



Season's Greetings and a Happy New Year to all of our clients

Well substantial changes in the Federal tax code will for the most part be good news for taxpayers in lowering taxes. These changes are an attempt to make filing a little easier but the only noticeable change is a more compact Form 1040 although the attached Schedules are for the most part unchanged. However very little of these changes are reflected by the States so large differences have emerged between most states and the federal. Let me show you some of the important federal changes.

The standard deduction has been doubled to \$24,000 for couples, \$12,000 for singles and \$18,000 for heads of household. This is good news, but then personal exemptions have been eliminated. However the state still gives a deduction for exemptions therefore we still need to list all your exemptions as before.

Congress wanted to make it much harder to itemize deductions and to that end many deductions have been squeezed or eliminated altogether.

Home mortgage interest is still deductible but home equity interest is no longer deductible unless used solely for home improvements. Property taxes, sales tax and state income taxes together are capped at \$10,000 for everything.

All miscellaneous itemized deductions subject to 2% of AGI have been eliminated – employee business expenses, portfolio management and financial planning fees, tax prep fees and hobby expenses to name a few. This is a big change for W2 employees accustomed to deducting their driving miles, tolls, hotel, etc.

Good news is that charitable contributions are still deductible and medical expense is actually now allowed once it exceeds 7.5% of AGI which is an improvement from the 10% previously.

The basic idea here is that Congress is trying to make it harder for individuals to itemize – hence the doubling of the standard deduction but again a significant offset by taking away the allowance for exemptions.

Obamacare is still in effect for 2018 – penalties are still enforced and taxpayers must still list dependents that are covered for health insurance purposes. It is scheduled to disappear in 2019.

Good news – the child tax credit is doubled for each dependent under age 17 and there is a \$500 tax credit for each dependent who is not a qualifying child such as an elderly parent or a disabled adult child.

There has been no significant change to the college tax credit and the student loan interest deduction is still in place.

Gambling losses are still deductible to the extent of winnings.

However the nonbusiness energy tax credit for improvements such as windows, doors etc has been phased out. The only credit remaining is for solar energy.

Alimony for divorces after Dec 31st 2018 will no longer be deductible for the payer and equally the recipient will not have to show it as income.

Moving expenses deduction is no longer allowed except for the military.

So the new tax law keeps seven tax brackets but lowers the rates and income for each bracket which will generally result in a lower tax amount. However please be aware that the employer tax tables were also lowered in 2018 resulting in less taxes being withheld so this could adversely affect your tax refund. If after filing your tax return, that does indeed happen, then you will need to complete a revised W4 to have more taxes withheld.

Once again please make sure to let us know if your bank account has changed or your driving license was renewed. If you had multiple jobs during the year make sure you have all of your W2s. If you paid estimated taxes please provide us with the exact amounts and dates the checks were written. We would also greatly appreciate updating your email addresses since we use that much more for communications.

I am happy to say that Bill Connors will be working again with Schuyler Tax Services. We are taking appointments for Bill, although dropping off the taxes for him is always preferable. Michele and Denise will be running the office again this year.

Call 315-735-3684 for an appointment (1-800-978-4227 long distance)

Mailing address : Schuyler Tax Services LLC
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Utica, NY 13502.

Email to : TENNANTTAX54@GMAIL.COM or Fax # 315-733-1278,
or drop off your tax papers to us at any time. We have a drop box by the office door for after hour use. Also you can reach us through our website

schuylertaxservices.com.

Thanks and we look forward to seeing you in the New Year.

