



# KRS Tax & Financial Services, Inc

## 2018 Year End Tax News Letter - Major Changes to Tax Law that affect every CLIENT

KRS would like to wish everyone a prosperous and healthy 2019. Today is the first day of the rest of our lives, be happy! Thank you for allowing KRS to guide you thru the tax maze and to prepare your tax returns. The following tax information will help in gathering your info to prepare your 2018 tax returns.

The new tax law will help simplify tax preparation. Based upon the writers of the new tax law, **92% of all tax returns filed will use the NEW standard deduction. Only 8% will now itemize deductions.**

### Tax Law changes for 2018:

- There is **no change to income**, all income remains the same for declaring on your tax return, except for Self employed, Sub S corporations and partnerships. Twenty percent of your income is not subject to income tax. Your expenses are subtracted from the remaining 80 percent of the income.

- The **new standard deductions** are:

Single.....	\$12,000
MFJ .....	24,000
MFS.....	12,000
Head of Household.....	18,000

Additional deduction amount for age 65 and over and the blind is \$1,300 per person

- **No more personal exemption:** Last year the personal exemption was \$4,050. This is no longer allowed but you still must list your dependents on your return.

- Itemized deductions on schedule A:

**MEDICAL** - All medical expenses paid in 2018 over 7 1/2% of your Adjusted Gross Income will be allowed.

**TAXES:** - The max allowed is now \$10,000. This includes State Income tax, Real Estate taxes, Sales Tax and Personal Property taxes.

**INTEREST:** - Mortgage interest on your first and second homes are allowed. Home equity loans are allowed for existing loans, Home equity loan interest on new loans taken out in 2018 and thereafter, are not allowed unless the loan money was used for your main home. Buying an auto or paying off credit card debt with home equity loan money is no longer an option.

**CHARITY:** - There is no change on money or goods given to charity. However, the new law allows up to 60% contribution of your adjusted gross income up from 50% in prior years.

**CASUALTY:** - Casualty or theft losses are no longer allowed unless the President declares your area a DISASTER AREA. (Hurricanes, wild fires, earth quakes, etc.) Nasty break if robbed or have frozen water pipes.

**MISCELLANEOUS:** - There is no longer any miscellaneous deductions. No more auto use or expenses for your employer, no home office, no financial fees or broker fees, no safety box, tax preparation fees, nota!



- **Moving Expenses:** No moving expenses are allowed unless you are in the Military
- **Income Tax Brackets Reduced:** The original tax bill wanted to reduce the number of tax brackets from seven to three, however the bill that passed kept the seven tax brackets but mostly lowered the tax rates. Here are the tax brackets:

<u>Tax Rate</u>	<u>Single</u>	<u>Married Filing Jointly</u>	<u>Head of Household</u>	<u>Married Filing Separate</u>
10%	\$0 - 9,525	\$0 - 19,050	\$0 - 13,600	\$0 - 9,525
12%	\$9,525 - 38,700	\$10,050 - 77,400	\$13,600 - 51,800	\$9,525 - 38,700
22%	\$38,700 - 82,500	\$77,400 - 165,000	\$51,800 - 82,500	\$38,700 - 82,500
24%	\$82,500 - 157,500	\$165,000 - 315,000	\$82,500 - 157,500	\$82,500 - 157,500
32%	\$157,500 - 200,000	\$315,000 - 400,000	\$157,500 - 200,000	\$157,500 - 200,000
35%	\$200,000 - 500,000	\$400,000 - 600,000	\$200,000 - 500,000	\$200,000 - 300,000
37%	Over \$500,000	Over \$600,000	Over 500,000	Over 300,000

- **Tax credits now allowed:**
  1. Children age 16 and under, \$2,000 per dependent (up from \$1,000 prior years)
  2. **All other Qualifying dependents**, \$500 (New)
  3. Earned income credit (No change)
  4. Education credit (No change) still need form 1098T
- **Capital Gains Taxes:** Short term gains (assets held less than 12 months) are still taxed as ordinary income. (Also, many states tax all capital gains as ordinary income) Assets held for more than 12 months are treated as long term capital gains, here are the tax rates:

<u>LT Capital gains rate</u>	<u>Single Taxpayers</u>	<u>Married Filing Jointly</u>	<u>Head of Household</u>	<u>Married Filing Separate</u>
0%	Up to \$38,600	Up to \$77,200	Up to \$ 51,700	Up to 25,850
15%	\$38,600 - 425,800	\$77,200 - 479,000	\$51,700 - 452,400	\$25,850 - 239,500
20%	Over \$425,000	Over \$479,000	Over \$452,400	Over 239,500

- **Estate Tax Exemption:** Single Individual.....\$11.20 million lifetime exclusion  
Married Couples.....\$22.40 million lifetime exclusion
- **Gift Tax:** The law allows a \$15,000 per person gift, \$30,000 if married, per person; however there is never a tax to the recipient of the gift and the giver may never pay any tax. The gift amount over \$15,000 is subtracted from the estate exclusion shown above. As an example: If you gifted someone \$115,000, the \$15,000 does not count. The remaining \$100,000 is subtracted from your estate exclusion of \$11.20 million lifetime exclusion. IRS form 709 is suppose to be filed in the year of the gift if over the allowable gift.
- **Alimony:** For tax years 2019 and thereafter, **alimony paid** is no longer income to the recipient and is no longer deductible by the payer. If the alimony agreement was made prior to 2019, then alimony is income and deductible.

**For any client wanting to know how to avoid probate and high attorney fees upon your death, please schedule your appointment with Bill Sylvester. Fifty years of preparing tax returns and dealing with estates, he will discuss the various options and guide you and your beneficiaries to a smooth distribution of assets upon your death. My promise to you.....we all die! Just tell me when you will die and the day before is when you need to prepare the documents.**