

## Life After Tax Reform: Individuals

In the February issue of Floral Management, Derrick P. Myers, CPA, CPF, PFCI, charted how the new tax law will affect industry businesses. Below, he talks about the laws effects on individuals.

### Standard Deduction & Personal Exemptions:

The standard deduction has basically doubled for 2018. Single tax payers \$12,000 and Married filing Joint \$24,000, Head of Household \$18,000.

At the same time the personal exemptions for you, your spouse and all family members have been eliminated.

### Tax Rates have been lowered across the board:

#### **NEW LAW IRC SECTION 1**

**Effective for tax years beginning after 12/31/2017 and before 1/1/2026**

**(Sec. 11001 of Act)**

#### Comparison of Tax Brackets for Ordinary Income (2018 Tax Year)

Single Filer			
<u>2018 Old Law</u>		<u>2018 New Tax Cuts and Jobs Act</u>	
10%	\$0-\$9,525	10%	\$0-\$9,525
15%	\$9,525-\$38,700	12%	\$9,525-\$38,700
25%	\$38,700-\$93,700	22%	\$38,700-\$82,500
28%	\$93,700-\$195,450	24%	\$82,500-\$157,500
33%	\$195,450-\$424,950	32%	\$157,500-\$200,000
35%	\$424,950-\$426,700	35%	\$200,000-\$500,000
39.6%	\$426,700+	37%	\$500,000+

#### Comparison of Tax Brackets for Ordinary Income (2018 Tax Year)

Married Filing Jointly			
<u>2018 Old Law</u>		<u>2018 New Tax Cuts and Jobs Act</u>	
10%	\$0-\$19,050	10%	\$0-\$19,050
15%	\$19,050-\$77,400	12%	\$19,050-\$77,400
25%	\$77,400-\$156,150	22%	\$77,400-\$165,000
28%	\$156,150-\$237,950	24%	\$165,000-\$315,000
33%	\$237,950-\$424,950	32%	\$315,000-\$400,000
35%	\$424,950-\$480,050	35%	\$400,000-\$600,000
39.6%	\$480,050+	37%	\$600,000+

**Child Tax Credit:**

The child tax credit has been doubled to \$2,000 per child under 17 years old. \$1,400 of the credit is refundable beyond your tax liability; the balance can be used to lower your taxes dollar for dollar (non-refundable). Other dependents qualify for a \$500 non-refundable credit.

The income phase out limit on this credit has been raised so that most tax payers, unlike in prior years, will now qualify for these credits. The credit begins to phase-out at \$400,000 for a married couple, \$200,000 all other tax payers.

***Note: For most tax payer this credit will make up for the loss of the personal exemption.***

**2 percent Itemized Deductions are Eliminated:**

All deductions under this category have been eliminated. This category included deductions such as; 2106 business expenses, investment advisor fee, safe deposit boxes, tax preparation fees, job seeking costs, uniforms, union dues, and many others. Effective for years after 12/31/2017 they are all gone.

***Tax Tip: If you have been using form 2106 to report business expenses, have your employer setup an "Accountable Reimbursement Plan". They can lower your wages and reimburse you directly, saving you taxes. You can also use this plan to have your employer reimburse you for your home office.***

**Itemized deduction phase out for high income is eliminated:****Net Operating Losses:**

Effective for years after 12/31/2017, net operating losses can only be carried forward. We can no longer carry them backward for three years.

**Alimony is no longer a deduction or income:**

The new law is effective for any divorce or separation instrument executed after December 31, 2018. An agreement before that date can be modified to have this new law apply.

**Personal Insurance Mandate Still Applies:**

All Taxpayers and their families are still required to have health insurance in 2017 and 2018. Failure to have insurance may result in paying penalties.

**Moving Expense deduction is repealed:**

There is no longer a deduction for Job related moving expenses after 12/31/2017, unless you are active military and the move is pursuant to military orders. If your employer reimburses you for moving expenses this will now be income and added to your W-2 form.

As I said in the beginning this was a 500+ page bill, and I'm just touching on some of the highlights that I thought would be of interest to the readers of Floral Management Magazine. My examination of the law changes and study to this point, lead me to believe that most taxpayers will pay less taxes in 2018 based on the same income and this seems to hold true regardless of the type of business entity.

Although I'm an accountant this article is not meant to give tax advice. Without knowing the particulars of your circumstances I would never be so presumptuous. Please talk this new law over with your accountant to make sure that you are using the new law to the most advantage.

**Derrick P. Myers, CPA, CPF, PFCI**  
**President of Crockett, Myers & Associates, Inc.**