New Tax Law Effects

- The number of tax returns claiming deductions for charitable contributions going forward will drop by 50%
- For charitable gifting there are some strategies available given the increase in standard deduction which will eliminate some contributions from being deductible that may have qualified in the past. Bunching donation in certain years may be effective. Using Donor Advise Funds can be effective in some situations. Donation IRA required minimum distributions directly to a qualified charity can sometimes accomplish tax savings.
- The estate exemption is increasing $11.2 per individual or $22.4 million per couple and will lapse after 2025.
- Annual gift exemption for 2018 is $ 15,000 per recipient.
- An individual can "bunch" five years of annual $15,000 gifts ($70,000) in one year to a 529 education savings plan typically used for children and grandchildren.
- For 2018 taxpayers can deduct property and income tax or sales tax up to $10,000. The $10,000 limit is new for 2018. The limit is per return and not per person.
- Married couples can continue to exclude $ 500,000 ($250,000 for single filers) of profit on the sale of a primary home. The seller must have used the house as a primary residence for two of the last five years.
- Homeowners with existing mortgages can continue to deduct interest on a total of $1 million of debt for a first and second home but new home buyers beginning in 2018 are limited to interest on $750,000 for a first and second home.
- 16 million versus 40 million is the estimated number of returns taking the mortgage deduction as a result of the new law versus the old law.
- 9 of 10 professional forecasters expect the tax bill to boost the US growth rate in the next two years
- There continue to be seven tax brackets but the new tax law reduced rates and the taxable amount and the taxable amounts that apply to the specific rates.
- The new tax law repealed the individual mandate to have health insurance. He individual mandate will be gone starting in 2019. It is not clear how strictly the administration will enforce the penalty payment for 2018.
- For 2018 taxpayers can deduct medical expenses that exceed 7.5% of adjusted gross income if they are able to itemize deductions. This threshold rises to 10% in 2019.
- Many miscellaneous itemized deductions were eliminated with the new tax bill but educators can still deduct up to $250 of personal expenses for classroom supplies.
- The new tax law allows 529 plan assets to be used for up to $10,000 per year per student for private-school tuition for K-12.
- It is now possible to transfer funds from 529 plans to 529 ABLE accounts. ABLE accounts are for people who become blind or disabled before age 26 and these funds do not limit the person's access to Medicaid and Social Security income, or SSI benefits. Annual contributions are capped at $ 15,000 and total assets in an account can reach $100,000 without affecting SSA benefits. The recent law change allows transfers up to $15,000 a year from a regular 529 plan to a 529 Able account.

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- Alimony payments won't be tax deductible for divorce and separation agreements signed after 2018. Alimony recipients won't have to report the payments as income. Current tax laws apply to agreements signed prior to 12/31/18.
- Congress did not repeal the 3.8% surtax on net investment income. It takes affect at $250,000 of adjusted gross income for most married couples and $ 200,000 for most single filers.
- The standard deduction increased for married couples, single filers, and head of household. The personal exemption was repealed. The effect on taxpayers will vary depending upon each situation.
- In excess of 90% of taxpayers are expected to see larger paychecks in 2018. This is due to the change on federal withholdings as they correspond to the new tax law. This may not be a true reflection of the effect of tax changes for a particular situation so employees are advised to review their situation to see if they need to file a new W-4.
- According to the Wall Street Journal about 80% of filers are expected to see a reduction in taxes for 2018 while an estimated 5% will have a tax increase.
- The new tax law expanded the child tax credit from $1,000 to $ 2,000 for each child in a family under the age of 17 at year-end. This credit does phase out at certain income levels. Families with dependents age 17 and older will generally qualify for a $500 tax credit per dependent. These changes expire after 2025.

Information from WSJ 2/14/18