

Aurora Taxes & Accounting, Inc.

2018 TAX REFORM CHANGES

5 KEY CHANGES FOR INDIVIDUAL RETURNS

1. Standard Deduction Increases

No matter your filing status, the standard deduction increased in 2018

- Single and Married filing separately: \$12,000
- Filing Head of Household: \$18,000
- Married Filing Jointly: \$24,000

2. Personal Exemption Eliminated

- Under the tax reform, taxpayers can no longer claim the \$4,050 personal exemption for each of their dependents

3. Child Tax Credit Raises

- The Child Tax Credit increases in value from \$1,000 to \$2,000. The tax reform bill also introduces a new \$500 credit for non-child dependents

4. State and Local Tax Capped

- Taxpayers can deduct up to \$10,000 in state and local income taxes. Previously there was no cap.

5. Mortgage Interest Deduction Drops

- Individuals who purchase a home in 2018 can only deduct interest up to \$750,000 mortgage debt. The interest deduction on home-equity loans has been eliminated.

4 KEY CHANGES FOR BUSINESS

1. C-Corps

- New corporate tax rate is 21 percent

2. Corporate Alternative Minimum Tax

- There is no longer a corporate alternative minimum tax

3. Small Business Deduction

- Pass-through business owners may be able to deduct up to 20 percent of qualified business net income

4. Entertainment Deduction

- There is no longer a deduction for business entertainment of clients

STANDARD MILEAGE UPDATE

To claim the standard mileage rate, you still must keep track of the actual number of miles driven and the purpose. You have the option of using the IRS standard mileage rate instead of keeping track of actual expenses of operating your vehicle.