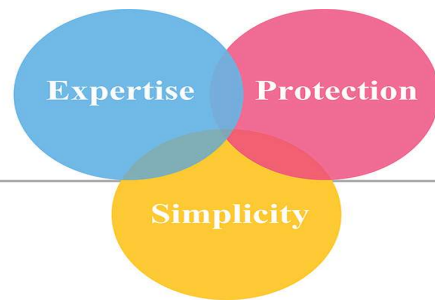


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2019 Tax Update

Individuals

- **Standard deductions nearly double** - TAXES to \$24,400 for couples, \$12,200 for singles and \$18,350 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, 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** – The higher 10 percent threshold has been restored. If you want to deduct medical expenses (premiums, co-pays, dental, etc.) your total medical costs must exceed 10% of your adjusted gross income.
- **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.

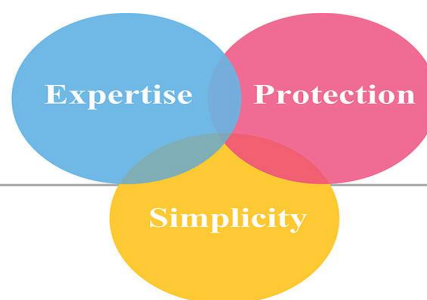
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2019 Tax Rates

Rate	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
10%	\$0	\$0	\$0
12%	\$9,700	\$19,400	\$13,850
22%	\$39,475	\$78,950	\$52,850
24%	\$84,200	\$168,400	\$84,200
32%	\$160,725	\$321,450	\$160,700
35%	\$204,100	\$408,200	\$204,100
37%	\$510,300	\$612,350	\$510,300

2019 Capital Gains Tax Rates

	For Unmarried Individuals, Taxable Capital Gains Over	For Married Individuals Filing Joint Returns, Taxable Capital Gains Over	For Heads of Households, Taxable Capital Gains Over
0%	\$0	\$0	\$0
15%	\$39,375	\$78,750	\$52,750
20%	\$434,550	\$488,850	\$461,700

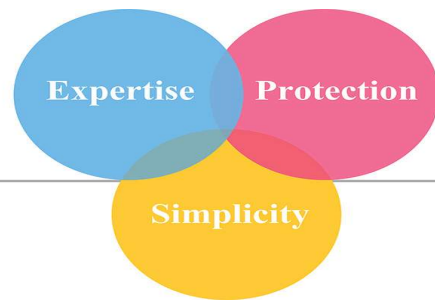
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Businesses

The 2018 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 2018 legislation. If you have a business and your taxable income is below \$321.4k for married filing joint and \$160.7k 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 \$321,400 and \$421,400 and for all other taxpayers with taxable income between \$160,700 and \$210,700.
 - 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 2018 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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