Tax Reform
Basics for Individuals and Families

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Overview of the Tax Cuts and Jobs Act

Major **tax reform** that affects both individuals and businesses was enacted in December 2017. It's commonly referred to as the Tax Cuts and Jobs Act, TCJA or tax reform.

The IRS estimates that we will need to create or revise more than 400 taxpayer forms, instructions and publications for the filing season starting in 2019. It's more than double the number of forms we would create or revise in a typical year.

The IRS collaborates with the tax professional community, industry, and tax software partners each year as we implement changes to the tax law, including the Tax Cuts and Jobs Act, to ensure that our shared customer – you, the taxpayer - has information about how the law applies to your particular situation and you are prepared to file.

Using tax preparation software is the best and simplest way to file a complete and accurate tax return. The software guides you through the process and does all the math. **Electronic filing options** include **IRS Free File** for taxpayers who qualify, **Free File Fillable Forms** for all taxpayers, **commercial software**, and **professional assistance**. The IRS Volunteer Income Tax Assistance (VITA) and the Tax Counseling for the Elderly (TCE) programs offer **free tax help** and e-file for taxpayers who qualify.

This publication covers some of the provisions of the TCJA. It provides information for you and your family to help you understand, take action - if necessary - and comply with your federal tax return filing requirements.

It is not intended to replace or supersede IRS tax forms, instructions or other official guidance.

The official **IRS.gov** website includes a **Tax Reform page** that highlights what you need to know about the tax law changes. This page also provides links to news releases, publications, notices, and legal guidance related to the legislation.

IRS.gov/getready has information about steps you can take now to get a jump on next year's taxes including how the new tax law may affect you.

Changes in Tax Rates

For 2018, most tax rates have been reduced. This means most people will pay less tax starting this year. The 2018 tax rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

In addition, for 2018, the tax rates and brackets for the unearned income of a child have changed and are no longer affected by the tax situation of the child's parents. The new tax rates applicable to a child's unearned income of more than $2,550 are 24%, 35%, and 37%.

In addition to lowering the tax rates, some of the changes in the law that affect you and your family include increasing the standard deduction, suspending personal exemptions, increasing the child tax credit, and limiting or discontinuing certain deductions.

Most of the changes in this legislation take effect in 2018 for federal tax returns filed in 2019. It is important that individual taxpayers consider what the TCJA means and make adjustments in 2018 and 2019.

Federal income tax withholding may need adjustment

The Tax Cuts and Jobs Act changed the way taxable income is calculated and reduced the tax rates on that income.

The IRS had to address and make changes to income tax withholding in response to the new law as soon as possible after it passed. This issue affects every taxpayer who receives a paycheck.

The U.S. tax system operates on a pay-as-you-go basis. Taxpayers must generally pay at least 90 percent of their taxes throughout the year through withholding, estimated or additional tax payments or a combination of the two.

THIS MEANS THAT…you need to pay most of your tax during the year, as the income is earned or received. If you don't, you may owe an estimated tax penalty when you file.

For employees, income tax withholding is the amount of federal income tax withheld from your paycheck. The amount of income tax your employer withholds from your regular pay depends on two things:

- The amount you earn.
- The information you give your employer on Form W–4, Employee's Withholding Allowance Certificate.

The IRS issued new withholding tables for 2018 to reflect the changes in tax rates and tax brackets, the increased standard deduction and the suspension of personal exemptions, among other things.

The IRS also reissued withholding tables, which show payroll service providers and employers how much tax to withhold from employee paychecks, taking into account each employee's wages, marital status, and the number of withholding allowances they claim.

The IRS also modified Form W-4, Employee's Withholding Allowance Certificate, which is the IRS form that employees provide to their employers, so that the employer may determine the amount of federal income tax to withhold from the employees' paychecks. The form helps employees adjust withholding based on their personal circumstances, such as whether they have children or a spouse who is also working. The IRS recommends employees check their withholding any time their personal or financial information changes.

The Form W-4 relates to an employee's federal income tax withholding. State income tax withholding is separate.

THIS MEANS THAT…You should have started seeing withholding changes in your paycheck around the end of February 2018. The exact timing depends on when your employer made the change and how often you are paid. You still need to check your withholding and make sure it is correct so there is no surprise at tax filing time.

Just as the amount of your withholding has changed based upon the change in tax rates, you may also need to adjust your withholding or make estimated or additional tax payments due to other changes in the tax law.

You should review your withholding in 2018 and make adjustments if there is still time this year. Review your withholding again, early in 2019 to make sure you don't have too little or too much withheld from your paychecks next year.

To help with this, the IRS issued a new **Withholding Calculator** and updated **Form W-4** to help you check and update your withholding with your employer, if necessary. You can use the Withholding Calculator to estimate your income tax. The Withholding Calculator compares that estimate to your current tax withholding and can help you decide if you need to change your withholding with your employer.

The new withholding tables were designed to produce the right amount of withholding for people with simple tax situations. Some people have more complicated tax situations and face the possibility of not having enough income tax withheld by their employer. If not enough tax is withheld by your employer, you could have an unexpected tax bill and even a penalty when you file your return next year.

More information on the withholding tables is available in the **IRS Withholding Tables Frequently Asked Questions page**.

Paycheck Checkup

The Paycheck Checkup campaign encourages you to review your tax situation.

The new tax law could affect how much tax someone should have their employer withhold from their paycheck. To help with this, taxpayers can use the Withholding Calculator on IRS.gov. The Withholding Calculator can help prevent employees from having too little or too much tax withheld from their paycheck. Having too little tax withheld can mean an unexpected tax bill and even a penalty at tax time. You might prefer to have less tax withheld up front and receive more in your paycheck which may mean a lower refund or an unexpected tax bill. Or, you might prefer to make estimated or additional tax payments to avoid an unexpected tax bill and possibly a penalty.

Everyone should do an annual check of their withholding but this year is even more important, especially for taxpayers who:

- Belong to a two-income family.
- Work two or more jobs or only work for part of the year.
- Have children and claim credits such as the Child Tax Credit.
- Have older dependents, including children age 17 or older.
- Itemized deductions on their prior year's tax returns.
- Earn high incomes and have more complex tax returns.
- Received large tax refunds or had large tax bills for the prior year.

Changes in personal circumstances can reduce withholding allowances a taxpayer is entitled to claim. Taxpayers whose circumstances have changed, including those who have divorced, started a second job, or whose child no longer their dependent, have 10 days to submit a new Form W-4 to their employer claiming the proper number of withholding allowances.

Taxpayers who work seasonal jobs or are employed part of the year should also perform a "paycheck checkup." Any changes that a part-year employee makes to their withholding can affect each paycheck in a larger way than employees who work year-round.

THIS MEANS THAT…Doing a checkup can help protect against having too little tax withheld and facing an unexpected tax bill and even a penalty at tax time. Some taxpayers might prefer to have less tax withheld up front and receive more in their paychecks, which would reduce their tax refund next year.

More information on the Withholding Calculator is available in the Withholding Calculator Frequently Asked Questions page.

Step-by-Step Instructions for Using the IRS Withholding Calculator

The IRS encourages everyone to use the Withholding Calculator to perform a quick "paycheck checkup." The objective of the withholding calculator and the worksheet are to get the tax liability and withholding as close to equal as possible, resulting in minimal refund or tax owed. Results from the calculator will include a recommendation of whether users should consider submitting a new Form W-4, Employee's Withholding Allowance Certificate, to their employers to either reduce or increase the amount of their withholding. In general, if you follow the recommendation and file a new form W-4 for the rest of the year – or for next year - your withholding will approximately equal your anticipated tax, and any refund or tax owed should be less than $25.

Before beginning, taxpayers should have a copy of their most recent pay stub and tax return.

Here are step-by-step instructions for using the calculator:

Go to the main Withholding Calculator page on IRS.gov. Carefully read all information and click the blue Withholding Calculator button.

Use the buttons at the bottom of each page to navigate through the calculator. The buttons allow users to continue inputting their information, reset the information on that page, or start over from the beginning.

Input general tax situation information, including:

- Filing status.
- Whether anyone can claim the user as a dependent.
- Total number of jobs held during the year.

- Contributions to a tax-deferred retirement, cafeteria or other pre-tax plan.
- Scholarships or fellowship grants received that are included in gross income.
- Number of dependents.

Input information about credits, including:

- Child and dependent care credit.
- Child tax credit.
- Earned income tax credit.

Enter the total estimated taxable income expected during the year. Amounts the user will enter include wages, bonuses, military retirement, taxable pensions, and unemployment compensation. Users should enter a “0” on lines asking for amounts that don’t apply to them.

Enter an estimate of adjustments to income, including deductible IRA contributions and education loan interest.

Indicate standard deduction or itemized deductions. Users who plan to itemize will enter estimates of these deductions.

Print out the summary of results. The calculator will provide a summary of the taxpayer’s information. Taxpayers use the results to determine if they need to complete a new Form W-4, which they give to their employer.

The Withholding Calculator can also help taxpayers with part-year employment estimate their income, credits, adjustments and deductions more accurately and check if they have the right amount of tax withheld for their financial situation.

The calculator asks about the dates of a taxpayer’s employment and accounts for a part-year employee’s shorter employment rather than assuming that their weekly tax withholding amount would be applied to a full year. The calculator makes recommendations for part-year employees accordingly. If a taxpayer has more than one part-year job, the Withholding Calculator can account for this as well. The Form W-4 worksheets do not distinguish between part-year jobs and full-year jobs.

Updating Form W-4 After Doing a Paycheck Checkup

Taxpayers who use the calculator and determine that they need to change their withholding must fill out a new Form W-4, Employee’s Withholding Allowance Certificate. Employees submit the completed Form W-4 to their employers. Do not send Form W-4 to the IRS.

Here are a few things for taxpayers to remember about updating Form W-4:

- The Withholding Calculator will help determine if they should complete a new Form W-4.
- The calculator will provide users the information to put on a new Form W-4.
- Taxpayers who use the calculator to check their withholding will save time because they don’t need to complete the Form W-4 worksheets. The calculator does the worksheet calculations.
- As a general rule, the fewer withholding allowances a taxpayer enters on Form W-4, the higher their tax withholding. Entering “0” or “1” on line 5 of the W-4 instructs an employer to withhold more tax. Entering a larger number means less tax withholding, resulting in a smaller tax refund or potentially a tax bill or penalty.
- Taxpayers who complete new Form W-4s should submit it to their employers as soon as possible. With withholding occurring throughout the year, it’s better to take this step sooner, rather than later.

THIS MEANS THAT… Using the withholding calculator can help you adjust your W-4 to possibly avoid an unexpected tax bill or penalty.

People who have too much tax withheld will get less money in their regular paycheck. If those taxpayers change their withholding and enter more allowances on Form W-4, they’ll get more money in their paychecks throughout

the year. Employees who have too little withheld are not paying enough taxes throughout the year, and they may face an unexpected tax bill and even a penalty when they file next year.

Having a completed tax return for the prior year can help taxpayers work with the Withholding Calculator to determine their proper withholding and avoid issues when they file next year.

Making Estimated or Additional Tax Payments

Certain taxpayers - including those who don't have enough income tax withheld by their employer - may have to pay estimated taxes.

If the amount of income tax withheld from your salary or pension is not enough, or if you receive income such as interest, dividends, alimony, self-employment income, capital gains, prizes and awards, you may have to make estimated or additional tax payments.

The IRS encourages everyone to use the Withholding Calculator to perform a quick "paycheck checkup." This is even more important this year because of recent changes to the tax law for 2018. Having enough tax withheld or making estimated or additional tax payments during the year can help you avoid problems at tax time.

Taxpayers can adjust withholding on their paychecks or the amount of their estimated tax payments to help avoid an unexpected tax bill or prevent penalties.

Form 1040-ES, Estimated Tax for Individuals, available on IRS.gov, is designed to help taxpayers figure these payments simply and accurately. The estimated tax package includes a quick rundown of key tax changes, income tax rate schedules for 2018 and a useful worksheet for figuring the right amount to pay. The IRS also mailed 1 million Form 1040-ES vouchers with instructions in late March to taxpayers who used this form last year.

Taxpayers can **pay their taxes** throughout the year anytime. They must select the tax year and tax type or form when paying electronically. If you're paying by check - make it out to the "United States Treasury" and indicate the tax year and type of taxes you are paying.

For additional information, refer to **Publication 505,** Tax Withholding and Estimated Tax.

Changes to Standard Deduction

The standard deduction is a dollar amount that reduces the amount of income on which you are taxed and varies according to your filing status.

The standard deduction reduces the income subject to tax. The Tax Cuts and Jobs Act nearly doubled standard deductions. When you take the standard deduction, you can't itemize deductions for mortgage interest, state taxes and charitable deductions on Schedule A, Itemized Deductions.

Starting in 2018, the standard deduction for each filing status is:

Single..$12,000 ....(up from $6,350 in 2017)

Married filing jointly. Qualifying widow(er) ....$24,000 ....(up from $12,700 in 2017)

Married filing separately ....$12,000 ....(up from $6,350 in 2017)

Head of household ....$18,000 ....(up from $9,350 in 2017)

The amounts are higher if you or your spouse are blind or over age 65.

Most taxpayers have the choice of either taking a standard deduction or itemizing. If you qualify for the standard deduction and your standard deduction is more than your total itemized deductions, you should claim the standard deduction in most cases and don't need to file a Schedule A, Itemized Deductions, with your tax return.

THIS MEANS THAT… Many taxpayers will no longer itemize their deductions and have a simpler time in filing their taxes.

More than 9 out of 10 taxpayers use tax software or a paid preparer to file their taxes. Generally, you answer

a series of questions in an interview format and the software or preparer chooses the best option (standard deduction or itemized deductions) for you. The new tax law hasn't changed this process and the IRS has worked extensively with software developers and tax preparers to ensure that they are prepared to help you. IRS also provides training to and certifies volunteers in the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. If you qualify, these volunteers will help you file your taxes for free. For more information, see **Free Tax Return Preparation for Qualifying Taxpayers** on IRS.gov.

Changes to Itemized Deductions

In addition to nearly doubling standard deductions, the Tax Cuts and Jobs Act changed several itemized deductions that can be claimed on Schedule A, Itemized Deductions.

THIS MEANS THAT…Many individuals who formerly itemized may now find it more beneficial to take the standard deduction. Check your 2017 itemized deductions to make sure you understand what these changes mean to your tax situation for 2018.

Almost everyone who previously itemized before is affected by changes from the Tax Cuts and Jobs Act. The changes to both the standard deduction and itemized deductions could affect how much you need to have your employer withhold from your pay. Even if you continue to itemize deductions, you should check your withholding.

You may not take the standard deduction if you claim itemized deductions. Alternatively, if you take the standard deduction, you may not claim itemized deductions. For married filing separate taxpayers, if one spouse elects to itemize, the other spouse is also required to itemize. That's why it is important that you consider what these changes mean for you and your family.

For 2018, the following changes have been made to itemized deductions that can be claimed on Schedule A.

Limit on overall itemized deductions suspended.

You may be able to deduct more of your total itemized deductions if your itemized deductions were limited in the past due to the amount of your adjusted gross income. The old rule that limited the total itemized deductions for certain higher-income individuals has been suspended.

THIS MEANS THAT…if you do itemize… your itemized deductions are no longer limited if your adjusted gross income is over a certain amount.

Deduction for medical and dental expenses modified.

You can deduct certain unreimbursed medical expenses that exceed 7.5% of your 2018 adjusted gross income. Before this law change, unreimbursed medical expenses had to exceed 10% of adjusted gross income for most taxpayers in order to be deductible.

THIS MEANS THAT…if you do itemize…you can deduct the part of your eligible medical and dental expenses that is more than 7.5 percent of your 2018 adjusted gross income.

WHAT'S NEXT FOR TAX YEAR 2019? If you plan to itemize for tax year 2019 your unreimbursed medical and dental expenses will have to exceed 10% of your 2019 adjusted gross income in order to be deductible.

Deduction for state and local income, sales and property taxes modified.

Your total deduction for state and local income, sales and property taxes is limited to a combined, total deduction of $10,000 ($5,000 if Married Filing Separate). Any state and local taxes you paid above this amount cannot be deducted.

No deduction is allowed for foreign real property taxes. Property taxes associated with carrying on a trade or business are fully deductible.

THIS MEANS THAT…if you do itemize… you can deduct state and local income, sales, and property taxes but only up to $10,000 ($5,000 if Married Filing Separate).

IRS Notice 2018-54 informs taxpayers that federal law controls the characterization of the payments for federal income tax purposes regardless of the characterization of the payments under state law.

Deduction for home mortgage and home equity interest modified.

Your deduction for mortgage interest is limited to interest you paid on a loan secured by your main home or second home that you used to buy, build, or substantially improve your main home or second home.

THIS MEANS THAT…if you do itemize… that interest paid on most home equity loans is not deductible unless the loan proceeds were used to buy, build, or substantially improve your main home or second home.

For example, interest on a home equity loan used to build an addition to an existing home is typically deductible, while interest on the same loan used to pay personal living expenses, such as credit card debts, is not.

As under prior law, the loan must be secured by the taxpayer's main home or second home (known as a qualified residence), not exceed the cost of the home and meet other requirements.

New dollar limit on total qualified residence loan balance.

The date you took out your mortgage or home equity loan may also impact the amount of interest you can deduct. If your loan was originated or treated as originating on or before Dec. 15, 2017, you may deduct interest on up to $1,000,000 ($500,000 if you are married filing separately) in qualifying debt. If your loan originated after that date, you may only deduct interest on up to $750,000 ($375,000 if you are married filing separately) in qualifying debt. The limits apply to the combined amount of loans used to buy, build or substantially improve the taxpayer's main home and second home.

THIS MEANS THAT…if you do itemize…for existing mortgages, you can continue to deduct interest on a total of $1 million in qualifying debt secured by first and second homes but for new homeowners buying in 2018, you can only deduct interest on a total of $750,000 in qualifying debt for a first and second home.

The following examples illustrate these points.

Example 1: In January 2018, a taxpayer takes out a $500,000 mortgage to purchase a main home with a fair market value of $800,000. In February 2018, the taxpayer takes out a $250,000 home equity loan to put an addition on the main home. Both loans are secured by the main home and the total does not exceed the cost of the home. Because the total amount of both loans does not exceed $750,000, all of the interest paid on the loans is deductible. However, if the taxpayer used the home equity loan proceeds for personal expenses, such as paying off student loans and credit cards, then the interest on the home equity loan would not be deductible.

Example 2: In January 2017, a taxpayer takes out a mortgage to purchase a main home with a fair market value of $1.2 million. The loan is secured by the main home. In January 2018, the taxpayer takes out a $100,000 home equity loan when the balance of the first mortgage was $900,000. The taxpayer may deduct all of the interest from the first loan because the first loan was originated on or before Dec. 15, 2017. The taxpayer can deduct none of the interest on the home equity loan because the $750,000 limitation applicable to the home equity loan must be reduced (but not below zero) by the amount of the indebtedness incurred on or before December 15, 2017.

Example 3: In January 2018, a taxpayer takes out a $500,000 mortgage to purchase a main home. The loan is secured by the main home. In February 2018, the taxpayer takes out a $250,000 loan to purchase a vacation home. The loan is secured by the vacation home. Because the total amount of both mortgages does not exceed $750,000, all of the interest paid on both mortgages is deductible. However, if the taxpayer took out a $250,000 home equity loan on the main home to purchase the vacation home, then the interest on the home equity loan would not be deductible.

Example 4: In January 2018, a taxpayer takes out a $500,000 mortgage to purchase a main home. The loan is secured by the main home. In February 2018, the taxpayer takes out a $500,000 loan to purchase a vacation home. The loan is secured by the vacation home. Because the total amount of both mortgages exceeds $750,000, not all of the interest paid on the mortgages is deductible. A percentage of the total interest paid is deductible.

Special rules apply to maintain these limits if you refinance your debt. For more information, see the 2018 Publication 936, Home Mortgage Interest Deduction

Limit for charitable contributions modified.

The limit on charitable contributions of cash has increased from 50 percent to 60 percent of your adjusted gross income.

THIS MEANS THAT…if you do itemize …you may be able to deduct more of your charitable cash contributions this year.

For more information, see the 2018 Publication 526, Charitable Contributions.

Deduction for casualty and theft losses modified.

Net personal casualty and theft losses are deductible only to the extent they're attributable to a federally declared disaster. Claims must include the FEMA code assigned to the disaster. See the 2018 Instructions for Form 4684, Casualty and Theft Losses, for more information about 2018 disasters.

The loss must still exceed $100 per casualty and the net total loss must exceed 10 percent of your AGI. In addition, you can still elect to deduct the casualty loss in the tax year immediately preceding the tax year in which you incurred the disaster loss.

THIS MEANS THAT…if you do itemize…your personal casualty and theft losses must be attributed to a federally declared disaster.

See IRS Publication 976, Disaster Relief, for information about personal casualty losses resulting from federally declared disasters that occurred in 2016, as well as certain 2017 disasters, including Hurricane Harvey, Tropical Storm Harvey, Hurricane Irma, Hurricane Maria, and the California wildfires, that may be claimed as a qualified disaster loss.

Miscellaneous itemized deductions suspended.

The previous deduction for job-related expenses or other miscellaneous itemized deductions that exceeded 2 percent of your adjusted gross income is suspended. This includes unreimbursed employee expenses such as uniforms, union dues and the deduction for business-related meals, entertainment and travel, as well as any deductions you may have previously been able to claim for tax preparation fees and investment expenses, including investment management fees, safe deposit box fees and investment expenses from pass-through entities. The business standard mileage rate listed in Notice 2018-03 cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension.

THIS MEANS THAT…if you do itemize…if your miscellaneous itemized deductions previously needed to exceed 2% of your adjusted gross income, they are no longer deductible.

For more information, see the 2018 Instructions for Schedule A, Itemized Deductions.

Deduction and Exclusion for moving expenses suspended

The deduction for moving expenses is suspended. During the suspension, no deduction is allowed for use of an automobile as part of a move. This suspension does not apply to members of the U.S. Armed Forces on active duty who move pursuant to a military order related to a permanent change of station.

Also, employers will include moving expense reimbursements as taxable income in the employees' wages because the new law suspends the former exclusion from income for qualified moving expense reimbursements from an employer. This suspension does not apply to members of the U.S. Armed Forces on active duty who move pursuant to a military order related to a permanent change of station as long as the expenses would qualify as a deduction if the government didn't reimburse the expense.

THIS MEANS THAT… unless you are a member of the U.S. military on active duty, you cannot deduct moving expenses and amounts reimbursed by an employer will be taxable income.

Changes to Benefits for Dependents

Deduction for personal exemptions suspended

For 2018, you can't claim a personal exemption deduction for yourself, your spouse, or your dependents.

THIS MEANS THAT…you will not be able to reduce the income that is subject to tax by the exemption amount for each person included on your tax return as you have in previous years.

However, changes to the standard deduction amount and Child Tax Credit may offset at least part of this change for most families and, in some cases, may result in a larger refund.

Child tax credit and additional child tax credit

For 2018, the maximum credit increased to $2,000 per qualifying child. Up to $1,400 of the credit can be refundable for each qualifying child as the additional child tax credit. In addition, the income threshold at which the child tax credit begins to phase out is increased to $200,000, or $400,000 if married filing jointly.

THIS MEANS THAT… more families with children under 17 qualify for the larger credit.

See 2018 Publication 972, Child Tax Credit, for more information.

Credit for other dependents

A new credit of up to $500 is available for each of your qualifying dependents other than children who can be claimed for the child tax credit. The qualifying dependent must be a U.S. citizen, U.S. national, or U.S. resident alien. The credit is calculated with the child tax credit in the form instructions. The total of both credits is subject to a single phase out when adjusted gross income exceeds $200,000, or $400,000 if married filing jointly.

THIS MEANS THAT…you may be able to claim this credit if you have children age 17 or over, including college students, children with ITINs, or or other older relatives in your household.

Social security number required for child tax credit

Beginning with Tax Year 2018, your child must have a Social Security Number issued by the Social Security Administration before the due date of your tax return (including extensions) to be claimed as a qualifying child for the Child Tax Credit or Additional Child Tax Credit. Children with an ITIN can't be claimed for either credit.

If your child's immigration status has changed so that your child is now a U.S. citizen or permanent resident but

the child's social security card still has the words "Not valid for employment" on it, ask the SSA for a new social security card without those words.

If your child doesn't have a valid SSN, your child may still qualify you for the Credit for Other Dependents. This is a non-refundable credit of up to $500 per qualifying person. If your dependent child lived with you in the United States and has an ITIN, but not an SSN, issued by the due date of your 2018 return (including extensions), you may be able to claim the new Credit for Other Dependents for that child.

Spouses and dependents residing outside the United States who use Individual Taxpayer Identification Numbers - a tax processing number issued by the IRS – should review the information on IRS.gov/ITIN to determine whether they need to renew an ITIN before filing a tax return next year. They do not need to renew their ITINs if they would have been claimed as dependents qualifying for this personal exemption benefit and not for any other benefit.

Alternative minimum tax (AMT) exemption amount increased

The AMT exemption amount is increased to $70,300 ($109,400 if married filing jointly or qualifying widow(er); $54,700 if married filing separately). The income level at which the AMT exemption begins to phase out has increased to $500,000 or $1,000,000 if married filing jointly.

THIS MEANS THAT…far fewer taxpayers will pay the AMT.

See the 2018 Instructions for **Form 6251**, Alternative Minimum Tax – Individuals for more information.

Repeal of deduction for alimony payments

Alimony and separate maintenance payments are no longer deductible for any divorce or separation agreement executed after December 31, 2018, or for any divorce or separation agreement executed on or before December 31, 2018, and modified after that date. Further, alimony and separate maintenance payments are no longer included in income based on these dates, so you won't need to report these payments on your tax return if the payments are based on a divorce or separation agreement executed or modified after December 31, 2018.

WHAT'S NEXT FOR TAX YEAR 2019? … divorce or separation agreements executed or modified after Dec 31, 2018 providing alimony will have different tax consequences. The alimony payments will not be deductible for the spouse who makes alimony payments and they will not be included in the income of the receiving spouse.

Treatment of student loans discharged on account of death or disability modified

TCJA modifies the exclusion of student loan discharges from gross income, by including within the exclusion certain discharges on account of death or disability. It applies to discharges of indebtedness after December 31, 2017, and before January 1, 2026.

THIS MEANS THAT…student loans discharged due to death or disability are not included in income.

Repeal of deduction for amounts paid in exchange for college athletic event seating rights

No charitable deduction shall be allowed for any amount paid to an institution of higher education in exchange for which the payor receives the right to purchase tickets or seating at an athletic event.

THIS MEANS THAT… "Seat license" or other fees paid in exchange for the right to buy seating at college athletic events are no longer deductible.

Combat zone tax benefits available to Armed Forces members who served in the Sinai Peninsula

Under the Tax Cuts and Jobs Act, members of the U.S. Army, U.S. Navy, U.S. Marines, U.S. Air Force, and U.S. Coast Guard who performed services in the Sinai Peninsula can now claim combat zone tax benefits retroactive to June 2015.

Eligible service members should review **Publication 3**, Armed Forces' Tax Guide, available on IRS.gov.

Reporting Health Care Coverage

Under the Tax Cuts and Jobs Act, you must continue to report coverage, qualify for an exemption, or report an individual shared responsibility payment for tax year 2018.

If you need health coverage, visit HealthCare.gov to learn about health insurance options that are available for you and your family, how to purchase health insurance, and how you might qualify to get financial assistance with the cost of insurance.

Most taxpayers have qualifying health coverage or a coverage exemption for all 12 months in the year, and will check the box on the front of their tax return.

THIS MEANS THAT... For tax year 2018, the IRS will not consider a return complete and accurate if you do not report full-year coverage, claim a coverage exemption, or report a shared responsibility payment on the tax return. You remain obligated to follow the law and pay what you may owe at the point of filing.

WHAT'S NEXT FOR TAX YEAR 2019? The shared responsibility payment is reduced to zero under TCJA for tax year 2019 and all subsequent years. See **IRS.gov/aca** for more information.

Retirement Plans

Recharacterization of a Roth Conversion

You can no longer recharacterize a conversion from a traditional IRA, SEP or SIMPLE to a Roth IRA. The new law also prohibits recharacterizing amounts rolled over to a Roth IRA from other retirement plans, such as 401(k) or 403(b) plans. You can still treat a regular contribution made to a Roth IRA or to a traditional IRA as having been made to the other type of IRA.

See **IRA FAQS – Recharacterization of IRA Contributions** and **IRS.gov/taxreform** for more information.

Plan Loans to an Employee that Leaves Employment

If you terminate employment (or if the plan is terminated) with an outstanding plan loan, a plan sponsor may **offset** your account balance with the outstanding balance of the loan. If a plan loan is offset, you have until the due date, including extensions, to rollover the loan balance to an IRA or eligible retirement plan.

See Retirement Plans **FAQs regarding Loans** and **IRS.gov/taxreform** for more information.

Disaster Relief – Retirement Plans

Laws enacted in 2017 and 2018 make it easier for retirement plan participants to access their retirement plan funds to recover from disaster losses incurred in federally declared disaster areas in 2016, 2017 and 2018. This **disaster relief** may allow affected taxpayers to:

- waive the 10% additional tax on early distributions and

- include a qualified hurricane distribution in income over a 3-year period
- repay their distributions to the plan
- have expanded loan availability
- extend the loan repayment period

See the Disaster Relief for Retirement Plans and IRAs page for more information.

ABLE Accounts – Rollovers from a 529 Plan

You can contribute more to your Achieving a Better Life Experience (ABLE) account. You may also rollover limited amounts from a 529 qualified tuition program account of the designated beneficiary to the ABLE account of the designated beneficiary to their family member.

See Guidance on Recontributions, Rollovers and Qualified Higher Education Expenses under Section 529 for more information.

ABLE Accounts - Saver's Credit now Available for Contributions

Beginning in 2018, the Saver's Credit can be taken for your contributions to an Achieving a Better Life Experience (ABLE) account if you're the designated beneficiary.

See the Retirement Savings Contributions Credit (Saver's Credit) page more information.

ABLE Accounts – Changes for People with Disabilities

The TCJA also enables eligible individuals with disabilities to put more money into their ABLE accounts, qualify for the Saver's Credit in many cases and roll money from their 529 plans -also known as qualified tuition programs - into their ABLE accounts.

See the Retirement Savings Contributions Credit (Saver's Credit) HYPERLINK "https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit" page for more information.

529 Plans - K-12 education

One of the TCJA changes allows distributions from 529 plans to be used to pay up to a total of $10,000 of tuition per beneficiary (regardless of the number of contributing plans) each year at an elementary or secondary (k-12) public, private or religious school of the beneficiary's choosing.

See Guidance on Recontributions, Rollovers and Qualified Higher Education Expenses under Section 529 for more information.

Reminders

Interactive Tax Assistant. Use the Interactive Tax Assistant tool to find answers to your tax law questions. This tool will be updated in January 2019 to provide answers to a number of tax law questions. It can determine if a type of income is taxable, if you're eligible to claim certain credits, and if you can deduct expenses on your tax return. It also provides answers for general questions, such as determining your filing status, if you can claim dependents, or if you are required to file a tax return.

Using tax preparation software is the best and simplest way to file a complete and accurate tax return as it guides you through the process and does all the math. Electronic filing options include IRS Free File for taxpayers who qualify, free volunteer assistance, commercial software, and professional assistance.

Resources

- IRS.gov/taxreform
- IRS Withholding Calculator
- IRS.gov/getready