

**Rogers & Rudisill CPAs, P.C. – Certified Public Accountants**  
**Key Legislative Changes Affecting Individuals and Small Business for 2019/2018/2017©**  
**As Provided in the Taxpayer First Act 2019; TCDTR Act of 2019 and Tax Cuts and Jobs Act - 2017**

**Individuals**

- Mortgage Insurance Premiums – deduction retroactive to 2018. We can amend for you.
- Healthcare coverage reporting along with any penalties have been removed.
- Virtual Currency reporting required – complex rules!!!
- Lower tax rates of: 0, 10, 12, 22, 24, 32, 35 & 37%. The median family tax reduction is over \$2000.
- For non-itemizers the standard deduction is roughly double! A real plus for many retirees.
- State taxes (property/ income/sales) are still deductible but only up to \$10k.
- Expanded Child Tax Credit is doubled up to \$2000/child for families earning up to \$400,000.
- Child/Dependent Care AND the Adoption Tax Credits are preserved.
- Mortgage Interest deduction: old rules still apply to existing homes/mortgages; 2018 purchases - up to \$750k of mortgage interest for either a first or second home. Refi's have limits, though. Mortgage Interest Deduction on primary residence and condo, time-share, etc., on up to \$1mil or \$750k.
- Medical expenses – the planned 2019 10% AGI threshold was changed back to 7.5% for 2019.
- Charity – deductions continue and are expanded (written receipt required if > \$250)
- Earned Income Tax Credit – preserved for lower income families.
- Education – 529 savings (state tax deductible) plans now apply to elementary, secondary as well as college (public/private/religious). Also includes homeschooling, materials & educational therapies for students with disabilities.
- Retirement – IRA's, 401(k)s contribution limits are preserved (401k increased) and expanded AGI limits.
- Alternative Minimum Tax (AMT) – the exemption amount increases by about \$25k jointly.
- Capital Gains/Qualified Dividends – like prior law 0 – 20% rates with breakpoints rising.
- Personal Exemption for you and family members – eliminated.
- Divorces after 12/31/18 – alimony is not deductible by the payor nor taxable to the recipient.
- Unreimbursed employee business expenses, investment expenses (all 2% type) are gone.
- Sale of Primary Residence Gain Exclusion – survived (if used two of five prior years).
- Moving Expense Deduction – repealed except for armed service members.
- 'Kiddie Tax' – tax simplified and no longer tied to parents' bracket.
- Personal casualty/theft losses eliminated except 'Federally Declared Disasters'.
- Cancellation of Debt – forgiven mortgage debt on principal residence may be non-taxable.
- \$500 Qualified Energy Efficiency Credit on certain home improvements is reinstated.

**Businesses (Individuals/Corp's/LLC's/Partnerships/ETC.), Estates & Trusts**

- Qualified Business Income – 20% tax deduction of business profits for almost every type of trade or business. For services in the fields of: Health, Law, Consulting, Financial Services, Investing, etc., limits apply, and the deduction begins to phase out for those with taxable income exceeding 315k/\$157k (joint/single). Limits are tied to W-2 wages paid and/or qualified property acquired.
- Bonus Depreciation of 50% or 100% of new/used assets acquired after 9/27/17. Luxury autos are \$11,160/\$9,560 for 2017/2018. If bonus is not used, then 1<sup>st</sup> year automobile depreciation max is \$16k.
- \$1million of qualifying (tangible, personal property & commercial real property improvements) may be fully expensed – wow!
- Business Loss Limitation (for individuals) – after applying Passive Loss Rules, allowable business losses generated by: proprietors, S-Corp, LLC, Partnerships are limited to 80% of taxable income – the excess is carried forward to future years as an NOL on the 1040.
- Domestic Activities Production Deduction – repealed 2018.
- Entertainment, Amusement, Recreation and Business Club Dues – eliminated.
- Corporate Tax Rate Reduction – reduced from 38% (maximum) to 21% beginning 2018.
- IRC Sec. 1031 Like-kind exchanges now apply only to REAL property like rentals and offices, etc.
- Death Tax (gift/estate) exemption has doubled to about \$10mil per person -this will help preserve American family businesses.

**Mortgage Interest Deduction under the Tax Cuts and Jobs Act of 2017©**

What is deductible? Qualified Residence Interest for Acquisition Indebtedness on a Qualified Residence. This is defined as your principal residence **and/or** any other residence (condo, time-share, etc.).

What is QRI? This is the interest on a 1<sup>st</sup> mortgage, 2<sup>nd</sup> mortgage or HELOC used to either acquire, construct or substantially improve the QR.

More about a HELOC – while the new law suggests that interest on these are not deductible they may be **IF** the funds are used to purchase/build/improve a QR home and the loan is secured by a QR. Other deductions may be allowed using the ‘tracing principle’ that attaches the interest to the purpose, say, for an investment, rental property or for a business, etc.

What about HELOC/2<sup>nd</sup> mortgage interest NOT used for the above – say, for debt consolidation – the answer is NO deduction. Points & Loan Origination Fees may still qualify if the loan meets QRI status.

What are the debt limits - \$1mil incurred before 12/16/2017 and \$750k for after 12/15/2017 acquisitions (singles and separate filers = half these limits). Where two unmarried persons co-own a QR they each can claim up to the maximum limit of \$500/\$375k.

What about PMI or MIP (mortgage insurance) – still deductible for investment/rental/commercial property. This was slated to expire but has been retroactively reinstated effective 2018.

**Note** – when you have refinanced a QR one or more times the interest may or may not be fully deductible. It depends upon all the facts and circumstances. Re-fi’s and the use of funds are subject to complex allocation rules. Proper analyses should be performed to ensure you receive the fullest deduction possible.

### **Medical & Other Deductions for 2019©**

Acupuncture  
Alcoholism Treatment  
Alternative healing  
Ambulance  
Artificial limbs & teeth  
Bandages & supplies  
Breast reconstructions  
Birth control pills  
Braille books, etc.  
Capital improvements  
Car – modification  
Chiropractor  
Contact lenses  
Crutches  
Dental treatment (not whitening)  
Diagnostic equip.  
Disabled assistance care  
Drugs – Rx  
Eye exams & glasses  
Eye surgery & laser  
Fertility enhancements  
Founder’s fee for retirement home  
Guide dog, etc. (all expenses)  
Hair transplant -corrective  
Health Savings Acct (HSA) 100%  
Hearing aids, etc.  
Home nursing care  
Hospital costs & meals/lodging  
Insurance premiums – usually  
Lab fees  
Learning disability – tutoring/school  
Lifetime care advance payments

Lodging (limited)  
Long-term care (depends)  
Medical conference – fee & travel only  
Medical Savings Account  
Medicines – Rx  
Mental – special home  
Non-Rx – only insulin  
Nursing home – some limits  
Nursing services – some limits  
Nutritional supplements – some limits  
Organ donors – all expenses  
Orthopedic Massage  
Osteopath  
Oxygen & equip.  
Physical Therapy  
Prostheses  
Psychiatric care  
Psychoanalysis  
Special education & schools  
Sterilization  
Smoking cessation  
Surgery – no unnecessary cosmetic  
Swimming – therapeutic only  
Telephone – hearing impaired  
TV – hearing impaired type  
Transplants  
Transportation for medical & Rx  
Vasectomy & reversal  
Weight loss & special diet if Rx  
Wheelchair  
Wig if due to disease  
X-rays

### **Certain Other Deductions**

Ad Valorem Tax  
Alimony (Pre-2019 Awards)  
Bad debts  
Casualty/disaster area losses  
Certain loan costs  
Charitable contributions – cash & non-cash  
Foreign taxes – depends  
Gambling losses including travel - limited  
Moving exp. – Military Only  
R/E tax  
Reservist’s travel exp.  
Self-Employment Health Ins.  
Self-Employment Tax  
State Estimated Tax Pmts.  
State/local income tax or General sales tax  
Stock losses  
Student loan interest  
Teacher supplies  
Vehicle/MH/boat sales tax

**\*Note – many items subject to limitations. The federal income tax laws are complex. Consult your tax advisor.**

Note – this list is not comprehensive. Several provisions have differing dates of applicability, limitations and phase-outs. Federal income tax laws are complex and may require the use of a CPA, tax attorney or qualified EA for interpretation. Ver 1.31.20.