The new Tax Law for 2018 – A comparison to 2017

This is a chart created by researching the internet for the new tax details. This is not a chart that may be used to fight the IRS. This is just my interpretation of the deductions at this time. (05/18/18)

Item to Deduct	2017	2018
Medical Expenses	Amounts in excess of 7.5% of AGI	Amounts in excess of 10% of AGI
Sales Tax and Property Tax	The sales tax and property tax paid.	Limited to $10,000 for both income and property taxes
Mortgage Interest	Limited to $1 million for mortgages established prior to Dec 15, 2017	Capped at $750,000 for mortgage loan balances taken out after Dec 15, 2017
Home Equity Loan Interest	Unrestricted deduction	No deduction at all – It's gone
Charitable deductions (Cash)	Deductible with receipts	Deductible with receipts
Charitable Deductions (Items)	Deductible with receipts	Deductible with receipts
Unreimbursed Employee Expenses (Form 2106)	Deductible for amounts above 2% of AGI	No longer deductible
Teacher Expenses (K-12)	$250 annual deduction	No longer deductible
Tax Preparation Charges	Deductible	No longer deductible
Investment Fees	Deductible	No longer deductible
Safe Deposit Box	Deductible	No longer deductible
Moving Expenses	Deductible if qualified	Not deductible except military
Disaster losses	Deductible	Limited deductions
Self Employed Expenses	Deductible on Schedule C	Deductible on Schedule C
School Loan Interest	Deductible	Deductible

Good changes

Standard Deduction – Single	$6350	$12,000
Married Standard Deduction	$13,000	$24,000
Head of Household	$9550	$18,000
Dependents	$4050 per dependent	$0 per dependent
Child Tax Credit	$1000 per child under age 17	$2000 per child under 17 $500 credit for dependents who do not get the $2000 credit
Personal Exemption	$4050	Eliminated
Estate Tax		Exemption – $11.2 million for individual $22.4 million per couple
401(K), 403(B) and most 457 plans & Thrift Savings Plan	$18,000 limit	$18,500 limit

There will be no **personal exemption amounts** for 2018.

Since there will be no personal exemption amounts, here's your cheat sheet for figuring whether you need to file a return in 2019 for the 2018 tax year (compare to the 2017 tax year rules here).

- For individual taxpayers, you will be required to file a tax return if your gross income for the taxable year is more than the standard deduction.
- For married taxpayers, you will be required to file a tax return if your gross income, when combined with your spouse's gross income, is more than the standard deduction for a joint return, provided that you and your spouse lived in the same home; your spouse does not file a separate tax return; and neither you nor your spouse is a dependent of another taxpayer who has income other than earned income in excess of $500 (indexed for inflation).

10 Tax Deductions That Will Disappear Next Year

Take advantage of these beneficial tax breaks before the new tax plan could make them extinct.

By Maryalene LaPonsie, Contributor |Feb. 9, 2018, at 11:41 a.m.

10 Tax Deductions That Will Disappear Next Year

When you file your taxes next year you won't be able to deduct expenses from relocating for a new job. (Getty Images)

Touted as the largest tax overhaul in 30 years, the Tax Cuts and Jobs Act of 2017 is poised to have a significant effect on income tax returns next year. "Overall, everyone should get some type of tax savings," says Miguel Farra, chairman of the tax and accounting department for accounting firm MBAF in Miami.

However, it isn't all good news. The law will eliminate and change some deductions for the 2018 tax year. That means this year is the last time you'll see the following 10 deductions on your tax forms, at least until some provisions of the tax law expire in 2025.

1. The standard $6,350 deduction. Some of the best news from the tax reform law is an increase in the standard deduction. While single taxpayers are only eligible for a $6,350 standard deduction this year, that amount will nearly double in 2018 to $12,000 for individuals. Married couples will get a standard deduction of $24,000 for 2018, up from $13,000 for 2017. And head of household filers will see a bump in their standard deduction from $9,550 to $18,000 in 2018.

"The majority of Americans are going to fall under the standard deduction," says Michael Foguth, president and founder of Foguth Financial Group in Brighton, Michigan. That may save taxpayers time as well as money.

Finance experts say there may be no need for many people to save receipts or document spending since they likely won't be itemizing deductions under the new law. "Look at your past taxes," says Ash Exantus, director of financial education and financial empowerment coach at BankMobile, an online bank geared for students. "If you're not close to the new standard deduction, I wouldn't necessarily waste the time [tracking expenses]."

2. Personal exemptions. The increased standardized deduction will be welcome news for many households, but there's a catch. "Taxpayers heard their new standard deductions will double, but they don't hear about losing their $4,050 personal and dependency exemptions," says Robert Duquette, professor of practice in the accounting department at Lehigh University.

While not technically a deduction, the exemption allows taxpayers to subtract $4,050 from their taxable income for each dependent they claim. Some experts point to an increase in the child tax credit as offsetting the loss of personal exemptions, but that credit won't help everyone. "Let's say all your children are in college," says Eric Bronnenkant, head of tax for online investment company Betterment. "Well, they get a personal exemption and no child tax credit."

3. Unlimited state and local tax deductions. Starting in 2018, deductions for state and local taxes – known as SALT deductions – will be capped at $10,000. "That's huge for the people in South Florida," Farra says. It will also have a significant impact on those in New York, California and other states where people pay high property taxes.

Some states are exploring strategies to offset the lost deduction and retain high-income taxpayers. For instance, legislation has been introduced in California to allow residents to make contributions to a state charitable fund in lieu of taxes. Meanwhile, New York is reportedly considering whether a deductible payroll tax could be used as a credit for state income tax and allow taxpayers to bypass the SALT deduction limit. However, it remains to be seen whether these efforts will be successful.

4. A $1 million mortgage interest deduction. Another change that could disproportionately affect those living in states such as California and New York is the restriction on the amount of mortgage interest that can be deducted. Currently, taxpayers can deduct interest on a mortgage of up to $1 million. Starting in 2018, only interest on the mortgage value capped at $750,000 will be deductible.

5. An unrestricted deduction for home equity loan interest. Duquette says people may have heard about the change in mortgage interest deductions, but they may not know about a change to interest deductions for home equity loans. "They don't seem to be aware the home equity line of credit interest [deduction] is completely gone with no grandfathering," he says. That means even those who have an existing home equity loan can't deduct the interest after 2017.

The new law does allow for deductions in limited cases, though. "Before, it was if you had any interest it was deductible," Foguth says. "Now, it has to be connected to home improvement." Plus, the combined total of the first mortgage and home equity loan can't exceed $750,000.

6. Deductions for unreimbursed employee expenses. Workers who made unreimbursed purchases related to their job can deduct any amount that exceeds 2 percent of their adjusted gross income in 2017. However, that deduction is being eliminated for 2018.

7. Miscellaneous itemized deductions. Unreimbursed work expenses is just one of several miscellaneous itemized deductions that have been disallowed under the new law. "Also gone is the unreimbursed qualified employee education expenses deduction," Duquette says. Other miscellaneous itemized deductions include costs related to tax preparation services, investment fees, professional dues and a long list of other approved items. To be deductible, the total amount of these miscellaneous expenses must exceed 2 percent of a person's adjusted gross income.

8. A deduction for moving expenses. If you're relocating for a new job, you may be able to deduct your moving expenses from your 2017 taxes, assuming you meet criteria laid out by the IRS. This criteria stipulates you must be moving to a job location at least 50 miles farther from your old house than the distance from your old house to your old job. What's more, you must be working full-time hours within 12 months after the move to deduct expenses. However, for 2018, that deduction is eliminated for everyone except armed forces members.

9. Unrestricted deductions related to natural disasters. In 2017, homes were ravaged by hurricanes, wildfires and floods. Families impacted by natural disasters can deduct at least a portion of any losses incurred by the events that were not covered by insurance or another relief program on their taxes this year.

However, in 2018, not everyone will have access to that deduction. "The deduction is actually still the same, but you must be in a presidentially designated disaster zone," Bronnenkant says. The designations are typically made on a county-by-county basis. For example, Bexar County in Texas was part of the disaster declaration for Hurricane Harvey in 2017, but its neighbor to the south, Wilson County, did not get the designation.

10. Alimony deduction. In the past, couples could set up alimony agreements that would allow the person making payments to deduct that money from their federal taxes. That won't be an option in 2019. The deduction is being eliminated for any divorce commencing after Dec. 31, 2018.

While the increased standardized deduction is good news for everyone, the other changes could be disappointing to some taxpayers. The upside: Many provisions of the Tax Cuts and Jobs Act will expire in 2025 unless Congress votes to extend them. That means it could just be a matter of time before cost-saving deductions make a comeback.

Kiddie Tax. The kiddie tax applies to unearned income for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages and salary, like dividends and interest. Taxable income attributable to net unearned income will be taxed according to the brackets applicable to trusts and estates (see above, earlier). With respect to earned income, the rules are the same as before.

For high-income taxpayers who **itemize their deductions**, the Pease limitations, named after former Rep. Don Pease (D-OH), previously capped or phased out certain deductions. For 2018, the Pease limitations do not apply.

Some additional **tax credits** and **deductions** were adjusted for 2018 or altered under the conference bill. Here's a look at a few of the most popular:

- **Child Tax Credit**. The child tax credit has been expanded to $2,000 per qualifying child and is refundable up to $1,400, subject to phaseouts. The bill also includes a temporary $500 nonrefundable credit for other qualifying dependents. Phaseouts, which are not indexed for inflation, will begin with adjusted gross income (AGI) of more than $400,000 for married taxpayers filing jointly and more than $200,000 for all other taxpayers. For specific dollar amounts and more about the expanded CTC, click here.
- **Earned Income Tax Credit (EITC).** For 2018, the maximum EITC amount available is $6,431 for taxpayers filing jointly who have three or more qualifying children. Income phaseouts apply. For more info, IRB 2018-10 has a table providing maximum credit amounts for other categories, income thresholds, and phaseouts.
- **Adoption Credit.** For 2018, the credit allowed for an adoption of a child with special needs is $13,810, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to $13,810. Phaseouts apply beginning with modified adjusted gross income (MAGI) in excess of $207,140 and completely phased out for taxpayers with MAGI of $247,140 or more.
- **Student Loan Interest Deduction.** For 2018, the maximum amount that you can deduct for interest paid on student loans remains $2,500. Phaseouts apply for taxpayers with MAGI in excess of $65,000 ($135,000 for joint returns) and is completely phased out for taxpayers with MAGI of $80,000 or more ($165,000 or more for joint returns). The conference bill did not repeal the deduction.
- **Foreign Earned Income Exclusion.** For tax year 2018, the foreign earned income exclusion is $103,900, up from $102,100 for tax year 2017.
- **Medical Savings Accounts (MSA).** For 2018, a high-deductible health plan (HDHP) is one that, for participants who have self-only coverage in an MSA, has an annual deductible that is not less than $2,300 but not more than $3,450; for self-only coverage, the maximum out-of-pocket expense amount is $4,550. For 2018, HDHP means, for participants with family coverage, an annual deductible that is not less than $4,550 but not more than $6,850; for family coverage, the maximum out-of-pocket expense is $8,400.