**Tax Cuts & Jobs Act (TCJA) for individuals**

The IRS encourages several key groups of taxpayers to perform a “[paycheck checkup](https://www.irs.gov/newsroom/irs-urges-paycheck-checkup-for-key-groups-tax-withholding-may-need-adjustment)” to check if they are having their employer withhold the right amount of tax for their situation, following recent tax-law changes.

**You may need a paycheck checkup**. Following tax law changes, you should do a paycheck checkup using the IRS’s [Withholding Calculator](https://www.irs.gov/individuals/irs-withholding-calculator) and, if necessary, complete a new  [W-4](https://www.irs.gov/forms-pubs/about-form-w4) form. The calculator helps determine the right amount of withholding.  
   
**You should check your withholding if you**:

* Are a two-income family.
* Have two or more jobs at the same time or only work part of the year.
* Claim credits like the child tax credit.
* Have dependents age 17 or older.
* Itemized deductions in 2017.
* Have high income or a complex tax return.
* Had a large tax refund or tax bill for 2017.

Visit [IRS.gov/withholding](https://www.irs.gov/payments/tax-withholding) for details.

**Standard deduction amount increased**. For 2018, the standard deduction amount has been increased for all filers, and the amounts are as follows.

* Single or Married Filing Separately—$12,000.
* Married Filing Jointly or Qualifying Widow(er)—$24,000.
* Head of Household—$18,000.

Due to the increase in the standard deduction and reduced usage of itemized deductions, you may want to consider filing a new Form W-4.

**Deduction for personal exemptions suspended**. For 2018, you can’t claim a personal exemption deduction for yourself, your spouse, or your dependents.

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

* Your itemized deductions are no longer limited if your adjusted gross income is over a certain amount.
* You can deduct the part of your medical and dental expenses that is more than 7.5 percent of your adjusted gross income.
* Your deduction of state and local income, sales, and property taxes is limited to a combined, total deduction of $10,000 ($5,000 if married filing separately).
* You can no longer deduct job-related expenses or other miscellaneous itemized deductions that were subject to the 2 percent of AGI floor. You may still deduct certain other items on Schedule A, such as gambling losses.
* For indebtedness incurred after December 15, 2017, the deduction for home mortgage interest is limited to interest on up to $750,000 of home acquisition indebtedness. This new limit doesn’t apply if you had a binding contract to close on a home after December 15, 2017, and closed on or before April 1, 2018, and the prior limit would apply.
* You can no longer deduct interest on home equity indebtedness, which means indebtedness not incurred for the purpose of buying, building, or substantially improving the qualified residence secured by the indebtedness.
* The limit on charitable contributions of cash has increased from 50 percent to 60 percent of your adjusted gross income.

**Moving expenses no longer deductible**. For 2018, you can no longer deduct your moving expenses unless you are a member of the Armed Forces on active duty.

**Alimony payments.** For divorce agreements executed (or, in some cases, modified) after December 31, 2018, alimony payments won’t be deductible — and will be excluded from the recipient’s taxable income. Because the recipient spouse would typically pay income taxes at a rate lower than that of the paying spouse, the overall tax bite will likely be larger under this new tax treatment. This change is permanent.

**Child tax credit and additional child tax credit**. For 2018, the maximum credit increased to $2,000 per qualifying child. The maximum additional child tax credit increased to $1,400. In addition, the income threshold at which the credit begins to phase out is increased to $200,000 ($400,000 if married filing jointly).

**Credit for other dependents**. A new credit of up to $500 is available for each of your dependents who does not qualify for the child tax credit. In addition, the maximum income threshold at which the credit begins to phase out is increased to $200,000 ($400,000 if married filing jointly).

**Social security number (SSN) required for child tax credit**. Your child must have an SSN issued before the due date of your 2018 return (including extensions) to be claimed as a qualifying child for the child tax credit or additional child tax credit. If your dependent child has an ITIN, but not an SSN, issued before the due date of your 2018 return (including extensions), you may be able to claim the new credit for other dependents for that child.

**SALT – State & Local Income tax**

The deductibility of state and local tax payments for federal income tax purposes is now limited to $10,000 a calendar year.

A taxpayer who makes payments or transfers property to an entity eligible to receive tax deductible contributions must reduce their charitable deduction by the amount of any state or local tax credit the taxpayer receives or expects to receive.

**Changes to the deduction for un-reimbursed employee expenses**

The Tax Cuts and Jobs Act also suspends all miscellaneous itemized deductions that are subject to the 2 percent of adjusted gross income floor. This change affects un-reimbursed employee expenses such as uniforms, union dues and the deduction for business-related meals, entertainment and travel.

Thus, the business standard mileage rate listed in [Notice 2018-03](https://www.irs.gov/pub/irs-drop/n-18-03.pdf), which was issued before the Tax Cuts and Jobs Act passed, cannot be used to claim an itemized deduction for un-reimbursed employee travel expenses in taxable years beginning after Dec. 31, 2017, and before Jan. 1, 2026. The IRS issued revised guidance today in [Notice 2018-42](https://www.irs.gov/pub/irs-drop/n-18-42.pdf).

**Standard mileage rates for 2018**

As mentioned in [Notice 2018-03](https://www.irs.gov/pub/irs-drop/n-18-03.pdf), the standard mileage rates for the use of a car, van, pickup or panel truck for 2018 remain:

* 54.5 cents for every mile of business travel driven, a 1 cent increase from 2017.
* 18 cents per mile driven for medical purposes, a 1 cent increase from 2017.
* 14 cents per mile driven in service of charitable organizations, which is set by statute and remains unchanged.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical purposes is based on the variable costs.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

**Increased depreciation limits**

The Tax Cuts and Jobs Act increases the depreciation limitations for passenger automobiles placed in service after Dec. 31, 2017, for purposes of computing the allowance under a fixed and variable rate plan. The maximum standard automobile cost may not exceed $50,000 for passenger automobiles, trucks and vans placed in service after Dec. 31, 2017. Previously, the maximum standard automobile cost was $27,300 for passenger automobiles and $31,000 for trucks and vans.

**Roth conversions.** Beginning after December 31, 2017, the TCJA prohibits taxpayers who convert a pretax traditional IRA into a posttax Roth IRA from later “recharacterizing” (that is, reversing) the conversion. Recharacterization is still an option for other contributions, though. For example, an individual can make a contribution to a Roth IRA and subsequently recharacterize it as a contribution to a traditional IRA (before the applicable deadline).

**529 savings plans.** 529 plan distributions used to pay qualifying education expenses are gener- ally tax-free. For distributions made after December 31, 2017, the definition of qualified education expenses has been expanded to include not just postsecondary school expenses but also primary and secondary school expenses.

**Individual mandate.** The TCJA eliminates the individual mandate under the Affordable Care Act requiring taxpayers not covered by a qualifying health plan to pay a penalty, effective for months beginning after December 31, 2018.

**Impact on your estate plan**

One thing the TCJA doesn’t do is repeal the federal gift and estate tax, as originally proposed. It does, however, temporarily reduce the potential impact of these taxes.

For the estates of persons dying, and gifts made, after December 31, 2017, and before January 1, 2026, the gift and estate tax exemption and the generation-skipping transfer (GST) tax exemption amounts increase to an inflation-adjusted $10 million, or $20 million for married couples with proper planning ($11.18 million and $22.36 million, respectively, for 2018).

Just because the possibility of federal estate tax liability sounds remote for most families, it doesn’t mean the end of estate planning as we know it. For one thing, there are many nontax issues to con- sider, such as asset protection, guardianship of minor children and family business succession. Plus, it’s not clear how states will respond to the federal tax law changes. If you live in a state that imposes significant state estate taxes, many traditional tax-reduction strategies will continue to be relevant.

It’s also important to keep in mind that the exemptions are scheduled to revert to their previous levels in 2026 — and there’s no guarantee that a future Congress won’t reduce the exemption amounts even further. However, the currently high exemptions increase planning opportunities that can help you shield your wealth against tax law changes down the road.