

## TAX LAW CHANGES FOR 2018

1. YOU CAN NO LONGER DEDUCT INTEREST ON A LINE OF CREDIT UNLESS ALL OF THE MONEY WAS USED TO PURCHASE AND/OR UPDATE YOUR PERSONAL RESIDENCE. YOU CANNOT USE THE MONEY TO PURCHASE A CAR, VACATION, PAYOFF CREDIT CARDS.
2. NOW UNDER SECTION 1031 LIKE-KIND EXCHANGES CAN ONLY BE FOR REAL ESTATE. THERE IS NO MORE EXCHANGES FOR EQUIPMENT, ANIMALS, OR ANY OTHER TYPE OF PROPERTY.
3. THERE IS NOW A 20% BUSINESS TAX DEDUCTION FOR BUSINESS INCOME AND REQUIRES SPECIAL FORMS TO CALCULATE THE CORRECT AMOUNT OF THE DEDUCTION. LOSSES ARE NOT DEDUCTIBLE AND ARE CARRIED FORWARD UNTIL USED IN FULL. LOSSES ALSO OFF SET INCOME.
4. THE STANDARD DEDUCTION HAS INCREASED WHICH MEANS THAT SEVERAL CLIENTS WILL NO LONGER QUALIFY TO ITEMIZE THEIR TAX RETURNS. SINGLE FROM \$6,500 TO \$12,000; MARRIED FILING JOINT FROM \$13,000 TO \$24,000 STANDARD DEDUCTION.
5. STATE AND LOCAL TAXES NOW MAX OUT AT \$10,000 DEDUCTION ON SCHEDULE A.
6. STARTING IN 2018 THERE IS NO DEDUCTION FOR ALIMONY AND ALIMONY IS NO LONGER TAXABLE.
7. IF YOU ITEMIZE YOUR TAX RETURN THE PHASE OUT HAS GONE FROM \$1,000,000 DOWN TO \$750,000 THUS HIGH INCOME INDIVIDUALS WILL SEE THEIR ITEMIZED DEDUCTIONS REDUCED.
8. IRS HAS EXPANDED 529 PLANS TO PAY FOR APPRENTICESHIP FEES, HOME SCHOOLING AND STUDENT DEBT. MUST HAVE RECEIPTS TO PROVE WHERE THE MONEY WAS SPENT.

9. THERE IS NOW NO AGE LIMIT ON CONTRIBUTIONS TO IRA'S. MILITARY RESERVISTS CAN NOW MAXIMIZE THEIR IRA CONTRIBUTIONS. MUST HAVE EARNED INCOME; W-2, BUSINESS INCOME SUBJECT TO SOCIAL SECURITY TAX.
10. SMALL BUSINESSES CAN NOW JOIN TOGETHER TO CREATE 401K'S FOR THEIR EMPLOYEES. THIS MAY MAKE IT MORE AFFORDABLE FOR SMALL BUSINESSES.
11. IF YOU OWN A BUSINESS OR ARE A SHAREHOLDER/PARTNER (FORM K-1) IN A BUSINESS, CODE SECTION 199 WILL PLAY A BIG PART IN YOUR TAX RETURN THIS YEAR.
12. THE NEW LAW HAS ADDED SEVERAL NEW PENALTIES FOR PAID TAX PREPARERS. THEY WANT MORE DUE DILIGENCE ON OUR PART BY ASKING MORE QUESTIONS; I.E. WHAT DID YOU USE THE LINE OF CREDIT MONEY FOR, HOME OR TO BUY A CAR, COLLEGE FEES, OR PAY OFF CREDIT CARDS.
13. REMEMBER THAT YOU STILL NEED HEALTH COVERAGE FOR THE YEAR 2018 OR THERE WILL BE A PENALTY. STARTING IN 2019 THERE WILL BE NO PENALTY FOR NOT CARRYING HEALTH INSURANCE.
14. MOVING EXPENSES ARE NO LONGER DEDUCTIBLE AND IF THE EMPLOYER PAYS FOR THE EXPENSES THEY WILL BE INCLUDED ON YOUR W-2. THE ONLY EXEMPTION IS MILITARY MOVES.
15. TICKETS TO ANY ENTERTAINMENT EVENT ARE NO LONGER A BUSINESS DEDUCTION. MEALS ARE STILL DEDUCTIBLE AT THE RATE OF 50% AS LONG AS THEY ARE NOT INCLUDED IN THE TICKET PRICE.
16. THERE ARE NOW NEW REGULATIONS AS TO ARE YOU A TRADER OR AN INVESTOR; IE, HOME FLIPPER OR IN THE RENTAL BUSINESS. HOME FLIPPER IS NOW A SCHEDULE C BUSINESS SUBJECT TO SOCIAL SECURITY TAX, AND AN INVESTOR IN RENTAL PROPERTY IS STILL SCHEDULE E.

17. THERE ARE NEW RULES AND COURT CASES FOR A BUSINESS THAT HAS A PROFIT MOTIVE OR IS IT A HOBBY PRETENDING TO BE A BUSINESS; IE, MARY KAY, AMWAY, LEGAL SERVICES, OR MOST MULTI-LEVEL MARKETING VENTURES. THERE ARE GOING TO BE MORE AUDITS ON THIS FIELD.
18. INTEREST PAID BY A BUSINESS OR FOR RENTAL PROPERTY IS STILL DEDUCTIBLE ON THE PROPER SCHEDULE.
19. THERE ARE SOME NEW TAX PLANNING TOOLS FOR SECTION 529 PLANS. CERTAIN RULES MUST BE FOLLOWED.

THESE ARE ONLY SOME OF THE TAX CHANGES FOR THE YEAR 2018 AND IRS HAS NOT COMPLETED OR REVIEWED ALL OF THE CHANGES. SO FAR IRS HAS COME UP WITH 8 NEW TAX FORMS WITH MORE TO COME AS THEY REFINE THE TAX LAWS. WE WILL NOT HAVE ALL OF THE CHANGES OR NEW FORMS BY THE END OF THE YEAR. EVERYONE IS HOPING THAT BY THE END OF JANUARY 2019 WE WILL HAVE UPDATES, FORMS, AND GUIDENCE ON THE NEW TAX LAWS. THIS IS GOING TO BE A FUN YEAR FOR ALL OF US.