



Dear Client:

I am excited to announce the addition of our new satellite office in Leominster, MA. I will have an office in the same building as Antonioni Law Offices on the second floor at 119 Merriam Avenue. Currently the office will not have regularly scheduled hours and will be open for appointments only. Once we are in tax season we will have regular office hours posted.

The one constant in life is change. For the 2018 tax year, there are many tax changes that will impact your tax return on both an individual and business basis. Now is the time to do some tax planning to reduce your tax liability for 2018 and to avoid the big tax surprises as of April 15th. Year-end planning and projections help to maximize your tax benefits. We would like the opportunity to have a personalized conversation with you now to discuss planning opportunities for your specific situation.

Below are highlights of some of the major changes that may impact your tax return for 2018:

INDIVIDUALS

Changes in Tax Rates – tax rates for 2018 were reduced for individuals by approximately 2% per tax rate bracket. The rates applicable to net capital gains did not change.

Standard Deduction – the standard deduction increased by almost double. The deduction for Married Filing Joint is now \$24,000; Head of Household is \$18,000; both Single and Married Filing Separately is \$12,000.

Personal and Dependent Exemptions – previously, an exemption of approximately \$4,000 was given to taxpayers and dependents. This exemption has been eliminated.

Child Tax Credit – the Child Tax Credit for children under 17 has increased from \$1,000 to \$2,000. In addition, you may receive a \$500 credit for other dependents. Phase out income limits have increased so that more individuals will be able to take advantage of this credit.

Itemized Deductions – there are a few changes for itemized deductions that will affect individuals. State and local taxes are now limited to \$10,000. Medical expenses are deductible by the amount the expenses exceed 7.5% of Adjusted Gross Income (AGI) for 2018. In 2019, the medical expenses that exceed 10% of AGI are deductible. Miscellaneous itemized deductions, such as investment management fees, tax preparation fees and unreimbursed employee business expenses are no longer deductible.

Section 529 Plans – you can now use up to \$10,000 per year for private elementary and secondary tuition.

Alimony – this has been changed for new alimony agreements put into place after December 31, 2018. Alimony received will no longer be taxable and alimony paid will no longer be a deduction. This does not change prior alimony agreements in place unless the agreement is amended.

Individual Shared Responsibility Payment – the payment for failure to have minimal essential healthcare coverage has been repealed starting as of January 1, 2019. This is still in effect for 2018.

BUSINESSES

New Corporate Tax Rate – C Corporations have had a graduated tax rate. This has been changed to a flat 21% rate. The Corporate Alternative Minimum Tax has been repealed.

Bonus Depreciation – has been increased to 100% from 50% and is applicable for new and used qualified property put into service.

Section 179 – has been increased to an expense limit of one million dollars on qualified property purchased.

Entertainment Expenses – expenses for sporting events and shows for various client entertainment is no longer deductible. Business meals with clients are still deductible.

Net Operating Losses (NOLs) – going forward, NOLs can only be carried forward and are no longer carried back. The carry forward is not limited in number of years.

New Deduction for Qualified Business Income – This is a new deduction that allows individuals a deduction of 20% of qualified business income from a Partnership, S Corporation, LLC or Sole Proprietor. This deduction will reduce taxable income. This deduction is very intricate and will vary in how it applies to everyone due to income limitations and other restrictions.

As you can see, there are a lot of changes for the 2018 tax year. To fully understand how these new tax laws will impact you and your tax return please contact me. Planning ahead will help you to minimize your tax bill and position you for greater success. I look forward to working with you to reduce your tax liability.

Sincerely,



Karen J Spinelli, CPA

President