- Eliminated by the new law for personal casualty losses, but can if presidentially declared a disaster area.
- Margin Interest-4952-Sch A is still deductible. This interest paid against an investment account when borrowing to make additional purchases or loans against the value.
- Charitable Contributions-are still deductible, but the adjusted gross income limitation on cash donations is hiked from 50% to 60%. Excess carry over is carried for five years.
- Phase Out of itemized deductions for upper-income tax payers is scrapped. (Pease limitation)
- Miscellaneous deductions- are no longer deductible: Unreimbursed employee business expenses, investment advisor fees, tax preparation fees, safety deposit boxes, uniforms, safety equipment, trade licenses, continuing education, business travel, and etc.

THIS AND THAT RULES

- Tax Rates for Long Term- Capital gains and qualified dividends do not change. Assets are long term if held for more than a year. Rates are 0, 15% or 20 %. It used to be based on the tax bracket , but now is on set income thresholds
    - The 0% rate for tax payers with taxable income under $39,375 for singles and $78,750 on joint returns, 20% rate starts at $434,550 for singles and $488,850 for joint filers. The 15% rate applies for filers between those break points.
    - Also have 3.8% surtax on Net investment income of singles over $200,000 and couples over $250,000
- 529 College Savings- The new law allows tax-free distributions up to $10,000 per student per year to pay tuition for elementary and secondary private and parochial schools. This $10,000 cap doesn't apply to college withdrawals.

- There are favorable changes to ABLE savings programs for the disabled. Can do tax-free rollovers from the 529 plan to ABLE accounts. Contributions to their accounts over the $15,000 annual pay in limit are eligible for the saver's credit.
- Moving Expenses- for relocation of jobs cannot be deducted unless for military orders (active duty). Also, if you're a reservist or part of The National Guard, then you can deduct overnight travel expenses if your trip exceeds 100miles. It's done on page 1 of 1040.
- Medicare-Part D- Prescription drug programs "Infamous "Doughnut hole" will end in 2019. Beginning in 2019, Part D enrollees' out of pocket share will be 25% until they reach the $5000 level. Medicare Part B will rise for 2020 to $144.60.
- The new law did not repeal the amount- It keeps (AMT) alternative minimum tax with higher exemptions. 111,700 for joint and $71,700 for singles and head of household.
- Obama Care- Fine mandates are repealed after 2018. In 2019, you are free again to choose to have health insurance or NOT to have health insurance without paying a penalty.
- First time abatement program- above time abatement of penalty for delinquent returns or paying taxes late.
- There are tighter rules for preparers if filing for head of household in 2019 on tax returns. There is form 8867 that has to be attached for all returns claiming earned income credit. The child credit, and the American opportunity tax credit for education. There is a $520 penalty if not attached.

- Alimony Tax Rules Changing- Any divorce agreement effective after December 31, 2018 will be subject to new rules namely: Alimony is no longer tax deductible for the payer; Alimony is no longer taxed as income for the recipient.
- Fewer estates will be subject to the estate laws- Congress raised the lifetime estate and gift tax exemption to $11,400 million. The rate remains 40% and the annual gift tax exclusion for 2018 is $15,000 per done.
- Roth IRA Conversions- Conversions once converted you can't go back.
- The HSA for 2019- Self-only coverage is $3500 and family coverage is $7000
- President Trump wants more small businesses to offer retirement plans. He signed an executive order making it easier for small firms to band together in a single retirement plan.
- RMD's- required minimum distributions life expectancy tables haven't been update since 2002. With longer life expectancies, it will allow smaller minimum payouts and allow them to keep money in the accounts longer. These updated tables came in 2019 and apply to withdrawals for 2021 and beyond.
- There was a one year extension of expired tax breaks that lapsed after 2016. The write off for private mortgage insurance (PMI), the above the line tuition deductions, forgiveness of debt on a primary residence up to $2 million exclusion, energy credits. They were revived to apply for 2017 returns, but expired again on January 2, 2018.
- Some disabled veterans will hear from the Defense Dept. about tax relief- A law requires DOD to identify veterans who received disability severance pay after 1990 from which taxes were improperly withheld, and to notify them of their rights. IRS and DOD are sending out letters to nearly 130,000 eligible veterans. Those who get a letter generally have one year from its date to file a claim for refund with IRS on Form 1040X. You can seek a refund based on the amount of actual benefits that you received or opt for standard refund amounts varying from $1,750 to $3,200, depending on the year you received the disability payment. For all of the details, including where to file the 1040X, see

NEW TAX RULES FOR SMALL BUSINESSES

- This impacts every small business from sole proprietors to S Corporations and partnerships, LLC, or any pass-thru entity. Regular corporations (C Corps') will pay at a 21% flat rate down from the top rate of 35% beginning in 2018. Corporate AMT was also killed.
- The break phase outs for high earners in professional service fields, such as law, consulting, accounting, health or financial services, with taxable income in excess of $315,000 for joint returns and $157,500 for all other payers. If you're in one of these service fields and your total income exceeds $415,000 for joint returns and $207,500 for all others, the deductions are zero for that business.
- New Business Deduction- There is a new 20% small business qualified income deduction (QBI). This new tax benefit has many limits and qualifications, but should benefit most businesses. These are some of the most complex in the new law.
- Revised Capital Expensing rules- There is a new 100% first year bonus depreciation benefit and Section 179 capital purchase expensing limits increase to $1 million.
- Limited Entertainment Deduction- While most qualified business meals can still be deducted by 50%, entertainment related expenses are typically no longer deductible. This means no more show tickets, golf course fees, sporting events, and such, even if taking clients. Holiday parties are still fully deductible. Employee meals on business travel remains 50 percent deductible by the employer. The same rules apply to meals an employer brings on site for employee meetings and other on the premises meals that are provided for the convenience of the employer. To be on the safe side, business owners should track all their receipts based on the specific meal or entertainment expense.

CONCLUSION

This 2018 tax bill has some .It will be good for some people, bad for others, and downright ugly for others. This bill reduces taxes for the lower and medium class taxpayers and will raise taxes for higher income taxpayers because of the reduction in deductions.

Implementing the new tax laws is one of IRS's top priorities this year. There have been Reg rulings, Law interpretations, and establishing the foundations for the new tax laws.

IRS received $320 million from Congress in 2018 to implement the new tax law. It's on track to get $77 million more for 2019 in the House's IRS budget bill. This will most likely go for updating computer systems for the changes as well as for taxpayer assistance and guidance.

The IRS audit rate continues its downward spiral. Last year's individual audit rate was 0.6% which is one of every 167 returns. Examinations include paper audits or CP 2000 letters. It is closer to 6%.The items that get the most attention is

Filers claiming earned income credits

Sole proprietors-self-employed people with a Schedule C

Upper incomers, individuals with income between $200,000 and $1 million. Millionaires saw the most action. 4.4 % of tax returns reporting income of at least $1 million in 2017

TAX PLANNING TIPS

- IRA to charity break up to $100,000 annually to charities can be counted toward taxpayer's RMDs.
- Withhold on you RMD to simplify paying estimated taxes or balance due after filing your taxes.
- Spend down your assets (IRA accounts) if retiring before withdrawing RMD's and Social Security. There are ways you can structure your retirement funding if you set up the plan before you retire
- Take out distributions of IRA monies before you are supposed to which is 70 ½ RMD's go into effect to receive tax-free monies which in turn will reduce assets and reduce your future RMD's. Don't you want tax-free dollars? There are legal ways this can be done.
- Have regular tax planning meetings with your accountant and your financial advisor.