

TAX\$AVERS

Important 2019 Tax Changes



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2019 Tax Alert

With one year complete under the new tax laws, you now have a better idea of how all the changes impact your situation. Here is a summary of what you should consider for 2019.

Individual Taxes

Tax Rates. Tax rates remain unchanged in 2019, though the income brackets that apply to these rates increase by approximately 1% to 2%.

2019 Beginning Income for Tax Rate		
Single	Rate	Married Joint
\$1	10%	\$1
9,701	12%	19,401
39,476	22%	78,951
84,201	24%	168,401
160,726	32%	321,451
204,101	35%	408,201
510,301+	37%	612,351+

Long-term capital gains tax rates remain unchanged for 2019 and range from 0%-20%.

The net investment income tax rate is 3.8% for taxpayers with adjusted gross income over \$200,000 (\$250,000 for married filing joint).

Kiddie Tax. Unearned income for children 19 or younger (age 24 if a qualified student) above \$2,200 will use the estate and trust tax rates to determine income tax. The rates range from 10% to 37%.

Alimony Rules Change for New Divorcees. Beginning in 2019, alimony is no longer a tax deduction for those paying it, nor income for those receiving it. This rule change does not impact prior year divorce documents.

Standard Deductions & Exemptions.

Personal exemptions are suspended through the year 2025. Standard deductions are:

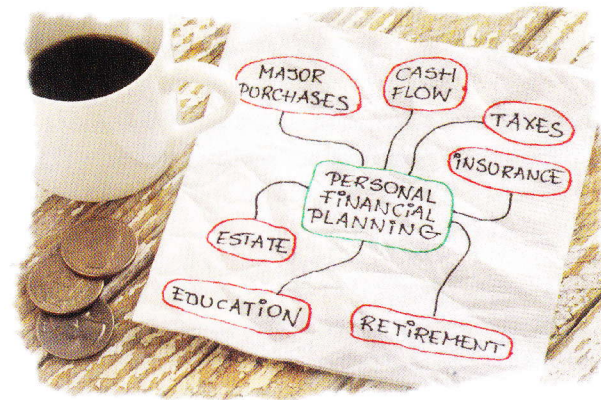
Standard Deductions		
Item	2019	2018
Single	\$12,200	\$12,000
Married	24,400	24,000
Head of Household	18,350	18,000
Add'l for :		
Elderly/blind: married	1,300	1,300
Elderly/blind: unmarried	1,650	1,600

Itemized Deductions. Some of the key laws and itemized deduction limits for 2019 are:

- ✓ *New for 2019!* 10% of adjusted gross income medical expense threshold (up from 7.5% in 2018). This means that less of your medical expenses will be deductible in 2019.
- ✓ Limit of \$10,000 for a combined state income, sales and property tax deduction.
- ✓ Home equity interest deduction is limited to loans where proceeds are used to buy, build or substantially improve your residence.
- ✓ Limit on interest deductibility on home indebtedness of \$750,000 for new loans taken out after December 14, 2017.
- ✓ Casualty losses are limited to federally declared disaster areas.

Note: Remember your itemized deductions are no longer phased out.

Child Tax Credit (CTC). The CTC is \$2,000 for 2019, with phaseout of the benefit starting at \$400,000 for married and \$200,000 for unmarried taxpayers. The CTC is available for most parents



with children 16 or younger. The good news is \$1,400 of the credit is refundable and there's a \$500 family credit for dependents ineligible for the CTC.

Retirement Accounts. For the first time since 2013, the limits for maximum contributions to 401(k) accounts and IRAs are increasing by \$500 for 2019.

Retirement Contribution Limits			
Item	2019	2018	
Traditional IRA, Roth IRA	\$6,000	\$5,500	
50 or older	add'l 1,000	add'l 1,000	
401(k), 403(b)	19,000	18,500	
50 or older	add'l 6,000	add'l 6,000	
Simple IRA	13,000	12,500	
50 or older	add'l 3,000	add'l 3,000	

Health Savings Accounts. The health savings account (HSA) annual contribution limits for those in qualified high-deductible health insurance plans is \$3,500 for a single taxpayer and \$7,000 for a family for 2019. If you are 55 or older, the amount increases by \$1,000.

Social Security. Social Security benefits increase by 2.8% for 2019 — the highest increase since 2012. Income subject to Social Security tax also increases to \$132,900.

Other Key 2019 Tax Laws

Estate Taxes. The maximum estate tax is 40%. The amount of an estate's value exempt from federal tax is now \$11.4 million for single and \$22.8 million for married taxpayers.

Gift Taxes. The gift tax rates are unified with estate taxes. The annual gift exclusion amount remains at \$15,000 (\$30,000 per couple).

Health Care Provisions. In 2019 there are two Affordable Care Act tax provisions worth noting:

✔ **Shared Responsibility Penalty is Gone.** The portion of the Affordable Care Act that requires you to have health insurance or pay a penalty is now suspended.

✔ **Premium Tax Credit.** If you purchase your health insurance through a marketplace exchange you could be eligible to receive a credit to help cover the cost of your insurance premium. The credit varies depending on your location, your income, number of dependents, and your health plan classification.

Mileage Rates. The amount available for qualified deduction of automobile use is:

Mileage Rates (per mile)		
Item	2019	2018
Business	58.0¢	54.5¢
Medical/Moving	20.0¢	18.0¢
Charitable	14.0¢	14.0¢

Changes in the Air? With a new Congress, there will be discussions on revising the tax code. Some pending bills extend tax provisions while others are hoping to end some of the newly adopted tax changes. Just remember, most of the current changes revert back to 2017 tax rules after the year 2025.

Business Taxes

The flat 21% tax for C corporations remains intact for 2019. Here are some common business tax items to keep you up to speed:

Section 179 Limits. The maximum section 179 deduction for property placed in service in 2019 is \$1,020,000. This limit is reduced by total purchases of qualified property in excess of \$2.55 million. Section 179 allows small business owners to expense versus depreciate qualified property up to the published limits.

First-Year Bonus Depreciation. The ability to take 100% first-year bonus depreciation is in place for this year. This includes the purchase of new or used qualified property.

Please remember that business depreciation-related provisions only impact the timing of when you expense your depreciation, not the total amount of depreciation you may expense over the life of the assets purchased.

Section 199A Qualified Business Income Deduction. The 20% qualified business income deduction is available to pass-through entities including S corporations, partnerships, and sole proprietors. The benefit is limited for certain service businesses with income exceeding \$160,700 for single and \$321,400 for joint filers in 2019. It is also available for rental property business owners. Those with qualified business income above the threshold may have the benefit reduced.

This is a brief summary of some of the more common tax changes in 2019. Should you have any questions regarding your situation, please call.

This publication provides only summary information regarding the subject matter. Please call with any questions on how this information may impact your situation.

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