

Effective 2018 – Tax Rates (Expiring after 2025)	Prior Law - Effective 2017 – Tax Rates
Single Taxable Income – 2018	Single Taxable Income - 2017
\$ 0 to 9,525 × 10.0% minus \$ 0.00 = Tax	\$ 0 to 9,325 × 10.0% minus \$ 0.00 = Tax
9,526 to 38,700 × 12.0% minus 190.50 = Tax	9,326 to 37,950 × 15.0% minus 466.25 = Tax
38,701 to 82,500 × 22.0% minus 4,060.50 = Tax	37,951 to 91,900 × 25.0% minus 4,261.25 = Tax
82,501 to 157,500 × 24.0% minus 5,710.50 = Tax	91,901 to 191,650 × 28.0% minus 7,018.25 = Tax
157,501 to 200,000 × 32.0% minus 18,310.50 = Tax	191,651 to 416,700 × 33.0% minus 16,600.75 = Tax
200,001 to 500,000 × 35.0% minus 24,310.50 = Tax	416,701 to 418,400 × 35.0% minus 24,934.75 = Tax
500,001 and over × 37.0% minus 34,310.50 = Tax	418,401 and over × 39.6% minus 44,181.15 = Tax
MFJ or QW Taxable Income – 2018	MFJ or QW Taxable Income - 2017
\$ 0 to 19,050 × 10.0% minus \$ 0.00 = Tax	\$ 0 to 18,650 × 10.0% minus \$ 0.00 = Tax
19,051 to 77,400 × 12.0% minus 381.00 = Tax	18,651 to 75,900 × 15.0% minus 932.50 = Tax
77,401 to 165,000 × 22.0% minus 8,121.00 = Tax	75,901 to 153,100 × 25.0% minus 8,522.50 = Tax
165,001 to 315,000 × 24.0% minus 11,421.00 = Tax	153,101 to 233,350 × 28.0% minus 13,115.50 = Tax
315,001 to 400,000 × 32.0% minus 36,621.00 = Tax	233,351 to 416,700 × 33.0% minus 24,783.00 = Tax
400,001 to 600,000 × 35.0% minus 48,621.00 = Tax	416,701 to 470,700 × 35.0% minus 33,117.00 = Tax
600,001 and over × 37.0% minus 60,621.00 = Tax	470,701 and over × 39.6% minus 54,769.20 = Tax
MFS Taxable Income – 2018	MFS Taxable Income - 2017
\$ 0 to 9,525 × 10.0% minus \$ 0.00 = Tax	\$ 0 to 9,325 × 10.0% minus \$ 0.00 = Tax
9,526 to 38,700 × 12.0% minus 190.50 = Tax	9,326 to 37,950 × 15.0% minus 466.25 = Tax
38,701 to 82,500 × 22.0% minus 4,060.50 = Tax	37,951 to 76,550 × 25.0% minus 4,261.25 = Tax
82,501 to 157,500 × 24.0% minus 5,710.50 = Tax	76,551 to 116,675 × 28.0% minus 6,557.75 = Tax
157,501 to 200,000 × 32.0% minus 18,310.50 = Tax	116,676 to 208,350 × 33.0% minus 12,391.50 = Tax
200,001 to 300,000 × 35.0% minus 24,310.50 = Tax	208,351 to 235,350 × 35.0% minus 16,558.50 = Tax
300,001 and over × 37.0% minus 30,310.50 = Tax	235,351 and over × 39.6% minus 27,384.60 = Tax

Accounting Connections, LLC

For All Your Accounting & Tax Needs

Woodstock, Georgia 30189

Office (770) 516-5987

www.AccountingConnections.ORG

<p>HOH Taxable Income - 2018</p> <p>$\\$ 0 \text{ to } 13,600 \times 10.0\% \text{ minus } \\$ 0.00 = \text{Tax}$</p> <p>$13,601 \text{ to } 51,800 \times 12.0\% \text{ minus } 272.00 = \text{Tax}$</p> <p>$51,801 \text{ to } 82,500 \times 22.0\% \text{ minus } 5,452.00 = \text{Tax}$</p> <p>$82,501 \text{ to } 157,500 \times 24.0\% \text{ minus } 7,102.00 = \text{Tax}$</p> <p>$157,501 \text{ to } 200,000 \times 32.0\% \text{ minus } 19,702.00 = \text{Tax}$</p> <p>$200,001 \text{ to } 500,000 \times 35.0\% \text{ minus } 25,702.00 = \text{Tax}$</p> <p>$500,001 \text{ and over } \times 37.0\% \text{ minus } 35,702.00 = \text{Tax}$</p> <p>Schedule for Estates and Trusts (Form 1041)</p> <p>Per the Tax Act - Effective 2018</p> <p>$\\$ 0 \text{ to } 2,550 \times 10.0\% \text{ minus } \\$ 0.00 = \text{Tax}$</p> <p>$2,551 \text{ to } 9,150 \times 24.0\% \text{ minus } 357.00 = \text{Tax}$</p> <p>$9,151 \text{ to } 12,500 \times 35.0\% \text{ minus } 1,363.50 = \text{Tax}$</p> <p>$12,501 \text{ and over } \times 37.0\% \text{ minus } 1,613.50 = \text{Tax}$</p> <p>Kiddie Tax – Effective 2018</p> <p>The parent’s tax rate is no longer used to calculate kiddie tax. Instead, taxable income attributable to net unearned income is taxed according to the tax brackets applicable to trusts and estates, with respect to both ordinary income and income taxed at the preferential net long-term capital gain rates.</p> <p><i>This provision expires after 2025.</i></p>	<p>HOH Taxable Income - 2017</p> <p>$\\$ 0 \text{ to } 13,350 \times 10.0\% \text{ minus } \\$ 0.00 = \text{Tax}$</p> <p>$13,351 \text{ to } 50,800 \times 15.0\% \text{ minus } 667.50 = \text{Tax}$</p> <p>$50,801 \text{ to } 131,200 \times 25.0\% \text{ minus } 5,747.50 = \text{Tax}$</p> <p>$131,201 \text{ to } 212,500 \times 28.0\% \text{ minus } 9,683.50 = \text{Tax}$</p> <p>$212,501 \text{ to } 416,700 \times 33.0\% \text{ minus } 20,308.50 = \text{Tax}$</p> <p>$416,701 \text{ to } 444,550 \times 35.0\% \text{ minus } 28,642.50 = \text{Tax}$</p> <p>$444,551 \text{ and over } \times 39.6\% \text{ minus } 49,091.80 = \text{Tax}$</p> <p>Schedule for Estates and Trusts (Form 1041)</p> <p>Prior Law - Effective 2017</p> <p>$\\$ 0 \text{ to } 2,550 \times 15.0\% \text{ minus } \\$ 0 = \text{Tax}$</p> <p>$2,551 \text{ to } 6,000 \times 25.0\% \text{ minus } 255.00 = \text{Tax}$</p> <p>$6,001 \text{ to } 9,150 \times 28.0\% \text{ minus } 435.00 = \text{Tax}$</p> <p>$9,151 \text{ to } 12,500 \times 33.0\% \text{ minus } 892.50 = \text{Tax}$</p> <p>$12,501 \text{ and over } \times 39.6\% \text{ minus } 1,717.50 = \text{Tax}$</p> <p>Kiddie Tax - Prior Law - Effective 2017.</p> <p>The kiddie tax generally applies to children under age 19 (24 if full-time student) who have unearned income in excess of \$2,100. Unearned income in excess of \$2,100 is taxed at the parents’ tax rates if the parents’ tax rates are higher than the tax rates of the child. If a parent has more than one child subject to the kiddie tax, the net unearned income of all children is combined in calculating tax at the parent’s tax rate.</p>
---	---

Accounting Connections, LLC

For All Your Accounting & Tax Needs

Woodstock, Georgia 30189

Office (770) 516-5987

www.AccountingConnections.ORG

<p>Effective 2018 – Standard Deduction</p> <p><i>The standard deduction is as follows:</i></p> <p>Single or MFS..... \$12,000</p> <p>MFJ or QW..... \$24,000</p> <p>HOH..... \$18,000</p> <p><i>The following additional standard deduction applies for a taxpayer age 65 or older, or blind, per person, per event:</i></p> <p>MFJ, QW, or MFS..... \$1,300</p> <p>Single or HOH..... \$1,600</p> <p><i>The increased standard deduction expires after 2025.</i></p>	<p>Prior Law - Effective 2017 – Standard Deduction</p> <p><i>The standard deduction is as follows:</i></p> <p>Single or MFS..... \$6,350</p> <p>MFJ or QW..... \$12,700</p> <p>HOH..... \$9,350</p> <p><i>The following additional standard deduction applies for a taxpayer age 65 or older, or blind, per person, per event:</i></p> <p>MFJ, QW, or MFS..... \$1,250</p> <p>Single or HOH..... \$1,550</p> <p><i>For a taxpayer that can be claimed by another taxpayer as a dependent, the standard deduction is the greater of \$1,050, or earned income plus \$350, up to the regular standard deduction.</i></p>
<p>Effective 2018 – Personal Exemptions</p> <p>The deduction for personal exemptions is suspended for tax years 2018 through 2025.</p>	<p>Prior Law - Effective 2017 Personal Exemptions</p> <p><i>The personal exemption per person is \$4,050. This amount is phased out in the case of an individual with AGI in excess of:</i></p> <p>MFJ or QW.....\$313,800</p> <p>Single.....\$261,500</p> <p>HOH.....\$287,650</p> <p>MFS.....\$156,900</p> <p><i>No deduction is allowed if the individual can be claimed as a depended by another taxpayer.</i></p>
<p>Effective 2018 – Itemized Deductions</p> <p>The phase-out of the itemized deductions provision is suspended for tax years 2018 through 2025.</p>	<p>Prior Law - Effective 2017 - Itemized deductions</p> <p>Itemized deductions begin to phase-out when AGI exceeds the following threshold amounts:</p> <p>MFJ, QW.....\$313,800</p> <p>HOH.....\$287,650</p> <p>Single.....\$261,500</p> <p>MFS.....\$156,900</p> <p>The otherwise allowable itemized deductions may not be reduced by more than 80% by reason of the overall limit on itemized deductions.</p>

<p>Per the 2017 Tax Act – Effective 2017 and 2018 -</p> <p>Medical Expenses</p> <p>The threshold for deducting medical expenses is 7.5% of AGI for all taxpayers. For these years, the 7.5% threshold applies for purposes of the AMT in addition to the regular tax. After 2018, the threshold increases to 10% for all taxpayers for both regular tax and AMT purposes.</p> <p><i>This provision expires after 2025.</i></p> <p>Effective 2018 – Home Mortgage</p> <p>The acquisition debt limit is reduced to \$750,000. The \$1 million debt limit still applies if a taxpayer has entered into a binding written contract before December 15, 2017 to close on the purchase of a principal residence before January 1, 2018, and actually purchases the residence before April 1, 2018.</p> <p>The \$1 million debt limit also continues to apply for acquisition debt incurred before December 15, 2017 that is refinanced on or after December 15, 2017.</p> <p>Interest on home equity debt is no longer deductible.</p> <p><i>The new mortgage interest limits expire after 2025.</i></p> <p><i>Continued next page</i></p>	<p>Prior Law - Effective 2017 –</p> <p>Medical Expenses</p> <p>Individuals may claim an itemized deduction for unreimbursed medical expenses, but only to the extent that such expenses exceed 10% of adjusted gross income (AGI). For tax years beginning before January 1, 2017, the 10% threshold is reduced to 7.5% in the case of taxpayers who have attained the age of 65 before the close of the tax year. In the case of married taxpayers, the 7.5% threshold applies if either spouse has obtained the age of 65 before the close of the tax year. The threshold for all taxpayers is 10% for AMT purposes.</p> <p>Prior Law - 2017 – Home Mortgage</p> <p>Interest paid on a home mortgage for a principal residence and one other residence is deductible as an itemized deduction, subject to limits on the amount of debt secured by the residence.</p> <p>Acquisition debt (debt to purchase or improve a residence) is limited to \$1 million.</p> <p>Home equity debt (any debt secured by the residence that is not acquisition debt) is limited to \$100,000.</p> <p>Acquisition debt that is refinanced is still acquisition debt, provided the refinanced amount does not exceed the loan balance of the acquisition debt immediately prior to it being refinanced, plus any amount used to improve the residence.</p> <p><i>Continued next page</i></p>
--	--

<p>Effective 2018 – Taxes Paid Deduction</p> <p>The new law limits, as an itemized deduction, up to \$10,000 (\$5,000 MFS) for the aggregate of:</p> <p>1) Property Taxes - Individual: State and local property taxes (not paid or accrued in carrying on a trade or business, or an activity described in IRC section 212), and</p> <p>2) Income Taxes: State and local income, war profits, and excess profits taxes (or sales taxes in lieu of income taxes, etc.) paid or accrued in the taxable year.</p> <p>An itemized deduction for foreign property taxes not connected with a trade or business is no longer allowed.</p> <p>Special rules prevent the deduction in 2017 of pre-paid 2018 state and local income taxes to avoid the deduction limitation for 2018. Such prepayments are considered 2018 payments, subject to the 2018 limitations.</p> <p>The new limitation on taxes paid expires after 2025.</p> <p>Per 2017 Tax Act - Charitable Contributions</p> <p>Effective for 2017, the exception to the contemporaneous written acknowledgement requirement under IRC section 170(f)(8)(D) is repealed. Thus, the taxpayer must obtain a contemporaneous written acknowledgement for any contribution of \$250 or more.</p> <p>Effective 2018 - The new law makes the following modifications to the charitable contribution rules:</p> <ul style="list-style-type: none"> • The percentage of AGI limitation for charitable contributions by an individual taxpayer of cash to public charities and certain other organizations is 	<p>Prior Law – 2017 – Taxes Paid Deduction</p> <p>Certain taxes that are not paid in connection with a trade or business are deductible as itemized deductions.</p> <p>These taxes include:</p> <p>1) Real Estate and Foreign Property Taxes: State and local real and foreign property taxes,</p> <p>2) Personal Property Taxes: State and local personal property taxes,</p> <p>3) Income Taxes: State, local, and foreign income, war profits, and excess profits taxes.</p> <p>At the election of the taxpayer, an itemized deduction may be taken for state and local general sales taxes in lieu of state and local income taxes.</p> <p>Prior Law – 2017 Charitable Contributions</p> <p>In general, a charitable contribution of \$250 or more requires the taxpayer to obtain a contemporaneous written acknowledgment from the charitable organization to substantiate the contribution. An exception to this requirement is found in IRC section 170(f)(8)(D). This exception applies where the recipient organization files a tax return with the IRS that provides the same information that is required in a contemporaneous written acknowledgement letter. The IRS has yet to issue regulations providing guidance for this provision.</p> <p>Another provision applies to the AGI limitation on</p>
---	--

Accounting Connections, LLC

For All Your Accounting & Tax Needs

Woodstock, Georgia 30189

Office (770) 516-5987

www.AccountingConnections.ORG

<p>increased from 50% to 60%, and</p> <ul style="list-style-type: none">• No charitable deduction is allowed for a payment to a higher educational institution in exchange for which the payer receives the right to purchase tickets or seating at an athletic event. <p><i>Continued next page</i></p>	<p>the amount of deductible charitable contributions that are allowed for the year.</p> <p>In general, cash contributions to public charities are subject to 50% of AGI limitation.</p> <p>Cash contributions to non-operating private foundations are generally limited to 30% of AGI.</p> <p>Capital gain property donated to a 50% limit organization is subject to the 30% of AGI limit. And capital gain property donated for the use of a charity that is not a 50% limit organization (non-operating private foundations, etc.) is subject to a 20% of AGI limitation.</p> <p>Another provision applies to college athletic seating rights. In general, where a taxpayer receives or expects to receive a substantial return benefit for a payment to charity, the payment is not deductible as a charitable contribution. However, special rules apply to certain payments to institutions of higher education in exchange for which the payer receives the right to purchase tickets or seating at an athletic event. Specifically, the payer may treat 80% of a payment as a charitable contribution where:</p> <ol style="list-style-type: none">1) The amount is paid to or for the benefit of an institution of higher education, and2) Such amount would be allowable as a charitable deduction but for the fact that the taxpayer receives (directly or indirectly) as a result of the payment the right to purchase tickets for seating at an athletic event in an athletic stadium of such institution. <p><i>Continued next page</i></p>
--	--

Accounting Connections, LLC

For All Your Accounting & Tax Needs

Woodstock, Georgia 30189

Office (770) 516-5987

www.AccountingConnections.ORG

<p>Effective 2018 – Personal Casualty Loss</p> <p>A personal casualty loss is deductible (subject to the prior law limitations) only if such loss is attributable to a Federally Declared Disaster Area that is declared by the President.</p> <p>This provision expires after 2025.</p>	<p>Prior Law – 2017 Personal Casualty Loss</p> <p>Personal casualty losses consisting of property losses arising from fire, storm, shipwreck, or other casualty, or from theft are deductible on Schedule A (Form 1040) only if they exceed \$100 per casualty or theft. In addition, aggregate net casualty and theft losses are deductible only to the extent they exceed 10% of an individual taxpayer’s adjusted gross income.</p>
<p>Effective 2018 – Miscellaneous Itemized Deductions Subject to 2% AGI Limit</p> <p>Expenses that were subject to the 2% AGI limit for miscellaneous itemized deductions under prior law are no longer deductible.</p> <p>This provision expires after 2025.</p>	<p>Prior Law 2017 - Miscellaneous Itemized Deductions Subject to 2% AGI Limit</p> <p>The following categories of miscellaneous expenses are deductible on Schedule A (Form 1040) to the extent that the combined total exceeds 2% of the taxpayer’s AGI:</p> <ul style="list-style-type: none">• Investment expenses,• Tax preparation fees,• Unreimbursed employee business expenses,• Repayment of income that is \$3,000 or less,• Repayment of Social Security benefits, and• Distributive share of investment expenses from pass-through entities.
<p>Per the 2017 Tax Act - Effective 2019 – Penalty for Not Having Medical Insurance</p> <p>The penalty tax under ACA for not having minimum essential health insurance coverage is zero.</p> <p><i>This provision expires after 2025.</i></p> <p><i>Continued next page</i></p>	<p>Prior Law - 2017 – Penalty for Not Having Medical Insurance</p> <p>Under the Affordable Care Act (ACA), individuals must be covered by a health plan that provides at least minimum essential coverage or be subject to a penalty for failure to maintain the coverage (commonly referred to as the individual mandate). Minimum essential coverage includes government-sponsored programs (Medicare, Medicaid, CHIP, etc.), eligible employer-sponsored plans, individual market health insurance, grandfathered group health plans, grandfathered health insurance coverage, and other coverage as recognized by the Secretary of Health and Human Services (HHS). The penalty is imposed for any month that an individual does</p>

2017 Tax Act - Effective 2018 – 20% Deduction on Pass-Thru Entity Net Income

An individual taxpayer generally may deduct 20% of **qualified business income** from a partnership, S corporation, or sole proprietorship, as well as 20% of aggregate qualified REIT dividends, qualified cooperative dividends, and qualified publicly traded partnership income. In the case of a partnership or S corporation, the deduction applies at the partner or shareholder level. Special rules apply to specified agricultural or horticultural cooperatives.

A limitation based on W-2 wages and capital is phased in when the taxpayer's taxable income exceeds a \$157,500 (Single) or (\$315,000 MFJ) threshold amount.

A disallowance of the deduction with respect to specified service trades or businesses is also phased in when taxable income **exceeds** the above threshold amount. These limitations are phased-in if taxable income exceeds the threshold amount but is below \$207,500 (Single) or (\$415,000 MFJ) (the phase-in range).

For purposes of this provision, taxable income is computed **without** regard to the 20% deduction.

Qualified business income means the net amount of qualified items of income, gain, deduction, and loss with respect to a domestic qualified trade or business of the taxpayer. Qualified business income does not include specified investment-related items of income, deductions, or loss (dividends, interest, long-term capital gains and

not have minimum essential coverage unless the individual qualifies for an exemption for the month (such as unaffordable coverage, hardships, etc.)

Prior Law – 2017 – 20% Deduction on Pass-Thru Entity Net Income

There is no provision. Business owners pay tax on net profits from pass-thru business income at the same tax rate that applies to any other taxable income (other than the special rate that applies to long-term capital gains and qualified dividends).

Continued next page

<p>losses, annuities).</p> <p>Qualified business income does not include any amount paid by an S corporation that is treated as reasonable compensation of the taxpayer. Similarly, qualified business income does not include a reasonable amount of guaranteed payments for services rendered by a partner.</p> <p>A qualified trade or business means any trade or business other than a specified service trade or business, and other than the trade or business of being an employee. A specified service trade or business means any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners, or which involves the performance of services that consist of investing and investment management trading, or dealing in securities, partnership interests, or commodities. The specified service trade or business exclusion from the definition of a qualified trade or business is phased in for taxpayers that exceed the threshold amount.</p> <p>It does not apply to taxpayers below the threshold amount.</p> <p><i>These new provisions expire after 2025.</i></p> <p>Effective 2018 –Child Tax Credit</p> <p>The Child Tax Credit is increased to \$2,000 per qualifying child under the age of 17. The credit is phased out when modified AGI exceeds \$400,000 for MFJ and \$200,000 for all other taxpayers. The</p>	<p><i>Prior Law – 2017 – Child Tax Credit</i></p> <p>The Child Tax Credit is \$1,000 per qualifying child under the age of 17. The credit is phased out when modified AGI exceeds \$75,000 for single, HOH, and QW, \$110,000 for MFJ, and \$55,000 for MFS.</p>
--	---

Accounting Connections, LLC

For All Your Accounting & Tax Needs

Woodstock, Georgia 30189

Office (770) 516-5987

www.AccountingConnections.ORG

portion of the credit that exceeds regular tax liability may be refundable (calculated the same as under prior law), except that the refundable portion cannot exceed \$1,400 per qualifying child.

A new non-refundable Family Credit of \$500 is allowed for each person that is not a qualifying child, but is a qualifying dependent under the old dependency rules (with the exception of residents of Canada and Mexico). Thus, a child over age 16 that no longer qualifies for the \$2,000 credit may be allowed a \$500 credit, assuming the old dependency rules are met.

The increased Child Tax Credit and new Family Credit expire after 2025.

Effective 2018 – Section 529 Tuition Plans

529 plans can allow distributions of up to \$10,000 per-student to pay tuition expenses for a public, private, or religious elementary or secondary school. The rules for postsecondary educational institutions are unchanged.

Continued next page

The portion of the credit that exceeds regular tax liability is allowed as a refundable credit, up to 15% of earned income in excess of \$3,000. If the family has three or more children, the refundable portion is equal to the taxpayer’s Social Security tax paid that exceeds the taxpayer’s Earned Income Credit, if this calculation results in a higher amount.

Prior Law 2017 – Section 529 Tuition Plans

529 plans allow a person to purchase tuition credits or to make contributions to an account that is established to pay the qualified higher education expenses for a designated beneficiary. The contributions are not tax deductible, but income accumulated inside the account grows tax-free. If funds from the account are used to pay qualified higher education expenses, the distributions from the account are tax-free. There is no annual contribution or distribution limit, provided that distributions are used to pay for qualified higher education expenses. Qualified higher education expenses include tuition, fees, books, supplies, etc. that enable a student to attend a college, university, vocational school, or other accredited postsecondary educational institution.

Continued next page

<p>Effective 2018- ABLÉ Account</p> <p>Funds in a qualified tuition program (529 Plan) can be rolled over tax-free into an ABLÉ account provided the designated beneficiary of the ABLÉ account is the same as the 529 plan, or a member of the designated beneficiary's family.</p> <p>The designated beneficiary can also contribute additional amounts to his or her own ABLÉ account in excess of the annual gift tax exclusion amount and take the Saver's Credit for the contribution under IRC section 25B.</p> <p><i>This provision expires after 2025.</i></p> <p>Effective 2018 – Student Loans</p> <p>The exclusion of student loan debt discharged from gross income is modified to include within the exclusion certain discharges on account of death or disability of the student.</p> <p><i>This provision expires after 2025.</i></p> <p>Effective 201 – Alimony</p> <p>Alimony is no longer deductible by the payer spouse and no longer includible in income by the recipient spouse.</p> <p>This rule only applies for divorce or separation instruments executed after December 31, 2018, and instruments executed on or before December 31, 2018 but modified after that date to include these new provisions.</p> <p><i>Continued next page</i></p>	<p>Prior Law – 2017 - ABLÉ Account</p> <p>An ABLÉ account is a tax-favored savings program that provides benefits for disabled individuals.</p> <p>Similar to a 529 plan, an ABLÉ account allows nondeductible contributions into the account to grow tax deferred. Distributions from the account are tax-free to the extent they are used to pay qualified disability expenses of the designated beneficiary. Contributions to an ABLÉ account are limited to the annual gift tax exclusion amount for the year.</p> <p>Prior Law 2017 - Student Loans</p> <p>Cancellation of debt is generally included in taxable income. One exception is the discharge of certain student loan debt. This exception applies when the debt forgiveness is contingent on the student working for a certain period of time in a certain profession, such as working as a health care worker in an area with unmet needs.</p> <p>Prior Law – 2017 - Alimony</p> <p>Alimony and separate maintenance payments are deductible by the payer spouse and includible in income by the recipient spouse.</p> <p>Child support payments are not treated as alimony.</p> <p><i>Continued next page</i></p>
---	--

Accounting Connections, LLC

For All Your Accounting & Tax Needs

Woodstock, Georgia 30189

Office (770) 516-5987

www.AccountingConnections.ORG

Effective 2018 – Moving Expenses

The moving expense deduction and the exclusion from income provision is allowed only to members of the Armed Forces (or their spouse or dependents) on active duty that move pursuant to a military order and incident to a permanent change of station.

This provision expires after 2025.

Prior Law – 2017 – Moving Expenses

Moving expenses are deductible if paid or incurred in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.

Such expenses are deductible only if the move meets certain conditions related to distance from the taxpayer’s previous residence and the taxpayer’s status as a full-time employee in the new location.

If an employer reimburses the qualified moving expenses of an employee, such reimbursement are excluded from the employee’s income, provided the expenses would have been deductible moving expenses if paid by the employee (and not reimbursed by the employer).

In the case of a member of the U.S. military who is on active duty and moves pursuant to a military order incident to a permanent change of station, the limitations related to distance from the taxpayer’s previous residence and status as a full-time employee in the new location do not apply. Any moving and storage expenses which are furnished in kind, reimbursed, or given as an allowance to the military member (and spouse and dependents) is excluded from gross income.

Effective 2018 – AMT

The AMT exemption amounts are as follows:

Single or HOH.....	\$70,300
MFJ or QW.....	\$109,400
MFS.....	\$54,700

The AMT exemption amount is reduced by 25% of the amount by which the taxpayer’s AMTI exceeds the beginning of the phase-out range. The phase-out ranges are as follows:

Single or HOH.....	\$500,000 to \$781,200
MFJ or QW.....	\$1,000,000 to \$1,437,600
MFS.....	\$500,000 to \$718,800

Prior Law – 2017 - AMT

Effective 2017. The AMT exemption amounts are as follows:

Single or HOH.....	\$54,300
MFJ or QW.....	\$84,500
MFS.....	\$42,250

The AMT exemption amount is reduced by 25% of the amount by which the taxpayer’s AMTI exceeds the beginning of the phase-out range. The phase-out ranges are as follows:

Single or HOH.....	\$120,700 to \$337,900
MFJ or QW.....	\$160,900 to \$498,900
MFS.....	\$80,450 to \$249,450

<p>These amounts are indexed each year for inflation after 2018. The increased AMT exemption amounts and phase-out ranges expire after 2025.</p> <p>Effective 2018 – Federally Declared Disaster Relief</p> <p>The new law provides similar relief for any Federally Declared Disaster Area from 2016. Provisions that are similar to the 2017 disaster relief act include:</p> <ul style="list-style-type: none"> • 10% early withdrawal penalty from retirement plans does not apply to qualified 2016 disaster distributions. • Rollover period for qualified 2016 disaster distributions is extended from 60 days to three years. • Income from qualified 2016 disaster distributions is included in income over a 3-year period. • Casualty loss 10% of AGI limit does not apply, \$100 per casualty limit increased to \$500, and the deduction can be added to the standard deduction if the taxpayer otherwise does not itemize. <p>Taxpayers can amend prior year returns to take advantage of these provisions.</p> <p><i>Continued next page</i></p>	<p>Prior Law - 2017 – Federally Declared Disaster Relief</p> <p>Disaster Tax Relief Act of 2017 allowed special tax breaks for taxpayers affected by Hurricane Harvey, Hurricane Irma, and Hurricane Maria.</p> <p>Provisions include:</p> <ul style="list-style-type: none"> • 10% early withdrawal penalty from retirement plans does not apply to qualified hurricane distributions. • Rollover period for qualified hurricane distributions is extended from 60 days to three years. • Income from qualified hurricane distributions is included in income over a 3-year period. • Retirement plan withdrawals for home purchases can be re-contributed back into the retirement plan. • Loans from qualified plans can be increased and repayment period extended. • A new employee retention credit. • Suspension of limitations on charitable contributions. • Casualty loss 10% of AGI limit does not apply, \$100 per casualty limit increased to \$500, and the deduction can be added to the standard deduction if the taxpayer otherwise does not itemize. • Earned income for 2017 can be based on 2016 earned income for purposes of the Child Tax Credit and the Earned Income Credit. <p><i>Continued next page</i></p>
---	--

<p>New Tax Law – Sexual Harassment or Sexual Abuse Payments</p> <p>Effective December 23, 2017. The new law adds the following to the list of non-deductible expenses:</p> <p>No deduction is allowed for any settlement, payout, or attorney fees related to sexual harassment or sexual abuse if such payments are subject to a nondisclosure agreement.</p> <p><i>Continued next page</i></p>	<p>Prior Law – 2017 – Sexual Harassment or Sexual Abuse Payments</p> <p>A taxpayer generally is allowed a deduction for ordinary and necessary expenses paid or incurred in carrying on any trade or business. However, certain exceptions apply.</p> <p>No deduction is allowed for:</p> <ol style="list-style-type: none">1) Any charitable contribution or gift that would be allowable as a deduction under IRC section 170 were it not for the percentage limitations, the dollar limitations, or the requirements as to the time of payment, set forth in such section,2) Any illegal bribe, illegal kickback, or other illegal payment,3) Certain lobbying and political expenditures,4) Any fine or similar penalty paid to a government for the violation of any law,5) Two-thirds of treble damage payments under the antitrust laws,6) Certain foreign advertising expenses,7) Certain amounts paid or incurred by a corporation in connection with the reacquisition of its stock or of the stock of any related person, or8) Certain applicable employee remuneration. <p><i>Continued next page</i></p>
---	---

Effective 2018 – Stock Options	Prior Law – 2017 – Stock Options
<p>A new election allows a qualified employee to elect to defer, for income tax purposes, the inclusion in income of the amount of income attributable to qualified stock transferred to the employee by the employer.</p> <p>When the election is made, income is included in the employee’s income for the tax year that includes the earliest of:</p> <ol style="list-style-type: none">1) The first date the qualified stock becomes transferable, including, solely for this purpose, transferable back to the employer,2) The date the employee first becomes an excluded employee,3) The first date on which any stock of the employer becomes readily tradable on an established securities market,4) The date five years after the first date the employee’s right to the stock becomes substantially vested, or5) The date on which the employee revokes his or her inclusion deferral election. <p>If the election is made with respect to a statutory option, the option is not treated as a statutory option and the rules relating to statutory options and related stock, do not apply. In addition, the election is not treated as a nonqualified deferred compensation plan solely because of the election or the ability to make the election.</p> <p>Other complex and numerous rules apply</p>	<p>Employees generally recognize income tax in the year in which an employer transfers stock to the employee and the employee’s right to the stock is transferable, or is not subject to a substantial risk of forfeiture, whichever occurs earlier (the year the stock is substantially vested).</p> <p>In the case of a statutory stock option, the employee does not recognize income upon the granting, vesting, or exercise of the option. Instead, if a special holding period is met, the employee recognizes long-term capital gain upon the sale of the stock. If the employee disposes of the stock prior to the end of the holding period, the employee recognizes ordinary income in the year the stock is disposed of.</p> <p>Various exceptions and other rules apply to statutory and non-qualified stock options and deferred compensation plans.</p>
<i>Continued next page</i>	<i>Continued next page</i>

<p>Effective 2018 – Profits Interest in an Investing Partnership</p> <p>A new rule imposes a 3-year holding period for a partner performing investing type services in exchange for a profits interest before being able to receive long-term capital gain treatment on gains passed through the partnership.</p> <p>The portion of the long-term capital gains attributable to less than the 3-year holding period are treated as short-term gains subject to ordinary income tax rates. Complex rules, definitions, and exceptions apply.</p>	<p>Prior Law – 2017 – Profits Interest in an Investing Partnership</p> <p>A taxpayer receives a capital interest in a partnership in exchange for services rendered, the taxpayer is generally taxed on the fair market value of the services rendered.</p> <p>If the taxpayer receives a profits interest in a partnership in exchange for services, tax generally applies at the time income, gain, credits, and deductions are passed through the partnership to the partner.</p>
<p>Effective 2018 – Estate and Gift Tax Exemption</p> <p>The estate and gift tax exemption amount is doubled to \$10 million, adjusted for inflation occurring after 2011.</p> <p>Gift Tax Exemption of \$15 thousand (\$30 thousand Gift-Splitting) before filing requirement of a Gift Tax Return, Form 709.</p>	<p>Prior Law – 2017 – Estate and Gift Tax Exemption</p> <p>For decedents dying in 2017, the inflation adjusted estate and gift tax exemption amount is \$5.49 million. This is based upon a \$5 million exemption amount applicable for 2011, adjusted each year after 2011 for inflation.</p> <p>Gift Tax Exemption of \$14 thousand (\$28 thousand Gift-Splitting) before filing requirements of a Gift Tax Return, Form 709.</p>
<p>Effective 2018 – Bicycle Commuting Reimbursement Exclusion</p> <p>The bicycle commuting reimbursement exclusion is repealed. Any reimbursements are taxable to the employee.</p> <p><i>The repeal of the exclusion does not apply after 2025.</i></p>	<p>Prior Law – 2017 – Bicycle Commuting Reimbursement Exclusion</p> <p>Qualified bicycle commuting reimbursements of up to \$20 per month are excludible from an employee’s gross income.</p> <p>Bicycle commuting expenses are those incurred for the purchase of a bicycle and bicycle improvements, repair, and storage, if the bicycle is regularly used for travel between the employee’s residence and place of employment.</p>
<p><i>Continued next page</i></p>	<p><i>Continued next page</i></p>

Accounting Connections, LLC

For All Your Accounting & Tax Needs

Woodstock, Georgia 30189

Office (770) 516-5987

www.AccountingConnections.ORG

<p>Effective 2018 – IRA Reconversion</p> <p>The reconversion rules cannot be used to unwind a Roth conversion. For example, an individual may make a contribution for a year to a Roth IRA and, before the due date of the tax return, re-characterize it as a contribution to a traditional IRA. Likewise, an individual may make a contribution to a traditional IRA and later convert it into a Roth IRA. However, if a traditional IRA contribution is re-characterized as a Roth IRA contribution, the Roth IRA cannot be reconverted back into a traditional IRA.</p> <p>Effective 2018 – Entertainment and Meals Expense</p> <p>The new law provides that no deduction is allowed with respect to:</p> <ol style="list-style-type: none">1) An activity generally considered to be entertainment, amusement or recreation,2) Membership dues with respect to any club organized for business, pleasure, recreation or other social purposes, or3) A facility or portion thereof used in connection with any of the above items. <p>The provision repeals the prior law exception to the deduction disallowance for entertainment, amusement, or recreation that is directly related to (or, in certain cases, associated with) the active conduct of the taxpayer’s trade or business (and the related rule applying a 50% limit to such deductions).</p> <p>The new law also disallows a deduction for expenses associated with providing any qualified transportation fringe to employees of the taxpayer, and except as necessary for ensuring the safety of an employee, any expense incurred for providing transportation (or any payment or reimbursement) for commuting between the employee’s residence and place of employment.</p> <p>Taxpayers may still generally deduct 50% of the</p>	<p>Prior Law – 2017 – IRA Reconversion</p> <p>An IRA contribution for a tax year (traditional or Roth) can be re-characterized as the other type of IRA contribution (traditional or Roth) before the due date (including extensions) for filing the tax return for the year in which the original contribution was made. The taxpayer is then allowed to reconvert the re-characterized contribution back into the other type of IRA (traditional or Roth). Certain holding periods apply before the re-characterized contribution can be reconverted back to the original contribution.</p> <p>Prior Law – 2017 – Entertainment and Meals Expense</p> <p>There are a number of exceptions to the general rule disallowing deduction of entertainment expenses and the rules limiting deductions to 50% of the otherwise deductible amount.</p> <p>One exception applies when the expense is included in an employee’s gross income as taxable wages, or excludable as a fringe benefit under a provision in the Internal Revenue Code.</p> <p>For example, the cost of employer-provided qualified transportation fringe benefits, such as qualified parking, transit passes, and vanpool benefits, is deductible by the employer and excluded from the employee’s W-2 wages.</p> <p>Another example applies to meals furnished to an employee for the convenience of the employer that are provided on the employer’s business premises. Such costs are 100% deductible by the employer and excluded from the employee’s W-2 income.</p>
--	---

food and beverage expenses associated with operating their trade or business (e.g., meals consumed by employees on work travel).

For amounts incurred and paid after December 31, 2017 and until December 31, 2025, the law expands this 50% limitation to expenses of the employer associated with providing food and beverages to employees through an eating facility that meets requirements for de minimis fringes and for the convenience of the employer.

Such amounts incurred and paid after December 31, 2025 are not deductible.