

1040 Tax Tips for Preparation for 2018

- **New Legislation** – The Tax Cuts and Jobs Act of 2017 was passed December 22, 2017 and was a major overhaul to the tax system. New tax rates are effective for tax year 2018 for individuals, corporations and estates. For individuals, standard deduction amounts increased and many deductions were either capped or eliminated. During your appointment, we will review how these new rates will affect your tax situation.
- **Affordable Care Act** –Mandatory medical insurance remains in effect for 2017 and a penalty of \$695 per person in your household or 2.5% of household income will apply if you carry no health insurance. This mandate was repealed beginning in 2019.
- **Due-Diligence Requirement for Tax Preparers** – Tax preparers are required to examine records and ask pertinent questions of any taxpayer that claims a credit for their child, including an earned income tax credit, a child tax credit or the American Opportunity tax credit. The fine for tax preparers is \$510 for each breach. Please make sure you bring a birth certificate and proof of residency for every dependent child.
- **Education Credits** –The American Opportunity Credit is a credit of up to \$2,500 per year for the first four years of post-secondary education. Please bring form 1098T issued by the qualifying school for each student along with a transcript of payments. The address and federal identification number of the college or university must be provided. Books and expenditures for computers may be included with tuition, please bring a list of such expenses.
- **Kiddie Tax** – Full time students claimed by their parents may have a higher tax liability. IRS changed the age for student's to claim interest, dividends and other investment income from 18 to 24 if a full time student several years ago. Qualifying students will pay higher taxes on their investment income in 2017. In 2018, the income earned from these investments will be taxed using estate and trust rates rather than their parent's rates.
- **Estate and Gift Tax** – The Federal estate exemption for 2017 was \$5,459,000 and has increased to \$11,200,000 for 2018 by the new in Tax Cuts and Jobs Act 2017, passed December 22, 2017. The annual gift exclusion amount remains the same at \$14,000 for 2017 but increases to \$15,000 for 2018. The lifetime gifting limit is equal to the same estate exemption. There are new portability rules that allow a married taxpayer to use part of their spouse's limits. If your spouse died recently, please ask us about these new rules.
- **Business Mileage Rates** – For 2017, business rates are \$.535 per mile, medical and moving rates are \$.17 per mile and charity remains at .14 per mile. IRS announced that the rates increased for 2018 to \$.545 per mile for business, \$.18 per mile for medical and moving and charity remains at \$.14 per mile. Logs must be maintained to substantiate your deductions. Please bring them with you to your tax appointment. I always have a supply, call me if you need one!
- **New Jersey Changes**
 - **Estate taxes** – NJ raised the NJ estate exemption for 2017 to \$2 million and eliminated estate taxes effective January 1, 2018. New Jersey Inheritance tax remains unchanged.
 - **Pension Exclusion** – NJ doubled pension exclusions for 2017. Single taxpayer may exclude \$30,000 and married taxpayers may exclude \$40,000.
 - **Veterans Deduction** – NJ will give an additional \$3,000 exemption for veterans beginning in tax year 2017. Please bring a copy of your DD-214 to apply for the additional exemption.

These are just a few of the changes for 2017 tax returns!!