Tax Law Changes

Under the Tax Cuts and Jobs Act

1. Standard deduction increased – Single filers can take a standard deduction of $12,200, and married couples filing jointly can take $24,400.

2. Personal exemption eliminated – Before tax year 2018, you could have taken a $4,050 personal exemption for yourself and each dependent claimed on your tax return. That exemption has been repealed.

3. Affordable Care Act penalty repealed – Beginning in January 2019, there is no tax penalty if you do not have healthcare coverage all year long.

4. New tax brackets and rates – Income tax rates are lower for most of the seven tax brackets. The top rate dropped from 39.6% to 37%, while the bottom bracket remains at 10%. The range of income included in each bracket was expanded, too.

5. Child Tax Credit doubled – You can now get up to $2,000 in tax credit for each qualifying dependent. The income threshold for claiming the credit increased to $400,000 for married filers ($200,000 if you are single). Your children must have a Social Security number to be eligible. The credit is partially refundable up to $1,400.

6. New family tax credit – A new $500 non-refundable credit is available for children who are over age 17 or do not have an SSN. The credit can also be claimed for elderly and disabled dependents.

7. SALT deduction limited – The amount you can deduct for all state and local tax is capped at $10,000 per household. If you are married filing separately, the most each of you can claim is $5,000 per return, for a total sum of $10,000.

8. Miscellaneous deductions eliminated – You can't take a deduction for moving expenses or unreimbursed employee expenses.

9. 20% deduction for small business – Pass-through entities (S-Corps, LLCs, partnerships, Sole proprietorships) may deduct up to 20% of qualified business income. Limitations to the law do apply.

10. Smaller Form 1040 – The new Form 1040 is the size of a postcard and is intended to replace all versions of the Form 1040. All taxpayers will use the same 1040 to file, no matter what their tax situation is. Additional tax information will be entered on accompanying schedules.

11. Alimony payment changes – If you're divorced or separated after Dec 31, 2018, you can't deduct payments you make for alimony. If you receive alimony, those amounts are no longer included in your taxable income.

12. 529 savings accounts: Up to $10,000 per year can be withdrawn and used for private/religious education at certain elementary or secondary schools without a tax penalty.