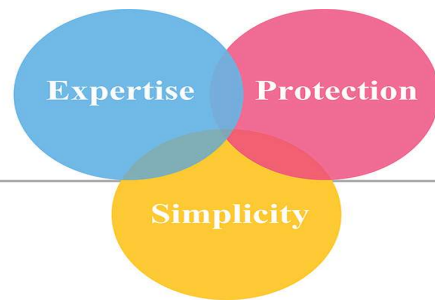


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2018 Tax Update

Individuals

- **Standard deductions nearly double** - Now \$24,000 for couples, \$12,000 for singles and \$18,000 for household heads. Folks age 65 or up and blind people get \$1,300 more per person (\$1,600 if unmarried).
- **Certain write offs are modified/eliminated – However there will be ways around this, if you feel this may impact you please call us to discuss tax planning strategies**
 - o **Mortgage Interest** can be deducted on up to \$750,000 of new acquisition debt on a primary and second residence down from \$1 million. Home equity loan interest is only allowed if used for improvement of the house
 - o **State and Local Taxes (Income and Real Estate)** - You can deduct any combination of residential property taxes and income or sales taxes up to a \$10k cap. Property taxes remain fully deductible for taxpayers in a business or for-profit activity, so taxes paid on rental realty can be taken in full on Schedule E.
 - o **Miscellaneous Deductions (e.g. Unreimbursed job expenses, brokerage fees, etc.)** – All are eliminated
 - o **Alimony** - Alimony for post-2018 divorce decrees, although it's good news to recipients, who will not be taxed on alimony they receive. Those with alimony in place by 12/31/18 are still deductible to payors and income to payees
 - o **Charity** – write off is preserved
 - o **Medical expenses** – write off is enhanced! Not only have lawmakers opted to keep this popular write-off, but they've also temporarily lowered the AGI threshold for deducting 2017 and 2018 medical expenses on Schedule A from 10% to 7.5%.
- **Alternative Minimum Tax** – Good news on this as well – the exemption phaseout zones start at much higher income levels above \$1 million for couples and \$500,000 for single people and heads of household.
- **Child Tax Credit** – The child tax credit is doubled to \$2,000 for each dependent under age 17, with up to \$1,400 of the credit refundable to lower-income taxpayers. There's a new \$500 credit for each dependent who is not a qualifying child.

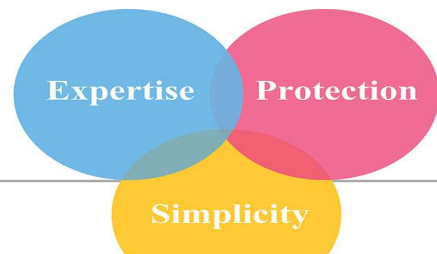
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Tax brackets for married taxpayers filing jointly

2017		2018	
10%	\$0-\$18,650	10%	\$0-\$19,050
15%	\$18,651-\$75,900	12%	\$19,051-\$77,400
25%	\$75,901-\$153,100	22%	\$77,401-\$165,000
28%	\$153,101-\$233,350	24%	\$165,001-\$315,000
33%	\$233,351-\$416,700	32%	\$315,001-\$400,000
35%	\$416,701-\$470,700	35%	\$400,001-\$600,000
39.6%	\$470,701 or more	37%	\$600,000 or more
Standard deduction:	\$12,700	Standard deduction:	\$24,000
Personal Exemption:	\$8,100	Personal Exemption:	Eliminated

Tax brackets for single filers

2017		2018	
10%	\$0-\$9,325	10%	\$0-\$9,525
15%	\$9,326-\$37,950	12%	\$9,526-\$38,700
25%	\$37,951-\$91,900	22%	\$38,701-\$82,500
28%	\$91,901-\$191,650	24%	\$82,501-\$157,500
33%	\$191,651-\$416,700	32%	\$157,501-\$200,000
35%	\$416,701-\$418,400	35%	\$200,001-\$500,000
39.6%	\$418,401 or more	37%	\$500,001 or more
Standard deduction:	\$6,350	Standard deduction:	\$12,000
Personal Exemption:	\$4,050	Personal Exemption:	Eliminated

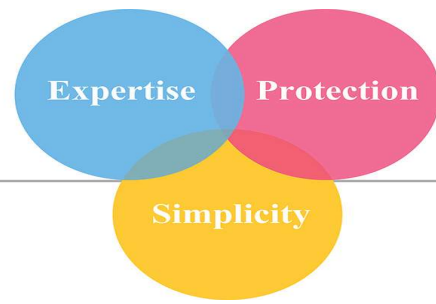
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Businesses

The new tax law dramatically reforms the taxation of businesses of all sizes.

- **20% Deduction Qualified Business Income Deduction (199A or QBID)** – Many individual business owners of pass-throughs will get a new 20% deduction. By far the most complicated part of the new legislation. If you have a business and your taxable income is below \$315k for married filing joint and \$157.5k for all others, you will qualify for a deduction of 20% of your qualified business income. If your taxable income exceeds the above stated numbers, you may still qualify. **If this applies to you, you should contact us as soon as possible.**
 - o **Qualified Businesses & Phaseouts** – the deduction may be limited based on whether the taxpayer is engaged in a service-type trade or business (such as law, accounting, health, or consulting), the amount of W-2 wages paid by the trade or business, and/or the unadjusted basis of qualified property (such as machinery and equipment) held by the trade or business. The limitations are phased in for joint filers with taxable income between \$315,000 and \$415,000 and for all other taxpayers with taxable income between \$157,500 and \$207,500.
 - o **Calculation** – Calculation differs between businesses and rental real estate
 - **Rental Real estate** – The lower of 20% of net profits Or: The greater of 50% of wages or 25% of W-2 wages from the rental property plus 2.5% of the unadjusted basis of the rental property
 - **Businesses** – The lesser of 20% of business income or 50% of W-2 Wages
 - o **Complexity** – This new law is HIGHLY complex so do not make any decisions without consulting a tax adviser. Entity structure, dollar thresholds, and business service descriptions all come into play.
- **Meals & Entertainment** – Meals are back! As of 10/3/18 the IRS came out and said “Taxpayers can still deduct 50% of the cost of business meals if the taxpayer, or an employee, is present and as long as the food or beverages are not considered lavish or extravagant.” Entertainment is no longer deductible.
- **Bonus Depreciation** – There are enhanced write-offs for business asset purchases in the law.

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