A-ADVANTAGE
Tax & Financial Services

(602) 995-2100 · Fax (602) 944-1317 · www.a-advantagetax.com · tax.help@a-atax.com
2320 W Peoria Ave #A105 · Phoenix · AZ · 85029 · PO Box 47605· Phoenix · AZ · 85068

NEWS YOU CAN USE-2018 TAX FACTS

MILEAGE RATES FOR 2018:

BUSINESS:	54.5 cents/mile
MEDICAL/MOVING:	18 cents/mile
CHARITABLE:	14 cents/mile

- Kiddie Tax exclusion amount remains at $1050 for 2018.
- Annual Gift Tax Exclusion 2018: $15,000
- Social Security wage: $128,400 for 2018; Social security checks will go up 2% in 2018
- Maximum wage earnings between ages 62 and 66 is increased to $17,040

2018 BASIC STANDARD DEDUCTIONS:

MFJ/SURVIVING SPOUSE:	$24,000
HEAD OF HOUSEHOLD:	$18,000
SINGLE/MFS:	$12,000

ADDITIONAL DEDUCTION FOR BLIND/OVER AGE 65 TAXPAYERS: $1,300(MFJ) OR $1,600(SINGLE)

2018 AMT EXEMPTION AMOUNTS:

MFJ/SURVIVING SPOUSE:	$109,400	MARRIED FILING SEPARATE:	$54,700
UNMARRIED INDIVIDUALS:	$70,300	ESTATES AND TRUSTS:	$24,600

BASIC PERSONAL INCOME TAX BRACKET AMOUNTS-2018

MFJ OR SURVIVING SPOUSE

-0-	-	$19,050	10%
$19,051	-	$77,400	12%
$77,401	-	$165,000	22%
$165,001	-	$315,000	24%
$315,001	-	$400,000	32%
$400,001	-	$600,000	35%
OVER $600,000	-		37%

HEAD OF HOUSEHOLD

-0-	-	$13,600	10%
$13,601	-	$51,800	12%
$51,801	-	$82,500	22%
$82,501	-	$157,500	24%
$157,501	-	$200,000	32%
$200,001	-	$500,000	35%
Over $500,000	-		37%

SINGLE

-0-	-	$9,525	10%
$9,526	-	$38,700	12%
$38,701	-	$82,500	22%
$82,501	-	$157,500	24%
$157,501	-	$200,000	32%
$200,001	-	$500,000	35%
OVER $500,001			37%

UPDATED 12/18/2018

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2018 RETIREMENT PLAN CHANGES:

- Maximum 401(k), 403(b), Thrift Savings Plan, and 457(e) (15) contributions: $18,500. Individuals age 50 or older can contribute an additional $6,000 for a total of $24,500.
- SIMPLE IRA maximum contributions are $12,500. If a participant is age 50 or older, then an additional $3,000 can be contributed.
- The maximum annual IRA contribution is unchanged at $5,500 plus $1000 for anyone age 50 or older.
- Dollar ceilings on retirement plans increase to $55,000 for defined contribution plans(Keogh plans, profit sharing plans, etc). Retirement plan contributions can be based on $275,000 of salary.

ADDITIONAL FEDERAL ISSUES AFFECTING 2018 TAX RETURNS-in no particular order

Reporting Health Care Coverage:

Under the Tax Cuts and Jobs Act, you must continue to report coverage, qualify for an exemption, or report an individual shared responsibility payment for tax year 2018. For taxable years beginning after 2018 the penalty for not maintaining minimum essential insurance coverage is adjusted for inflation.

Starting in 2018, the $1,000 tax credit for each child under age 17 is doubled to $2,000. For lower-income taxpayers, up to $1,400 of the credit is refundable, meaning that if the credit pushes your tax liability below $0, the IRS will write you a refund check of up to $1,400 per eligible child. As well the new law allows for a credit for other dependents who are not under age 17. Dependent must by a U.S. citizen, national or U.S, resident alien. The credit amount is up to $500 per dependent. One final note regarding child tax credits. The child MUST HAVE a social security number in order to be eligible for the $2,000 credit.

Additionally, the new law significantly increases the income phase-out thresholds so that more higher-income families will pocket child credits. The credit begins to phase out for couples with adjusted gross incomes over $400,000 (up from $110k in 2017) and $200,000 for all other filers (up from $75,000).

Lawmakers decided to reduce to $750,000 – the amount of debt on which homeowners can deduct mortgage interest. The limit applies to mortgage debt incurred after December 15, 2017, to buy or improve a principal residence or second home. Older loans are still subject to the $1 million cap. The law also bans the deduction of interest on home-equity loans unless, again, the debt was used to buy, build or substantially improve the main home.

Starting in 2018, the law sets a $10,000 limit on how much you can deduct of the state and local taxes you pay. You can deduct any combination of state and local income or sales taxes or property taxes, up to the $10,000 cap.

Prior to 2018 casualty losses were deductible by those who itemize to the extent the loss exceeded $100 plus 10% of their adjusted gross income. Starting in 2018, the law allows a deduction of such losses only if they occur in a presidentially declared disaster area.

Despite efforts to eliminate the deduction for medical expenses, the new law is actually more generous than the old one. Under the old rules, medical expenses were deductible only to the extent they exceeded 10% of adjusted gross income. For 2017 and 2018, however, the threshold drops to 7.5% of AGI. Come 2019, the 10% threshold returns (unless Congress changes the rules again).

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Miscellaneous itemized deductions suspended.
The previous deduction for job-related expenses or other miscellaneous itemized deductions that exceeded 2 percent of your adjusted gross income is suspended. This includes unreimbursed employee expenses such as uniforms, union dues and the deduction for business-related meals, entertainment and travel, as well as any deductions you may have previously been able to claim for tax preparation fees and investment expenses, including investment management fees, safe deposit box fees and investment expenses from pass-through entities. The business standard mileage rate listed in Notice 2018-03 cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension.

A big change is coming for divorce. In the past, alimony paid under a divorce decree was deductible by the ex-spouse who paid it and treated as taxable income by the recipient. Starting with alimony paid under divorce or separation agreements executed after December 31, 2018, the reverse will be true: Payor's will no longer get to deduct alimony, but the payments will be tax-free for the ex-spouse who receives them. That's the same rule that has and will continue to apply to child support payments.

The new law retains the favorable tax treatment granted long-term capital gains and qualified dividends, imposing rates of 0%, 15%, 20% or 23.8%, depending on your total income.
In the past, your capital gains rate depended on which tax bracket you fell in. But, with the changes in the brackets, Congress decided to set income thresholds instead. For example, for 2018, the 0% rate for long-term gains and qualified dividends will apply for taxpayers with taxable income under about $38,600 on individual returns and about $77,200 on joint returns.

BASIC ESTATE AND TRUST TAX BRACKET AMOUNTS-2018

TAXABLE INCOME IS:	***THE TAX PERCENTAGE IS:***
$2,550 or less:	10%
$2,551 to $9,150:	24%
$9,151 to $12,500:	35%
Over $12,500:	37%

SECTION 179 ELECTION TO EXPENSE CERTAIN DEPRECIABLE ASSETS IN 2018 IS INCREASED TO $1 MILLION. The phase out amount rises to $2,000,000.

Effective for 2018 tax rates for children's unearned income now set at 24%, 35%, and 37%. This is only on incomes exceeding $2550.00. This change has the same rates as the tax rates for estate and trust income. See above.

Moving expenses are suspended. Most people who move for job related reasons can no longer write off the cost of their move.
The new law uses the word "suspended". Keep in mind the new law is only effective through 2025. Then everything reverts back to the tax laws in effect on 12/31/17.

Child Tax Credit and "Other Dependent Credit" has been expanded. For dependent children under age 17 the credit was expanded to $2,000 per child. For other dependents the "other dependency credit" is now $500 per dependent

SPECIAL NEEDS ADOPTION CREDIT-2018: $13,810

FOREIGN EARNED INCOME EXCLUSION AMOUNT 2018: $103,900

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529 Plans - K-12 education

One of the TCJA changes allows distributions from 529 plans to be used to pay up to a total of $10,000 of tuition per beneficiary (regardless of the number of contributing plans) each year at an elementary or secondary (k-12) public, private or religious school of the beneficiary's choosing.

Efforts to kill the federal estate tax fell short, but the new law doubles the amount that can be left to heirs tax-free in 2018. Up to $11,180,000 million per giftor or twice that amount for married couples. The amount will rise each year to keep up with inflation. But, as with many changes in the law, this one expires at the end of 2025, when the tax-free amount will revert to earlier levels. The law does not change the rule that "steps up" the basis of inherited property to its value on the date the benefactor died. As in the past, any appreciation during the life of the previous owner becomes tax-free.

STATE OF ARIZONA ISSUES:

BASIC STANDARD DEDUCTIONS – 2018-All amounts tentative as of 11/30/18:

Single:	$ 5,312.00	Married Filing Separate:	$ 5,312
Married Filing Jointly:	$10,613.00	Head of Household:	$10,613.00

PERSONAL EXEMPTIONS:

Single:	$2,200.00	Married Filing Joint:	$4,400.00
Married Filing Joint w/one dependent:	$6,600.00	Head of Household:	$4,400.00

DEPENDENTS EXEMPTION: $2,200.00

Extra-Curricular Tuition Credits, as well as credits for Private Education Tuition amounts are still available. The dollar values are $200(single) and $400(married filing joint) for the extra-curricular credit. For the private education tuition credit the amount is $555(single and $1110(married filing joint). Please remember that these are non-refundable credits, meaning they may not be fully utilized if you zero out your tax obligation through normal tax calculation methods.

Finally taxpayers may contribute to a "Certified School Tuition Organization" once they have used all available credits for the Private Education Tuition Credit Organization. Use forms 323 and 348. DONATION CAN BE MADE UP UNTIL APRIL 15TH, 2019 for credit on the 2018 tax return.