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Things to Know

About the Changing Tax Environment

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01

Client and Prospect Business Entertainment

Expenses are no longer available as a business deduction as of January 1, 2018. While this deduction is no longer available, the IRS issued a ruling on October 3, 2018 stating that business meals will remain a valid business deduction retroactive to January 1, 2018.

02

Charity Golf Tournaments

Expenses are only deductible as a charitable donation, providing a far smaller deduction than before, if at all, depending upon whether you qualify for itemized tax deductions on your personal tax return.

03

Home Mortgage Interest

For tax years 2018 – 2025 you can deduct interest payments on up to \$750,000 in acquisition indebtedness for homes purchased after December 14, 2017. Also, you can deduct up to \$100,000 of home equity interest, but only if the funds are used to buy, build or substantially improve the home.

04

Itemized Miscellaneous Deductions

Subject to 2% of adjusted gross income threshold are no longer deductible after December 31, 2017. Some items that are no longer deductible include:

- work-related travel, transportation, and meal expenses
union dues
- business liability insurance premiums
- depreciation on a computer or cellular telephone your employer requires you to use in your work
- dues to professional societies
- education (work-related)
- home office expenses for part of your home used regularly and exclusively in your work
- expenses of looking for a new job in your present occupation
- legal fees related to your work
- subscriptions to professional journals and trade magazines related to your work
- tools and supplies used in your work
- work clothes and uniforms (if required and not suitable for everyday use).
- safe deposit box rental expense

Investment expenses:

- investment advisory and management fees
- fees for legal and tax advice related to your investments
- trustee fees to manage IRAs and other investment accounts, and
- tax preparation fees and fees to fight the IRS

05

Section 179 Expensing

*F*or qualifying Section 179 property is \$1 million. The dollar-for-dollar phase-out begins at equipment purchases of \$2.5 million in total. Qualifying Section 179 property includes new and used assets, as in prior years.

06

Vehicle Deductions

*Q*for luxury auto limits used begin at \$11,160, which would take a \$40,000 vehicle 19 years to depreciate! Now, the luxury auto limits don't begin until \$50,000, taking only 6 years to depreciate the same \$40,000 vehicle.

07

Personal Exemptions

*D*eductions no longer exist as of January 1, 2018. So, the \$4,050 deduction the IRS would provide for every taxpayer and dependent is no longer available.

08

Pass-Through Entities

*I*ncluding sole-proprietorships, partnerships, and S corporations have also seen a major positive change with the implementation of the new qualified business income deduction. Starting January 1, 2018 20% of net business income flowing through to the individual tax return is tax free! It is important to note that the new provision does include phase-outs for real estate agents/brokers, insurance agents/brokers, dentists, veterinarians, chiropractors and many other service professionals... yes, even accountants!

09

The Standard Deduction

*I*s increased from \$12,700 to \$24,000 for those couples that file married filing jointly, and it is increased from \$6,350 to \$12,000 for those filing single. If you are filing as Head-of-Household the Standard deduction is increased to \$18,000.

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The New Law

*F*ollows the same seven-bracket structure for individuals as the previous tax law, but the tax rates for many of those brackets decreased on average about 3%. The biggest decrease is seen in the 2017 28% tax bracket, which is now 24% for years 2018-2025.



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