Two Hills Certified Public Accountants
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2018 Tax Update

Most of you are likely aware that Congress passed the Tax Cuts and Jobs Act (TCJA) in December of 2017, which could result in significantly different returns for the 2018 tax year. We have included a summary of some of the main tax law changes that may affect your return below.

- The standard deduction increased in 2018 for all filers. The married filing joint standard deduction is $24,0000, the single filing standard deduction is $12,000, and the head of household standard deduction is $18,000.
- There's a new 20% deduction available for individuals that have qualified business income from a partnership, S corporation or sole proprietorship. This is effective for tax years 2018 through 2025. The deduction is dependent on your total income, the business' income, the amount of wages paid by the business, and the industry of the business.
- The new tax law increases the child tax credit to $2,000 per qualifying child. The phase-out threshold begins at $400,000 for married taxpayers filing a joint return and $200,000 for other taxpayers. The maximum additional child tax credit increased to $1,400.
- For mortgages that originated in 2018, the interest deduction is limited to interest on debt up to $750,000 ($375,000 for married taxpayers filing separately). Also, interest on home equity loans is only deductible if the funds are used for home improvements or traced to business, investment or passive activity expenditures.
- 529 plans now allow for up to $10,000 in annual federal tax-free distributions for tuition at public, private, or religious elementary and secondary schools. Colorado passed a law that a taxpayer may NOT claim a deduction for contributions to qualified state tuition programs for elementary or secondary school expenses and clarifies that such expenses are not qualified distributions.
- There is now a deduction limit of $10,000 for state and local taxes (sometimes described as the SALT deduction). State and local taxes include income taxes, sales taxes, real estate taxes, and auto taxes. This provision applies from Jan. 1, 2018, to Dec. 31, 2025.
- The limitation on expensing business property placed in service increased to $1 million and the phaseout amount increased to $2.5 million. The number of items qualifying for increased bonus depreciation has also increased.
- There are no more business deductions for entertainment, amusement, or recreation; membership dues for a club organized for business, pleasure, recreation or other social purposes.
- The limit for cash donations to public charities has increased to 60% of your adjusted gross income (AGI).

If you have questions about the tax law changes and how they may affect your return, please reach out to our office.

Sincerely,

Brian Hill, CPA

Two Hills CPA's, P.C.