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CPAs & BUSINESS CONSULTANTS

TAX BRIEF
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TAX REFORM:
Are you maximizing your tax savings yet?

This tax filing season is the first under the Tax Cuts and Jobs Act (TCJA), a major overhaul of the tax code that went into effect at the beginning of 2018. **While many changes took effect for the 2018 tax year, a few go into effect in 2019** including elimination of the individual mandate under the Affordable Care Act. The corporate changes are permanent, while the majority of the individual changes are set to expire at the end of 2025.

Prepare now and be ready to spend some extra time with your CPA to strategize and take full advantage of the new rules for 2019 and beyond. Don't wait to make major decisions and adjustments that could maximize your tax savings. Below are highlights of some of the most significant changes affecting individual and business taxpayers.

Visit Yeo & Yeo's **Tax Resource Center** at yeoandyeo.com for ongoing information and links to other Tax Reform resources including Yeo & Yeo's **Tax Reform Webinar Series** and the **IRS Withholding Calculator.**

Businesses

- ☐ Replacement of graduated corporate tax rates ranging from 15% to 35% with a flat corporate rate of 21%
- ☐ Repeal of the 20% corporate AMT
- ☐ New 20% qualified business income deduction for owners of flow-through entities (such as partnerships, limited liability companies and S corporations) and sole proprietorships — through 2025
- ☐ Doubling of bonus depreciation to 100% and expansion of qualified assets to include used assets — effective for assets acquired and placed in service after September 27, 2017, and before January 1, 2023
- ☐ Doubling of the Section 179 expensing limit to $1 million and an increase of the expensing phase-out threshold to $2.5 million
- ☐ Other enhancements to depreciation-related deductions
- ☐ New disallowance of deductions for net interest expense in excess of 30% of the business's adjusted taxable income (exceptions apply)
- ☐ New limits and rules regarding net operating loss (NOL) deductions
- ☐ Elimination of the Section 199 deduction, also commonly referred to as the domestic production activities deduction or manufacturers' deduction — effective for tax years beginning after December 31, 2017. Certain exceptions apply for fiscal year corporations.
- ☐ New rule limiting like-kind exchanges to real property that is not held primarily for sale
- ☐ New tax credit for employer-paid family and medical leave — through 2019
- ☐ New limitations on excessive employee compensation
- ☐ New limitations on deductions for employee fringe benefits, such as entertainment and, in certain circumstances, meals and transportation

Individuals

- Reduction of individual income tax rates to 10%, 12%, 22%, 24%, 32%, 35% and 37% — through 2025
- Near doubling of the standard deduction to $24,000 (married couples filing jointly), $18,000 (heads of households), and $12,000 (singles and married couples filing separately) in 2018, indexed for inflation in future years — through 2025
- Elimination of personal exemptions — through 2025
- Doubling of the child tax credit to $2,000 and other modifications intended to help more taxpayers benefit from the credit — through 2025
- Elimination of the individual mandate under the Affordable Care Act requiring taxpayers not covered by a qualifying health plan to pay a penalty — *effective for months beginning after December 31, 2018*
- Reduction of the adjusted gross income (AGI) threshold for the medical expense deduction to 7.5% — for 2017 and 2018
- New $10,000 limit on the deduction for state and local taxes (on a combined basis for property and income taxes; $5,000 for separate filers) — through 2025
- Reduction of the mortgage debt limit for the home mortgage interest deduction to $750,000 ($375,000 for separate filers), with certain exceptions — through 2025
- Elimination of the deduction for interest on home equity debt — through 2025
- Elimination of the personal casualty and theft loss deduction (with an exception for federally declared disasters) — through 2025
- Elimination of miscellaneous itemized deductions subject to the 2% floor (such as certain investment expenses, professional fees and unreimbursed employee business expenses) — through 2025
- Elimination of the AGI-based reduction of certain itemized deductions — through 2025
- Elimination of the moving expense deduction (with an exception for members of the military in certain circumstances) — through 2025
- Expansion of tax-free Section 529 plan distributions to include those used to pay qualifying elementary and secondary school expenses, up to $10,000 per student per tax year
- AMT exemption increase, to $109,400 for joint filers, $70,300 for singles and heads of households, and $54,700 for separate filers — through 2025
- Doubling of the gift and estate tax exemptions, to $10 million (expected to be nearly $11.2 million for 2018 with inflation indexing) — through 2025

More to consider

This is just a brief overview of some of the most significant TCJA provisions. Additional rules and limits apply, and the law includes many additional provisions. **Contact your Yeo & Yeo professional or local Yeo & Yeo office to learn more about how these and other tax law changes will affect you in 2019 and beyond.**

For additional tax information, please refer to Yeo & Yeo's [Tax Resource Center] at yeoandyeo.com.