

## **2018 Tax Changes:**

### **Above the Line Deductions:**

**Alimony - Divorce Agreements entered into or modified after December 31, 2018 NOT Allowed Deduction by Payer, NOT Included in Income by Receiver. For new (and modified with the amendment in the modification).**

**Moving Expense Deduction NOT Allowed  
Exception for Military Change of Duty Station  
Employer's Moving Reimbursement will be TAXABLE to Employee**

**Student Loan Interest – Allowed – Up to \$2,500 deduction with phase-out for higher Income Taxpayers (Remains the same).**

**Teacher's (up to) \$250 for Classroom Supplies and Other Expenses Allowed**

**Tuition Deduction – EXPIRED - \$4,000 Tuition Subtraction Expired**

### **Federal Standard Deduction Increased:**

**Married Filing Jointly - \$24,000**

**Single - \$12,000**

**Head of Household - \$18,000**

**Additional for Elderly & Blind - \$1,300 to \$1,600**

### **Itemized Deduction Changes:**

**Medical Deduction - ALLOWED (after 7.5% of AGI for 2017 & 2018, will go back to 10% of AGI 2019 & on).**

**Income Tax, Property Tax & Sales Tax Deduction - ALLOWED, but REDUCED to a maximum of \$10,000 total for all.**

**Home Mortgage Interest - ALLOWED for Acquisition & Improvement Debt for 1<sup>st</sup> & 2<sup>nd</sup> Homes. Loans before 12/15/17 are up to \$1,000,000. After that loans up to \$750,000).  
Equity Debt - NOT Allowed (Debt on Personal Home used for other purposes).**

**Charitable Contributions - ALLOWED**

**Casualty & Theft – Personal - NOT Allowed  
Exception for Presidential Declared Disaster under Sec 401 of Robert T Stafford Relief**

**Miscellaneous Deductions (Subject to the 2% AGI Limit) - NOT Allowed**  
(No Deduction For: Employee Expenses, Tax Prep Fees and Investment Expenses)

No longer any phase-out of Itemized Deductions for High Income Returns.

## **Personal Exemptions:**

**Personal Exemptions - NOT Allowed Under New Tax Law for Federal.**  
(Was \$4,050 per Person Claimed in 2017 – Taxpayer, Spouse, 2 Children = 4 x \$4,050)  
Oregon still has a personal exemption credit.

## **Credits:**

**Child Tax Credit – INCREASES the Credit to \$2,000, with \$ 1,400 being refundable, per Qualified Child. Phase out limit is increased allowing credit to more taxpayers.**

**Non-Child Dependent Credit – NEW – Allows a \$500 non-refundable Credit for dependents.**

**American Opportunity Credit – ALLOWED – Remains the Same**

**Lifetime Learning Credit – ALLOWED – Remains the Same**

**Adoption Credit – ALLOWED – Remains the Same. \$13,750 Maximum Credit.**

**Electric Vehicle Credit – ALLOWED – Remains the same. Up to \$7,500 non-refundable credit.**

## **Tax Rates:**

**New: 10, 12, 22, 24, 32, 35 and 37%      Replaces: 10, 15, 25, 28, 33, 35 and 39.6%**

## **Alternate Minimum Tax:**

**Alternate Minimum Tax Still Applies - INCREASED exemption amounts, so higher income before it kicks in.**

## **Employee Fringe Benefits:**

**Adoption Assistance – ALLOWED - \$13,570 (Up to) Maximum Exclusion for Qualified Adoption Expenses paid or reimbursed by an employer. Phased Out for Higher Income Taxpayers.**

**Dependent Care Assistance - \$5,000 Exclusion from Taxable Wages ALLOWED.**

**Employer Provided Housing – ALLOWED.**

**(Employee does NOT include housing value in Taxable Income if it is for the convenience of the Employer.)**

**Employer Provided Education Assistance - ALLOWED Tax Free up to \$5,250.**

## **Education:**

**Sec 529 Plans - AMENDED to include \$10,000 per year for grammar and high school tuition and expenses. You can only use contributions made after 12/31/17 for non-college expenses.**

**Discharge of Student Loan Indebtedness - AMENDED to make TAXABLE discharge of debt for working a specific period of time in certain professions and for certain employers. (Must include in income discharge of student loan debt, unless due to death or permanent disability of the student.)**

**Exclusion for Interest on US Savings Bonds Used for Higher Education Expenses - ALLOWED. The exclusion is phased out for higher income taxpayers.**

## **Business:**

**Entertainment Expenses - NOT Allowed for (1) an activity that is considered entertainment, amusement or recreation, (2) membership dues to any club organized for business, pleasure, recreation or other social purposes, or (3) a facility or portion thereof used in connection with items (1) or (2).**

**Employee's Qualified Transportation Fringe - NOT Allowed.**

**Like-Kind Exchanges – AMENDED – Only Real Property will qualify for Sec 1031 exchanges (for exchanges completed after 12/31/17).**

**Net Operating Loss Carryover – AMENDED – Carryforward only (no carryback at all) and limited to 80% of taxable income.**

**Domestic Production Deduction – NOT Allowed.**

**Sec 179 Expensing of Assets – INCREASED – The dollar limits are increased and the definition of Qualified Property is EXPANDED to include tangible personal property used in Residential Real Property, and certain improvements made to Non-Residential Real Property.**

**Bonus Depreciation – INCREASED and EXPANDED. Effective 9-27-17.**

**New “Qualified Business Income 20% Deduction for “Pass Thru” Entities - Noncorporate taxpayers may deduct up to 20% of domestic qualified business income from a partnership, S Corporation, or sole proprietorship. Limits apply to this provision.**

## **Other:**

**Healthcare Shared Responsibility Payments – Beginning 2019 NO PENALTY for NOT having insurance coverage.**

**Personal Residence Sale Exclusion – ALLOWED. If owned and lived in 2 out of last 5 years, taxpayer may exclude up to \$250,000 of the gain from the sale (\$500,000 if Married Filing Jointly).**

**Estate Tax Exemption – INCREASED to \$10,000,000 and adjusted for inflation since 2011, so the exemption will be in the \$11,000,000 range before tax may be due on Assets passing to an Estate. (This is not the same as Estate Income – Taxable Income that comes in after a person passes.)**

## **OREGON**

**Presently Oregon has a rolling tie to Federal Tax Law. That means the tax law changes above apply to Oregon as well. They may disconnect from some of the Federal changes but it will not occur until their short session that convenes February 5, 2018. Oregon still allows a personal exemption as a credit, and their standard deduction is and always has been much lower. They also have a \$1,000,000 estate threshold where the Federal has risen to \$11,000,000.**