Izzi & Associates, Ltd.

Certified Public Accountants

January 15th, 2019

Dear Clients,

Enclosed are some of the highlights of the recent tax law changes stemming from "*The Tax Cuts & Jobs Act of 2018.*" Please read through this list as it may pertain to your individual tax return for 2018. There are some items in here that may affect how or if you itemize on your return as well as applicable write-off's that have been removed or modified.

My office is available to set up tax appointments at your discretion through the beginning of April. When at all possible please summarize your applicable tax items with the enclosed tax organizer & be sure to sign the enclosed engagement letter.

The fee schedule for 2018 remains the same as in previous years. We kindly ask that when making a tax appointment you keep in mind that we will require clients to pay their accounting fee at the close of the appointment.

As always, I can be reached at Edward@izziandassociates.com or (630) 671-9660 for any questions or concerns regarding these new tax law changes. Again, it is a pleasure to work with you this tax year & we look forward to preparing your personal tax returns.

THE TAX CUTS & JOBS ACT OF 2018: PERSONAL INCOME TAX RETURN SIGNIFICANCE

1. The new standard deduction has nearly doubled from previous years.
   a. Single filers can now claim the standard deduction which has increased to $12,000.
   b. For married couples filing jointly, it's increased to $24,000.
   c. Head of household my now utilize a standard deduction of $18,000.
   d. The amounts are higher if you are over the age of 65.
2. The personal exemption has been removed altogether.
   a. Previously, you could claim a $4,050 personal exemption for yourself, your spouse and each of your dependents, which lowered your taxable income.
3. The state and local tax deduction now has a cap. The state and local tax deduction remains in place for those who itemize their taxes, with a $10,000 cap.
   a. Previously, filers could deduct an unlimited amount for state and local property taxes, plus income or sales taxes.
4. The child tax credit has doubled to $2,000 for children under 17.
   a. This credit can be claimed by single parents who make up to $200,000, and married couples who make up to $400,000.
5. There's a new tax credit for non-child dependents.
   a. A $500 temporary credit for non-child dependents such as children over age 17, elderly parents or adult children with a disability.
6. Fewer people will have to deal with the alternative minimum tax.
   a. The exemption has been raised to $70,300 for singles, and to $109,400 for married couples.
7. The mortgage interest deduction has been lowered for new homeowners.
   a. Anyone buying a new home will only be able to deduct the first $750,000 of their mortgage debt, down from $1 million.

8. Tax Payers can still deduct student loan interest, up to $2,500 per year.
9. You can still deduct medical expenses. Filers can deduct medical expenses that add up to more than 7.5% of adjusted gross income.
    a. In the past, the threshold for most Americans was 10% of AGI.
10. If you're a teacher, you can still deduct up to $250 classroom supplies to offset what they spend on classroom materials.
11. Homeowners who sell their house for a gain will still be able to exclude up to $500,000 for married couples or $250,000 for single filers from capital gains; but only if the home meets the requirements of primary residency.
12. Previously, funds invested in 529 savings accounts weren’t taxed, but it could only be used for college expenses.
    a. Now, up to $10,000 can be distributed annually to cover the cost of sending a child to a "public, private, religious, elementary or secondary school."
13. Tuition waivers for grad students remain tax-free.
    a. Graduate students still won't have to pay income taxes on the tuition waiver they get from their schools.
14. There has been a repeal of the deduction for amounts paid in exchange for college athletic event seating rights.
15. Say goodbye to the tax deduction alimony payments; this provision will only apply to couples who sign divorce or separation paperwork after December 31, 2018.
16. The deduction for moving expenses is also gone with some exceptions for members of the military.
17. Also gone is the tax preparation deduction.
    a. This had been previously allowable for individuals who had their returns prepared by a professional, or the money they spent on tax prep software.
18. Through 2025, people can only claim a disaster deduction if they've been affected by an official national disaster as declared by FEMA.
    a. That would make someone whose house was destroyed by a California wildfire potentially eligible for some relief, while disqualifying the victim of a random house fire.
19. Almost everyone is now exempt from the estate tax.
    a. The amount of money exempt from the tax, previously set at $5.49 million for individuals, and at $10.98 million for married couples, has been doubled.
20. Adjustments for inflation will now be slower.
    a. Over time, that will raise more money for the federal government, but deductions, credits and exemptions will be worth less, possibly, with each passing year.
21. The individual mandate on health insurance has been lifted.
    a. Politicians failed to repeal “*Obamacare*,” but they managed to eliminate the individual mandate, which penalizes people who do not have health care.
22. While doubling the standard deduction will ease the process for some individuals, there's still a web of deductions and credits to work through.
    a. And for small businesses, filing taxes could become even more complicated.
23. The corporate tax rate has been cut from 35% to 21% starting 2018.
24. Pass-through entities will also get a break.
    a. The tax burden by owners, partners and shareholders of S-Corporations, LLCs and Partnerships, has been lowered via a 20% deduction.