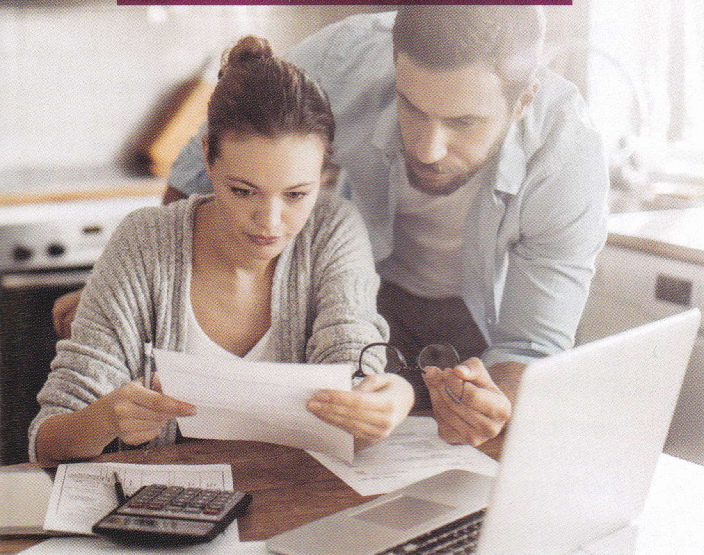


Tax Cuts & Jobs Act

for individuals



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What you need to know about the tax law

By now, most U.S. taxpayers are familiar with the major tax law changes reflected in the Tax Cuts and Jobs Act (TCJA). The TCJA cuts tax rates, ditches deductions and ultimately opens up a world of new tax savings opportunities for individuals. But, many of these changes are set to expire in 2025. Keep that in mind as you review the TCJA impact on 2019.

Individual tax rate brackets

Lower rates remain for 2019, with income brackets increasing 1%-2%. The marriage penalty is eliminated for all except those in the top two brackets.

Planning tip: You may need to adjust your federal tax withholding with your employer to cover your tax liability for the year.



Tax deductions

Here's a summary of some of the major changes to allowable deductions for individual taxpayers from the TCJA:

■ **Standard deduction:** The higher standard deductions increase to \$12,200 for single filers and \$24,400 for married couples filing jointly in 2019. The personal exemption and phaseout of standard deductions are suspended until 2026.

■ **State and local taxes:** The TCJA limits the deduction to \$10,000 annually for property, income and sales tax.

■ **Mortgage interest:** The deductibility of mortgage interest applies to no more than \$750,000 of acquisition indebtedness incurred after Dec. 14, 2017. Previous mortgage interest is unaffected by the new cap.

The TCJA suspends the deduction for interest paid on home equity loans and lines of credit, unless they are used to buy, build or substantially improve a qualifying home that secures the loan.

■ **NEW! Mortgage Insurance Premiums:** Deductions are available once again in 2019 and 2020.

■ **Medical expenses:** The deduction threshold is 7.5 percent of adjusted gross income (AGI) through 2020.

■ **Alimony:** Alimony payments that are part of new agreements or modifications made in 2019-2025 are not deductible. Alimony received is also impacted.

■ **Moving expenses:** Deductions for moving expenses are eliminated, except for active-duty military personnel.

Have you used these deductions in the past?

In addition to some of the deductions mentioned above, these deductions are no longer available:

- Casualty losses (except for those in federally declared disaster areas)
- Domestic production activities deduction (DPAD)
- Miscellaneous expenses (deductions subject to the 2 percent of AGI)

Tax credits

■ **Child Tax Credit:** This credit is now \$2,000 (with \$1,400 of it being refundable even if no tax is owed). The phase-out threshold is \$400,000 for joint filers. This means that most parents with children age 16 and younger can use this credit.

■ **Family credit:** Dependents who are not eligible for the Child Tax Credit can qualify for the \$500-per-person tax credit.

Other important 2019 tax info

■ **Estate tax:** The federal estate tax now applies to fewer people, with the exemption increased to \$11.4 million per individual (\$22.8 million for married couples). The maximum estate tax is 40 percent.

***Planning tip:** Consider updating your estate and wealth transfer strategies. Don't forget that individual state estate taxes will likely impact most taxpayers.*

■ **Kiddie tax:** The kiddie tax on the unearned income of children under age 19 (under age 24 for qualified students) uses the estates and trusts tax rate structure to determine income tax. This means it will be taxed anywhere from 10 percent to 37 percent.

***Planning tip:** Recent law changes reverts the kiddie tax to old rules using the parent's tax rate.*

■ **IRA accounts:** Under the TCJA, you can no longer use the Roth recharacterization technique to convert a traditional IRA to a Roth IRA, and then undo the conversion before your tax return due date to minimize taxes.

***Planning tip:** Make sure you really want to convert your traditional IRA to a Roth, because you can't convert it back.*

■ **529 education savings plans:** Qualified distributions from these plans not subject to tax now include tuition payments for K-12 private schools up to \$10,000 per year.

***Planning tip:** You may be able to free up some funds when you rethink your family's school expenses. Consider using those tax-free distributions from 529 plans for elementary and secondary school tuition.*

■ **Alternative minimum tax (AMT) exemption increase:** The AMT exemption increases for a married couple to \$111,700 in 2019. The AMT exemption for single taxpayers also increases to \$71,700.

***Planning tip:** The AMT now impacts far fewer taxpayers. See if you were affected by the AMT last year and take this change into account during your 2019 tax planning.*

Individual health care mandate

According to the TCJA, the individual mandate penalty in the Affordable Care Act has been set to zero starting in 2019.

2019 tax brackets

Single taxpayer

Taxable income over	But not over	Is taxed
\$0	\$9,700	10%
\$9,700	\$39,475	12%
\$39,475	\$84,200	22%
\$84,200	\$160,725	24%
\$160,725	\$204,100	32%
\$204,100	\$510,300	35%
\$510,300		37%

Head of household

\$0	\$13,850	10%
\$13,850	\$52,850	12%
\$52,850	\$84,200	22%
\$84,200	\$160,700	24%
\$160,700	\$204,100	32%
\$204,100	\$510,300	35%
\$510,300		37%

Married filing jointly

\$0	\$19,400	10%
\$19,400	\$78,950	12%
\$78,950	\$168,400	22%
\$168,400	\$321,450	24%
\$321,450	\$408,200	32%
\$408,200	\$612,350	35%
\$612,350		37%

Married filing separately

\$0	\$9,700	10%
\$9,700	\$39,475	12%
\$39,475	\$84,200	22%
\$84,200	\$160,725	24%
\$160,725	\$204,100	32%
\$204,100	\$306,175	35%
\$306,175		37%

TCJA checklist

Use this TCJA topics list as a reminder of items on your tax return that may affect tax deductions, credits, exemptions and other items that were part of past tax filings. This will help you determine what you need to pay attention to in 2019 and beyond. If you'd like to discuss these tax changes, give us a call.

- Standard deduction**
- State and local taxes**
- Mortgage interest**
- Medical expenses**
- Alimony paid or received**
- Federal estate tax exemption**
- Kiddie tax**
- Child Tax Credit**
- Casualty losses**
- 529 education savings plans**
- AMT**

DISCLAIMER: This publication provides only summary information regarding the subject matter. Please call with any questions on how this information may affect your situation.