2018 Income Tax Change Summary

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2018 Tax Change Summary

Changes Effective for Tax Year 2018 & 2019

- **Lower Tax Rates for 2018, and beyond:**
    - Reduction of tax rates for 2018, and beyond.
    - Top tax rate reduced 2.6% from 39.6% to 37%.
    - New Rates: 10% / 12% / 22% /24% / 32% / 35% / 37%.
    - Old Rates: 10% / 15% / 25% / 28% / 33% / 35% / 39.6%.
    - Many taxpayers' requirement to file a tax return have been eliminated due to an increase in Standard Deduction.
    - Many taxpayers will lose the ability to Itemize their Deductions due to the increase in their Standard Deduction.

- **Increase in Standard Deductions for 2018, and beyond:**

	2018 / 2019
Single:................	$ 12,000
Married Filing Joint:	$ 24,000
Head of Household:	$ 18,000
Married Filing Sep.:	$ 12,000

- **Elimination of Personal Deduction:**
    - Personal exemptions (formerly a $4,000 deduction from taxable income per dependent claimed on your tax return) have been eliminated under the "new" tax code.

- **Many Deductions are no longer available:**
    - All Miscellaneous Deduction (subject to 2% of AGI) have been eliminated, including deductions for Brokerage fees, Tax Prep fees, and Safe Deposit Box fees.
    - Moving Expenses have been eliminated for all but Military Personnel.
    - State/Local Taxes deductions have been limited to $10,000/yr.
    - Medical Expenses now limited by Ten (10%) Percent of AGI (increased from 7.5%).
    - Deduction for casualty and theft loss eliminated.
    - Roth IRA Reconversion eliminated.
    - Office in Home deduction for employees eliminated.
    - Mortgage insurance premium deduction eliminated.
    - Mileage deduction for unreimbursed employee travel/auto usage eliminated.

- **Extended Legislation for 2018:**

  - Educator Expense Deduction.
  - Child tax credits.
  - Medical/dental deductions (now subject to "new" higher limitation).
  - Earned Income Tax Credits.
  - Sales Tax deduction (now subject to other limitations).
  - IRA Charitable gifting.
  - Electric Vehicle Credits.
  - $500,000 limit on Sec. 179 expense deduction.
  - American Opportunity Credit (education tax credits).
  - Gambling loss deduction.
  - Estate / Death Tax Exemption.

- **Child Credits for 2018, and beyond:**

  - The child <u>tax credit</u> for **2018**, and beyond is **$2,000** per child, for all children under the age of 17.
  - The refundable portion for 2018 is $1,400 per child; will be adjusted for inflation in the future.
  - Phase-out rules have been increased; for joint filers phase-out begins with an AGI above $400K, single filers (AGI above $200K) and MFS (AGI above $200K).
  - No credit is allowed for a child for a year unless the taxpayer includes the child's name and TIN on the return.
  - New $500 credit for other dependents claimed.

- **Social Security Tax on Base Wages Increases for 2018 & 2019:**

  - Tax rate of 6.2% of employee wages for 2018 (6.2% in 2018).
  - Maximum income subject to SS taxation for **2018** is **$128,700**.
  - Maximum Social Security tax paid from wages in **2018** is **$7,979.40**.
  - Maximum income subject to SS taxation for **2019** is **$132,900.**
  - Medicare Tax (1.45%) remains on <u>**all**</u> wages/self-employed earnings.
  - For **2014 and beyond**, a **Medicare Tax Surcharge** of **0.9%** will be levied on all wages over $200k (Single/MFS), and $250k (MFJ).

- **2018 Obama Care Wage/ Income Medicare Tax continues:**

  - Beginning in 2013, additional Medicare Tax of **0.09%** will be charged to all individuals **earning in excess of $200k ($250k** for two wage earners) (see above).
  - Required by IRS to be withheld by individual's employer.
  - Self-employed taxpayers will pay the additional tax via form 1040.

- **Dependent Care Tax Credit for 2018:**

  - Rules for claiming tax credits are the same as allowed in prior years (2011).
  - Dependent child must be 12 or younger at the time child care is provided.
  - Spouses and other dependents don't have an age requirement, but IRS rules say they must have been physically or mentally incapable of self-care and must live with you for more than one-half (1/2) of the year.
  - If married, you must file as Married Filing Joint (MFJ) filing status.
  - Must have earned income to qualify; interest/dividends do not count.
  - Can not claim credit for care providers that are a parent, dependent list on your return, or your child 18 or younger; even if not listed on your return as a dependent.
  - Must provide name, address and SS# (or EIN) for provider.
  - 35% of Child care Exp. for AGI (0-15k); 21-34% of Child care Exp. for AGI (15-43k); 20% of Child care Exp. For AGI above 43k.
  - Max. credit for AGI over $43k is $600/child, max. $1,200

- **Affordable Care Act (ACA):**

  - **Obama Care**: Health Insurance **Mandate ends in 2019**!
  - **Mandate continues for 2018**.
  - All US citizens regardless of age are required to obtain Minimal Essential Coverage (MEC) in 2014, and beyond.
  - Or make a shared responsibility payment (SRP).
  - Employers with more than 50 employees required to offer coverage.
  - For others, Marketplace option is available.
  - Can also continue with "private" insurance.
  - Individuals must estimate income when registering thru marketplace.
  - Cost of insurance based on your Modified Adjusted Gross Income.
  - MAGI may include non-taxable Social Security income.
  - Bronze / Silver / Gold / Platinum Coverage (60/70/80/90% coverage).
  - Individuals under 30 can opt for Major Med. coverage.
  - Exemption from MEC based on household income, hardship and unaffordable coverage.

- **Contributions (Cash) for 2018:**

  - All cash contribution of $250 or more MUST have a written acknowledgement from the charity in order to be eligible for a deduction in 2018.
  - Taxpayers are required to substantiate their deduction and supply appraisals when necessary.
  - Taxpayers are also responsible for making certain the charity they give to is an approved 501(c)(3) organization
  - May only deduct 60% of gross annual income.

- **Contributions (Non-Cash) for 2018**:

    - Clothing/other goods donated must be in a "**Good or better**" used condition.
    - IRS has the authority to deny deduction for items with minimal value.
    - Donor is required to maintain written records of the donation regardless of the value of the donated property.
    - Donations of $250 or more must have a contemporaneous written acknowledgment by the donee.
    - IRS will continue high level of scrutiny regarding non-cash area due to abuse in the area over the recent past.

- **Vehicle Donation Rules**: (Same as prior year)

    - The amount of the deduction will depend on how the donee organization uses the vehicle.
    - If the charity sells the vehicle without using or improving the vehicle in any significant way, the amount of the charitable deduction is limited to the gross proceeds of the sale by the charity.
    - If the charity keeps the vehicle for its own use, the taxpayers must be provided with an acknowledgement from the organization as to the value of the vehicle
    - Stiff penalties will be imposed on charities that don't approach the valuation obligation honestly.
    - Acknowledgement rules begin on contributions made after Dec. 31, 2004.

- **Capital Gains Rates Extended thru 2018 and Beyond:**

    - 15% Capital gains taxes rates, for both **Qualifying Dividends** and **Long-Term capital** gains rated on the sale of property held greater than one (1) year, has been extended been extended permanently for all taxpayers under $200k AGI (Single) and $250k (MFJ) .
    - Tax rates for taxpayers with AGI's greater than above will pay at a rate of Twenty (20%) Percent for both Qual. Div. and LTCG.
    - Cap. Gains may be subject to NIIT taxes (3.8%) should your MAGI be greater than $250k (see NIIT Tax, further discussed below).

- **Zero Percent Capital Gains Rates:**

    - A capital gains rate to 0% Applies to all taxpayers whose total taxable income did not exceed the upper limit of the 12% ordinary income tax bracket for the applicable filing status.
    - Therefore, lower-income taxpayers can realize long-term capital gains (and qualified dividends) in 2018 and pay no income tax on the gains to the extent that their total taxable income does not exceed the upper limit of the applicable 12% bracket.

- **Medicare Surcharge Tax (3.8%) NIIT Tax:**

    - **Rules remain unchanged for 2018.**
    - Beginning in **2013 and beyond**, unearned income (Interest, Dividends, Capital Gains, etc.) of individuals, trusts and estates is subject to a surtax of **3.8%** on "net investment income".
    - The surtax, also called the "unearned income Medicare contribution tax", is 3.8% of the lesser of (1) net investment income or (2) the excess of modified AGI over the threshold amount ($250k for MFJ, $200k for single, and $125k for MFS) for individuals.
    - Example: Single individual with net investment income of $100k and an MAGI of $220k would pay 3.8% on $20k or $760 surtax.
    - Investment income includes interest, dividends, capital gains, annuities, royalties, rents (unless derived in the ordinary course of business), and passive income from S-Corp distributions.

- **Kiddie Taxes**:

    - Rules remain similar to prior years.
    - Kiddie Taxes apply to **<u>all children under the age of 18</u>**, and **<u>full-time students age 19-23</u>**, applying to all years after December 31, 2007.
    - Unearned income limits is **$2,100.00** for 2018. (Adj. for inflation in future years)
    - Children 18 and older that are not enrolled in College are subject to Kidde Tax only if their earned income does not **exceed ½ of their support** from other sources.
    - Support test calculated under dependency exemption deduction rules.
    - Income amounts over limit taxed a parent's tax rate.
    - Full-time student defined as individual enrolled at a qualified school for any part of 5 calendar months in the year.

- **Deduction for Higher Education Expenses:**

    - The "American Opportunity Credit" remains available.
    - Covers the first 4 years of post-secondary education.
    - Max. credit is $2,500 (100% of first $2000, plus 25% of next $2000) in qualified expenses.
    - AGI Phase out range is higher for most taxpayers ($160-180k MFJ, $80-90k Single).
    - Up to $1,000 of the AOC is refundable, unless child is subject to Kiddie Tax
    - Eligible expenses include not only tuition and fees, but also course materials (books, supplies, and equip.)
    - Lifetime Learned Credits are still available as well.
    - **Above-the-line Tuition Deduction remains available for 2018!**

- **Health Saving Accounts**:

    - Permits eligible individuals to establish a Health Saving Account (HSA) for tax years beginning after Dec. 31, 2003.
    - The account was designed to assist individuals with saving for qualified medical and retiree health expenses on a pre-tax basis.
    - Contributions into an HSA account are tax deductible (above the AGI line like IRA's).
    - Maximum contribution for **2018** is **$3,450** for individuals, and **$6,900** for families.
    - Additional "**catch-up**" contributions of **$1,000** available for individuals age 55-65 in 2018.
    - Taxpayers must have a High-Deductible Health Plan (HDHP) with a minimum of $1,300 annual deductible for individuals, and $2,600 for families, in 2018.
    - No earned income required for qualifying contributions.
    - Funds grow <u>tax free</u> and Qualified distributions are <u>tax-free</u>!
    - HDHP annual out-of-pocket expenses paid under the taxpayers' insurance plan for 2018 must be limited to $6,550 for ind., $13,100 for families.
    - HSA funds can only be used to pay or reimburse qualified medical expenses of the account owner, spouse and/or dependents.
    - Qualified expenses include health insurance deductibles, co-payments for medical services, prescription drugs, and many other medically related expenses.
    - Distributions <u>not</u> used for qualified expenses will be taxable to the individual, in addition to incurring a ten (10%) percent penalty.
    - Can withdraw funds like an IRA after age 65, taxed with no penalties.
    - Funds not spent in one year can be <u>rolled over</u> to the next.
    - Employers can contribute to individual's HSA. Employer contributions are not subject to FICA taxes.
    - An individual ceases to be eligible for contributions starting the month he or she is entitled to receive benefits under Medicare.
    - Contributions for tax year 2018 must be made prior to the earlier of your filing date of your 2018 return or April 15, 2098.
    - One-time transfer from IRA to HSA (limited to annual dep. limits).

- **Self-Employed Health Insurance Deduction:**

    - Income adjustment for Self-Employed Health Insurance deduction remains at **100%** for tax year **2005** and thereafter.
    - Above the AGI line deduction is equal to the lesser of your SE Income for the year or the amount of the cost of your Health Insurance.

- **Alternative Minimum Tax for 2018**:

  - Major change in AMT for 2018, and beyond.
  - AMT Exemptions for **2013** and beyond have been permanently fixed by Congress as part of the last years' "new" tax package.
  - The "new" exemption amounts will reduce AMT exposure for an estimated 20 million taxpayers.
  - All future adjustments will be indexed to CPI.
  - **Exemptions increased:** $70,300 (2018) for Single, $109,400 (2018) for MFJ.
  - **Observation**: Congress's permanent fix to this annual problem will protect most middle and many new higher income taxpayers between the $200-350k income levels from incurring AMT.

- **Qualifying Child (Exemption Status) Redefined:**

  - Beginning with tax year 2005 and thereafter, a child will be considered a qualifying child of a taxpayer for dependency purposes if the child has:
    - The same principle abode as the taxpayer for more than one-half of the taxable year;
    - Has a specific relationship to the taxpayer (close family member), and;
    - Under the age of 19 (under age 24 for a full-time student).
  - No age limit for permanently disabled individuals.
  - Child must be under age 13 for dependent care credit, unless disabled.
  - Child must be under age 17 for child credit, whether disabled or not.
  - The new "qualifying child" rules are very different from the prior rules. Harder to qualify under certain circumstances.

- **New Cancellation of Debt Rules:**

  - CODI – Cancellation of debt income (1099-C).
  - CODI is generally equal to the difference between principal balance owed on debt and the amount accepted in satisfaction to the debt.
  - Includible to gross income in the year occurred.
  - Repossessed property is equal to FMV at the time of repossession.
  - Exceptions to CODI are Bankruptcy and Insolvency.
  - Insolvent taxpayers should not include CODI in gross income.
  - Discharge of an obligation of an interest payment would not be income because the interest would have been deductible either way.
  - CODI Debt from "**principle residence**" remains exempt from tax in 2018!

- **Increase in Earned Income Tax Credits (EITC) for 2018:**
    - Maximum Earned Income Tax Credits available for **2018:**
        - $6,431 with three (3) or more qualifying children.
        - $5,716 with two (2) qualifying children.
        - $3,461 with one (1) qualifying child.
        - $519 with no qualifying children.
    - Qualifying child rules apply!

- **Georgia Retirement Exclusion for 2013 and thereafter**:
    - The retirement exclusion allowed by Georgia for taxpayers 62 years of age or permanently disabled, remains at **$35,000** for year **2018.**
    - Retirement Exclusion for taxpayers **over 65**, also remains at **$65k.**

- **Sec. 179 for Vehicles**:
    - Weight limits for vehicles that qualify for $25K max. Sec. 179 deduction has been changed to 14,000 lbs. gross weight, from 6000 lbs. gross weight.
    - All vehicles weighing greater than 6000 lbs., will qualify for up to $25K deduction allowable.
    - Annual depreciation dollar caps apply to all other vehicles.

- **Sec. 179 Limits (other than Vehicles)**:
    - Maximum deduction for **2018** is **$500,000.**
    - Maximum purchase limitation for 2017 is $200,000 (see below).
    - The total cost of property expensed may not exceed the total taxable income for year. May include officer's salaries in some cases.
    - Qualifying property must have minimum 50% business usage.
    - Any deduction limited by income test may be carried forward.
    - 2018 deduction limit increases to $1.0 million.
    - In 2018, add'l. items like roofs, HAVC systems, alarms (fire & sec.), leasehold improvements will qualify for SEC. 179.

- **Standard Mileage Rates for 2018**
    - Standard mileage rate for business in effect for **2018** is **$ .54 ½** per mile.
    - Standard mileage rate for moving and medical transportation for **2018** is **$ .18** per mile.
    - Standard mileage rate for charitable services for **2018** is **$ .14** per mile.
    - Standard mileage rate for business for **2019** is anticipated to be **$ .53 ½** per mile.
    - Deduction for employees no longer available!

- **Conversion rules for Rental to Principal Residence for 2018:**

    - Sec. 121 does not exclude gain from the sale of a principal residence from gross income, for periods of nonqualified use.
    - Gain must be allocated between periods of qualified and nonqualified use by applying a ratio of the aggregate periods.
    - Period of nonqualified use is any period beginning on or after Jan. 1, 2009, when the property is not used as a principal residence.
    - **Nonqualified use** does not include any part of **the 5-year period that is after the last date the taxpayer(s) used it as a principal residence, or any period (not to exceed 2 years)** that the taxpayer is temporarily absent by reason of a change in employment, health, or unforeseen circumstances. Actual use of the property during these periods does not matter.
    - Therefore, a taxpayer can no longer turn a rental property into a principal residence for at least 2 years and exclude all of the gain on a subsequent sale.
    - However, a taxpayer can rent a principal residence for up to 3 years and still exclude all gains except the portion allocable to depreciation.
    - Period of principle residency necessary to qualify will increase to 5 out of 8 years in 2018.

- **Medical Assistance Needs Defined:**

    - 6 basic Activities of Daily Living (ADL).
    - Tasks to accomplish each day to live independently.
    - Eating / Bathing / Toileting / Getting in and out of bed / Getting around the house / Taking required medication
    - Considered disabled if unable to perform 2 of 6 or more tasks.
    - Standard for moving individual to assisted living facility (Insurance).
    - Most, if not all of the cost of assisted living /nursing home facility expenses are tax deductible as medical expenses.
    - Most, if not all of the cost of in home care, including a day-nurse, is deductible as a medical expense, if unable to perform 2 of 6 ADL's.
    - Long-term Health Care Insurance (LTHC) policies also tax deductible.

- **Student Loan Interest Deduction for 2018**:

    - Individuals with less than $65K AGI, and joint filers with less than $130K AGI will be able to deduct up to **$2,500 per year** in education loan interest payments, for tax years 2015.
    - Phase-out of deduction begins for taxpayers with AGI of $60-75k for single filers, and $120-150k for MFJ.
    - No requirement to itemize (above-the-line adjustment to income).

- **Annual Gift Exclusion for 2018**

    - The Annual Gift Tax Exclusion has been increased to **$15,000** for year **2018.**
    - It is anticipated that the exclusion will remain at **$15,000** for **2019**.
    - **Observation:** Annual contribution limits to 529 (College saving) plans are $15,000!

- **Roth Conversions**:

    - Beginning in year **2010**, there is no longer an adjusted gross income cap limitation on individual's ability to convert a traditional IRA to a "tax free" Roth IRA.
    - Conversions remain available for tax year 2018, and beyond.
    - MFS taxpayers will be able to convert in 2018 if they lived apart all year.
    - Roth **<u>re-conversion</u>** no longer available as of 2018.

- **Traditional and Roth IRAs for 2018 & 2019:**

    - For tax year **2018**, the maximum amount that can be contributed to a Traditional IRA or Roth IRA remains at **$5,500** ($6,500 for catch up).
    - Income limits making individuals ineligible to contribute to a **Traditional IRA in 2018** (MFJ=$99-119k / S=$62-72k / MFS=$0-10k), if one or both spouses are participants in an Emp. based retirement plan (401K, 403B, 457).
    - Income limits making individuals ineligible to contribute to a **Roth IRA** in **2018** (MFJ=$186-196k / S=$118-133k / MFS=$0-10k).
    - Individuals over the age of 50 are allowed to make additional contributions of up to $1,000 to either IRA.
    - **Direct Deposit of Tax Refunds** now available for funding IRA deposit for the tax year.
    - **Tax-Free Distribution** from IRA for Charitable Contributions allowable under new law (**not renewed for 2017, yet**).
    - **IRA Rollovers** (60 day time limit) are limited to once per calendar year.

Year	**Contribution Limit** if Under Age 50	**Contribution Limit** if Age 50 or Older
2018	**$5,500**	**$6,500** (Adj. for inflation)
2019	**$6,000**	**$7,000**

- **Employer Sponsored Retirement Plans (401k, 403b, 457):**

  - Effective deferral limits on 401(k), 403(b) and 457 retirement plans (see chart below).
  - For individuals over the age of 50, a catch-up provision will allow an additional contribution.
  - Self-employed 401(k) is now available, with a substantial increase in deferred compensation possible.

Year	Deferral Limits	Extra Catch-up Contribution Limits
2018	**$18,500**	**$6,000**
2019	**$19,000**	**$6,000**

- **SIMPLE IRA Plans:**

  - The **2018** deferral limits of the SIMPLE IRA 408(p) plans have been increased to $12,500.

Year	Deferral Limits	Extra Catch-up Contribution Limits
2018	**$12,500**	**$3,000**

- **Tax Credit for Elective Deferrals and IRA Contributions:**

  - **Lower income taxpayers** may receive a **non-refundable credit of up to $1,000** for contributions made to a qualified retirement plan.
  - Qualified plans include SIMPLE IRA, Traditional and Roth IRAs, SEPs, 401(k)s, 403(b)s, and 457 plans.
  - Phase-out of credit begins for MFJ at $36,501 AGI, HH at $27,376 AGI, and all others at $18,251 AGI.
  - Credits reduced by taxable distributions received by either taxpayer from a qualified deferred saving plan, during the taxable year for which the credit is claimed, the two (2) years prior to that year, and/or during the period ending the taxable year but prior to the filing of the taxpayer's return.
  - Credit available to individuals who are at least eighteen (18) or over, other than individuals who are full-time students or claimed as a dependent on another's tax return.

- **Simplified Employee Pensions (SEP & Uni-401k Plans):**

  - Maximum Contribution for **2018** is limited to **25% annual compensation (SS taxable earnings),** or a max. of **$55,000**.

- **Adoption Credits for 2018:**

    - Refundable credit for **2018** of up to **$13,840** per child.
    - Phase out of credit begins at $207,580 AGI.
    - No credit for 2018 if income (AGI) is over $247,580.
    - Non-refundable credit can be carried forward for up to 5 yrs.
    - Other limitations may apply.

- **2018 Medical Itemized Deduction Limitation:**

    - Starting in 2013, for taxpayers under the age of 65, the percentage of AGI must exceed **10%.** Increased from 7.5%.
    - Deductions include all unreimbursed medical and dental expenses paid for yourself, your spouse and your dependents, for the year.
    - Deductible medical expenses include the diagnosis, mitigation and treatment, prevention of disease or for the purpose of affecting the body structure or function, as well as nursing services, insurance payments and transportation for services.
    - Deductible amount, "the out of pocket expenses", is net of any insurance reimbursement received.

- **Same Sex Marriages recognized by the Treasury Dept.:**

    - Under a new Treasury ruling released August 29, 2013, all legal same-sex marriages will be recognized for federal tax purposes.
    - Therefore, taxpayers who enter into a marriage in a jurisdiction whose laws authorize such marriages will be treated as married for tax filing purposes.
    - These rules shall apply regardless of whether the couple lives in a jurisdiction that recognizes or does not recognize such marriages.

- **New Office In Home (Safe Harbor) Rules:**

    - New rules permitting taxpayers that regularly use a portion of their home exclusively for trade or self-employed business to deduct a maximum of $5 multiply by the qualified square footage, however limited to 300 sq ft.
    - Therefore, the maximum deduction under the "new" Safe Harbor" method is $1,500.00.
    - Beginning January 1st, 2013, qualified taxpayers may choose to deduction OIH expenses under the new "Safe Harbor" method or continue to use the "actual" method on form 8829, as they have in the past.
    - Year by year election by taxpayer as to which to take advantage of.
    - Taxpayer using Safe Harbor method may deduct all allowable itemized deduction (mortgage interest, property taxes, etc.) w/o reduction.

- **Phase-Out of Itemized Deductions:**
  - Phase-out of Itemized Deductions has been eliminated.

- **New Estate Tax Law & Tax Rates**:
  - New legislation revives the estate taxes for decedents dying after December 31, 2010.
  - **The 2018 exclusion amount is increased to $11,180,000**, with a maximum tax rate of forty **(40%)** percent.
  - New law allows for **"portability"** between spouses of the maximum death exclusion ($22 mil.+). Surviving spouse may elect (on a timely basis) to take advantage of the unused portion of his/her spouses' exclusion.
  - **Observation:** With careful planning, a married couple can effectively shield up to $22+ million in assets from estate tax.

- **Qualified Opportunity Zones:**
  - New Legislation that allows capital gains recognition prior to December 31st, 2026, to be deferred, and possibly reduced, or exempted from income tax.
  - The goal of the new provision is to provide tax deferral (and in some cases permanent exemption) in order to encourage investment in certain low-income communities.
  - Deferral is available only if the capital gains is timely re-invested into a "Qualified Opportunity Fund", which is an investment vehicle that invests in "QOZs".
  - Sale of Capital Asset must be to an un-related party.
  - Amount equal to the capital gain must be invested in a "Qualified Opportunity Fund" within 180 days after the sale.
  - A portion of the deferred gain should be eliminated after 5 years; more after 7 years; and Post-rollover gain is eliminated after 10 years.

- **Owing $ to the IRS:**
  - **<u>Partial Payment Agreements</u>**: Taxpayer may request the IRS to enter into an installment agreement that result in full or partial payment of the tax liability. Maximum three (3) year payment agreement available. Subject to financial review every two (2) years.
  - **<u>Offer in Compromise</u>**: Taxpayer may request the IRS to take a payment of less than the total tax liability for reason including doubt as to liability and doubt as to collectability of the tax. Many rules apply in order to qualify. New streamline process of taxpayers owing less than $50k.
  - **<u>Installment Agreements</u>**: File request for installment agreement (form 9465). Balance must be less than **$50,000**. Must agree to pay within five (5) years. For amount over $25K, form 433-A must be filed with the request. Must remain current on all future returns while under

agreement. Request automatic if less than $10K. IRS may issue a tax lien under certain circumstances.

- ## Tax Scams and other related items:

    - **<u>Phone calls from the IRS</u>**: I have received a lot of contact from clients over the past few months that have been receiving what they believe are phone calls from the IRS. The person on the call usually makes a statement that you have **"failed to file and/or pay all of your taxes"** and unless you are willing to make payment today (over the phone), they will bring a warrant for your arrest.

    - **<u>The IRS NEVER calls</u>**: Should you receive a call as described above, it is a **SCAM!** The IRS will only contact taxpayers by letter or direct contact (ie. showing up at your doorstep and presenting a badge). The only time you may get a call from the IRS is once you have established a line of communication with an IRS agent, you can give them permission to call you directly.

    - **<u>Never give your Social Security Number to anyone you don't know</u>:** Especially over the phone!

    - **<u>Tax Fraud:</u>** It's a BIG problem now. Many taxpayers are finding that someone has filed a tax return on their SS# before they can get their return into the system. Be aware that your information is vulnerable to ID thieves. Protect your personal info! Be aware of the warning signs, like mail coming to your address in some else's name. Check your credit reports annually to make sure that there is no unrecognizable credit.

This review of the changes for 2018, 2019 and future years is simply a highlight of the changes made by Congress in the recent Tax Acts of 2018 and prior years. **It is not intended to be used as a source of tax information to rely upon when making decisions about your income taxes.** Rather, it has been prepared to offer an overview of the changes in question and to make you aware of those changes which may affect your taxes in the future.

There are other, numerous changes to the tax code that have not been listed herein. If you feel that your tax situation may be impacted by these or any other changes to the tax code, please contact your tax professional for further discussion and understanding of the changes, as you feel necessary.

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