

# **LAST CHANCE TO REDUCE 2018 INCOME TAXES**

**Presented by:**

**James J. Holtzman, CFP®**

**Wealth Advisor and Shareholder with Legend Financial Advisors, Inc.®**

## **JAMES J. HOLTZMAN, CFP®**



**James J. Holtzman, CFP®, is a Wealth Advisor and Shareholder with Legend Financial Advisors, Inc.® and Emerging Wealth Investment Management, Inc.®**

**Jim has been selected nine consecutive times by *Medical Economics* as one of “The 150 Best Financial Advisors for Doctors in America.”**

**Mr. Holtzman has been selected five times by *Dental Products Report* as one of “The Best Financial Advisors for Dentists in America”.**

**Jim has also been previously selected three times by *Pittsburgh Magazine* as one of the Pittsburgh area’s FIVE STAR Wealth Managers, a list that represents the most elite financial advisors in Pittsburgh.**

**With over 20 years of experience, Jim assists all types of clients with their financial planning and investment needs. Jim’s extensive skill set includes providing financial advice to retirement-focused clients, medical and dental practices, and businesses.**

**Jim serves as the firm’s Income Tax and Education Funding and Planning Specialist.**

**Jim’s previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.**

**Jim’s areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.**

**Mr. Holtzman was selected by *Pittsburgh Business Times* as one of the 2013 Fast Tracker's, which honors leaders in the Pittsburgh area's business community who've had a significant impact on the growth of their organization.**

# **TAX CUTS AND JOBS ACT**

- 1. Corporate Tax Reforms Are Permanent**
- 2. Individual Tax Law Changes Are Mostly Scheduled To Sunset After 2025**

## TAX RATE SCHEDULE-SINGLE FILERS

<b>2017 Tax Rate</b>	<b>2017 Single Filers – Taxable Income</b>	<b>2018 Tax Rate</b>	<b>2018 Single Filers – Taxable Income</b>
<b>10%</b>	<b>\$0 to \$9,325</b>	<b>10%</b>	<b>\$0 to \$9,525</b>
<b>15%</b>	<b>\$9,326 To \$37,950</b>	<b>12%</b>	<b>\$9,526 To \$38,700</b>
<b>25%</b>	<b>\$37,951 To \$91,900</b>	<b>22%</b>	<b>\$38,701 To \$82,500</b>
<b>28%</b>	<b>\$91,901 To \$191,650</b>	<b>24%</b>	<b>\$82,501 To \$157,500</b>
<b>33%</b>	<b>\$191,651 To \$416,700</b>	<b>32%</b>	<b>\$157,501 To \$200,000</b>
<b>35%</b>	<b>\$416,701 To \$418,400</b>	<b>35%</b>	<b>\$200,001 To \$500,000</b>
<b>39.6%</b>	<b>More Than \$418,400</b>	<b>37%</b>	<b>More Than \$501,001</b>

# TAX RATE SCHEDULE-MARRIED FILING

<b>2017 Tax Rate</b>	<b>2017 Married Filing Jointly Taxable Income</b>	<b>2018 Tax Rate</b>	<b>2018 Married Filing Jointly Taxable Income</b>
<b>10%</b>	<b>\$0 To \$18,650</b>	<b>10%</b>	<b>\$0 To \$19,050</b>
<b>15%</b>	<b>\$18,651 To \$75,900</b>	<b>12%</b>	<b>\$19,051 To \$77,400</b>
<b>25%</b>	<b>\$75,901 To \$153,100</b>	<b>22%</b>	<b>\$77,401 To \$165,000</b>
<b>28%</b>	<b>\$153,101 To \$233,350</b>	<b>24%</b>	<b>\$165,001 To \$315,000</b>
<b>33%</b>	<b>\$233,351 To \$416,700</b>	<b>32%</b>	<b>\$315,001 To \$400,000</b>
<b>35%</b>	<b>\$416,701 To \$470,700</b>	<b>35%</b>	<b>\$400,001 To \$600,000</b>
<b>39.6%</b>	<b>More Than \$470,700</b>	<b>37%</b>	<b>More Than \$600,001</b>

# TAXABLE INCOME CALCULATION

1. **Gross Income**
2. **Less: Above Adjusted Gross Income Deductions**
3. **Less: Greater Of Itemized Deductions Or Standard Deduction**
4. **Less: Personal Exemptions (Goes Away In 2018)**
5. **Equals: Taxable Income**

# **FEDERAL ESTIMATED TAX PAYMENTS**

- I. Avoid Underpayment Penalty – 2 Tests To Avoid Underpayment Penalty**
  - A. Pay The Lesser Of: 90% Of Current Year's Tax On A Quarterly Basis Or,**
  - B. Pay**
    - A. 100% Of Last Year's Tax**
    - B. 110% Of Last Year's Tax If Prior Year AGI Is Greater Than \$150,000.00**
  
- II. Use Withholding To Avoid Underpayment Penalty**

# **PERSONAL EXEMPTION**

**The Personal Exemption Has Been Repealed.**



# STANDARD DEDUCTION

<u>Standard Deductions</u>	<u>2017</u>	<u>2018</u>
Married/Joint	\$12,700.00	\$24,000.00
Single	\$6,350.00	\$12,000.00
Head Of Household	\$9,350.00	\$18,000.00
Dependents	\$1,050.00	\$1,050.00
Married/Separate	\$6,350.00	\$12,000.00

For dependents with earned income, the deduction is greater of \$1,050.00 or earned income +\$350.00 (up to \$6,350.00)

<u>ADDITIONAL STANDARD DEDUCTIONS</u>	<u>2017</u>	<u>2018</u>
Married, Older Than Age 65 or Blind	\$1,250.00*	\$1,250.00*
Single, Older Than Age 65 (Per Person) or blind	\$1,550.00	\$1,550.00

\*Per Person

# **ITEMIZED DEDUCTIONS**

- 1. 46 Million Taxpayers Itemized In 2016**
- 2. Estimated 13 Million Taxpayers Will Itemize in 2018**

# **MORTGAGE INTEREST**

- 1. Applies To Mortgage Entered Into After December 15, 2017.**
- 2. Deduction For Interest Is Limited To The First \$750,000.00 Of Debt.**
- 3. Existing Mortgages Of Balances Up To \$1,000,000.00 Are Grandfathered.**
- 4. Applies Up To Two Homes.**

# **HOME EQUITY INTEREST**

- 1. Eliminates Interest Deduction For Home Equity Indebtedness**
- 2. Home Equity Indebtedness – Money From Home Equity Used For Anything Other Than Acquiring, Building, Or Substantially Improving The Residence**
- 3. No Grandfathering For Existing Debt**

# **CHARITABLE CONTRIBUTIONS**

- 1. Cash Donations To Public Charities Are Deductible Up To 60% Of Adjusted Gross Income (AGI).**
- 2. Old Law - Limited To 50% Of AGI**
- 3. Still Can Carryforward Unused Deductions**
- 4. Deduction Of 80% Of Amount Paid For The Right To Buy Athletic Tickets Has Been Repealed.**

# **CHARITABLE CONTRIBUTIONS**

- I. Check Mailed On December 31, 2018 Counts As 2018 Deduction**
- II. Credit Card Charge To Charity Counts As 2018 Deduction**

# **MEDICAL EXPENSES**

- 1. For 2018, Deductible If Greater Than 7.5% Of AGI.**
- 2. After 2018, The Deduction Goes Back To 10.0% Of AGI.**

# **PERSONAL CASUALTY LOSSES**

- 1. No Longer Deductible**
- 2. If The President Declares A Disaster, Then 10.0% Of AGI Rules Still Applies.**



# MISCELLANEOUS ITEMIZED DEDUCTIONS

## 1. No Longer Deductible

## 2. Examples:

- a. Tax Preparation Fees
- b. Investment-Related Expenses
- c. Safe Deposit Box Rental
- d. Union Dues

# **PHASEOUT OF ITEMIZED DEDUCTIONS**

**Repealed**

# **STATE AND LOCAL INCOME TAXES AND REAL ESTATE TAXES**

**1. \$10,000.00 Cap For The Following:**

**a. State Income Taxes**

**b. Local Income Taxes**

**c. Real Estate Taxes**

# MONTHLY PREMIUMS FOR MEDICARE PARTS B & D

## INCOME RELATED ADJUSTMENT AMOUNTS

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income-related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income-related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$85,000	≤ \$170,000	≤ \$85,000	\$134.00	\$0.00	\$40.00	\$0.00	<b>\$174.00</b>
\$85,001 - \$107,000	\$170,001 - \$214,000		\$134.00	\$53.50	\$40.00	\$13.00	<b>\$240.80</b>
\$107,001 - \$160,000	\$214,001 - \$320,000		\$134.00	\$133.90	\$40.00	\$33.60	<b>\$342.10</b>
\$160,001 - \$214,000	\$320,001 - \$428,000	\$85,001 - \$128,000	\$134.00	\$214.30	\$40.00	\$54.20	<b>\$443.50</b>
> \$214,000	> \$428,000	> \$128,000	\$134.00	\$294.60	\$40.00	\$74.80	<b>\$544.80</b>

**These do not include premiums for Medicare Advantage or Medicare supplement plans**

# **MEDICAL EXPENSE OPPORTUNITIES**

## **I. Provide Accountant With The Following:**

- I. Pre-Medicare Medical Insurance Premiums**
- II. Medicare Part B Premiums**
- III. Medicare Part D Premiums**
- IV. Medigap Insurance Premiums**
- V. Medicare Advantage Plan Insurance Premiums**
- VI. Non-Reimbursed Medical Expenses**
- VII. Long-Term Care Insurance Premiums**

# 2018 LONG-TERM CARE INSURANCE FEDERAL TAX DEDUCTION LIMITS

<u>Taxpayer's Age At End Of Tax Year</u>	<u>Deductible Limit</u>
40 Or Less	\$ 420.00
More Than 40 But Not More Than 50	\$ 780.00
More Than 50 But Not More Than 60	\$ 1,560.00
More Than 60 But Not More Than 70	\$ 4,160.00
More Than 70	\$ 5,200.00

# **DONOR ADVISED FUNDS**

- 1. Could Become More Popular**
- 2. Funded With Large Tax-Deductible Upfront Gifts**
- 3. Invest Funds**
- 4. Delays Actual Distribution To Charity**

# **RECOGNIZING CAPITAL LOSSES**

- I. Tax-Loss harvesting**
- II. Fully Deductible Against Capital Gains**
- III. Deduct Up To \$3,000.00 Against Ordinary Income**



# RECOGNIZING CAPITAL GAINS

	10% And 12% Tax Brackets	22% Up To 35% Tax Brackets	37.0% Tax Bracket
Short-Term (One Year Or Less)	Ordinary Income Tax Rate		
Long-Term (Longer Than One Year)	0%*	15%*	20%
Dividends	* Qualified - Long-Term Capital Gains Rates. * Non-Qualified - Ordinary Income Tax Rates.		

**\*To The Extent Taxable Income Remains In These Brackets. Consult Your Tax Advisor About How This Applies To Your Situation.**

## **YEAR-END CAPITAL GAIN DISTRIBUTIONS**

**Be Aware Of Buying A Mutual Fund In A Taxable Account Before The Mutual Fund Pays Their Year-End Capital Gain Distribution.**

# **WASH SALE RULES**

- I. If Security Is Sold At A Loss And Substantially Identical Security Is Purchased Within 30 Days Before Or After The Sale, The Loss Will Be Disallowed.**
- II. Replace Security With Another Security In Same Industry**
- III. Replace With Mutual Fund Or ETF In Same Industry**

# **EXCHANGE-TRADED FUNDS: TAXATION**

- I. ETFs Structured As Limited Partnerships (L.P.)**
  - A. ETFs That Hold Futures Contracts Must Be Structured As L.P.'S**
  - B. 60% Of Gains - Long-Term**
  - C. 40% Of Gains - Short-Term**
  - D. K-1**
  
- II. ETFs That Invest In Foreign Currencies**
  - A. Taxed As Ordinary Income.**
  
- III. ETFs That Own Physical Precious Metals Are Structured As Trusts**
  - A. Example: SPDR Gold Shares (GLD)**
  - B. Long-Term Capital Gains At 28%.**

# **COST BASIS REPORTING FROM BROKERAGE FIRMS**

- I. Stocks Bought On Or After January 1, 2011**
- II. Mutual Funds Bought On Or After January 1, 2012**
- III. Options And Fixed Income Bought On Or After January 1, 2013**
- IV. IRS Form 1099-B Will Report Cost Basis**

# **KIDDIE TAX**

- 1. Applies To Non-Earned Income Over A Specific Threshold**
- 2. Will Be Taxed Under Trust Tax Rates.**
- 3. Used To Be Taxed At The Parent's Tax Rates**

# KIDDIE TAX

<b>Unearned Income</b>	<b>Tax Treatment</b>
<b>Less Than \$1,050.000</b>	<b>No Tax</b>
<b>\$1,050.00 - \$2,100.00</b>	<b>Taxed At Child's Income Tax Rate</b>
<b>More Than \$2,100.00</b>	<b>Taxed At The Higher Of The Trust Income Tax Rate Or The Child's Income Tax Rate</b>

# **Section 529 Plans**

- 1. Can Be Used To Cover The Cost Of K-12 Expenses**
- 2. Limited To Annual \$10,000.00 Distribution Per Child**



# **SECTION 529 PLAN**

- 1. State Tax Return: Potential Tax Write-Off**
- 2. Pennsylvania Deduction: \$15,000.00 Per Person**

# **EMPLOYER-PROVIDED EDUCATION ASSISTANCE**

**Exclusion From Income For Employer-Provided Education Assistance Of  
Up To \$5,250.00 Is Permanent.**

# **COVERDELL EDUCATION SAVINGS ACCOUNT**

- I. Maximum Contribution Is Permanently Set At \$2,000.00.**
- II. Tax-Free Treatment Of Elementary And Secondary School Expenses.**

# **AMERICAN OPPORTUNITY TAX CREDIT**

- I. Undergraduate**
- II. More Advantageous Than Hope Credit**
- III. 40.0% Is Refundable**

# AMERICAN OPPORTUNITY TAX CREDIT

**Maximum Credit:  
\$2,500.00 Per Student Per Year, For First Four Years Of Qualified Expenses Paid**

## MAGI Phase-Outs

**Married Filing Jointly**

**\$160,000.00 – \$180,000.00**

**Single**

**\$80,000.00 – \$90,000.00**

# LIFETIME LEARNING CREDIT

<b>Maximum Credit: 20% Of First \$10,000.00 (Per Tax Return) Of Qualified Expenses Paid</b>	
<b>MAGI Phase-Outs</b>	
<b>Married Filing Jointly</b>	<b>\$112,000.00 – \$132,000.00</b>
<b>Single Filer</b>	<b>\$56,000.00 – \$66,000.00</b>

# STUDENT LOAN INTEREST DEDUCTION

<b>Maximum Deduction: \$2,500.00</b>	
<b>MAGI Phase-Outs</b>	
<b>Married Filing Jointly</b>	<b>\$130,000.00 – \$160,000.00</b>
<b>Others</b>	<b>\$65,000.00 – \$80,000.00</b>

# **PRE-TAX SECTION 401(k), 403(b), 457(b) PLANS**

- I. Adjust Withholding To Increase Your Pre-Tax Retirement Contribution.**
- II. 2018 Maximum Contribution Limit Under The Age Of 50: \$18,500.00**
- III. 2018 Catch-Up Contribution Limit Age 50 And Over: \$6,000.00**



# **IRA CONTRIBUTIONS**

## **I. 3 Types Of IRAs**

**A. Deductible IRA**

**B. Non-Deductible IRA**

**C. Roth IRA**

**II. 2018 Deadline: April 15, 2019**

**III. 2018 IRA Contribution Limit: \$5,500.00**

**IV. 2018 IRA Catch-Up Contribution Limit: \$1,000.00**

# TRADITIONAL IRA DEDUCTIBILITY SCHEDULE - COVERED BY AN EMPLOYER-SPONSORED RETIREMENT PLAN

	2018 Modified Adjusted Gross Income	2018 Deduction
<b>Single</b>	Up TO \$63,000	\$5,500
	\$63,000 - \$73,000	Partial
	Above \$73,000	No Contribution
<b>Married Filing Joint</b>	Up to \$101,000	Full \$5,500
	\$101,000 - \$121,000	Partial
	Above \$121,000	No Contribution

**TRADITIONAL IRA DEDUCTIBILITY SCHEDULE -  
NOT COVERED BY AN  
EMPLOYER-SPONSORED RETIREMENT PLAN**

	<b>2018 Modified Adjusted Gross Income</b>	<b>2018 Deduction</b>
<b>Single</b>	<b>Unlimited</b>	<b>\$5,500</b>
<b>Married Filing Joint</b>	<b>Unlimited</b>	<b>\$5,500</b>

# ROTH IRA ELIGIBILITY

	2018 Modified Adjusted Gross Income	2018 Contribution
<b>Single</b>	<b>Up To \$120,000</b>	<b>\$5,500</b>
	<b>\$120,000 - \$135,000</b>	<b>Partial</b>
	<b>Above \$135,000</b>	<b>No Contribution</b>
<b>Married Filing Joint</b>	<b>Up to \$189,000</b>	<b>Full \$5,500</b>
	<b>\$189,000 - \$199,000</b>	<b>Partial</b>
	<b>Above \$199,000</b>	<b>No Contribution</b>

# **INDIVIDUAL 401(k) PLAN**

- I. For Self-Employed Individuals**
- II. Established By 12/31/18**
- III. Contribution Deadline: 10/15/19**
- IV. Higher Contribution Than SEP IRA (In Most Cases)**
- V. 2 Part Calculation**
  - I. Salary Deferral: 100% Of The First \$18,500.00 (\$24,500.00 If Age 50+) Of Net Self-Employment Income**
  - II. Profit Sharing Contribution: 20.0% Of Net Self-Employment Income**
- VI. 2018 Maximum Contribution: \$55,000.00 (\$61,000.00 If Age 50+)**

# **SEP IRA**

- I. Can Be Established Before 10/15/19 For 2018 Tax Year**
- II. Contribution Deadline Is 10/15/19 For 2018 Tax Year**
- III. 20.0% Of Net Self-Employment Income**
- IV. Contribution Limit: \$55,000.00**
- V. No Catch-Up Contribution**

# **DEFINED BENEFIT PENSION PLAN**

- I. High Contribution Limits**
- II. Tax-Deductible Contributions**
- III. Higher Costs Than Other Retirement Plans (Usually The Income Tax Deduction More Than Pays For It)**
- IV. Committing To A Funding Level (Stable Income Is Important)**
- V. Must Make Contributions On Behalf Of Other Employees (Self-Employed Usually More Beneficial)**

# **FLEXIBLE SPENDING ACCOUNTS**

- I. Set Up By Employer**
- II. Pre-Tax Through Payroll.**
- III. \$2,650.00 Contribution Limit Per Year.**
- IV. 2 Options:**
  - I. Use It Or Lose It By March 15 Of The Following Year Or,**
  - II. \$500.00 Carryover But Use It Or Lose It For The Rest Of The Funds By December.**



# **HEALTH SAVINGS ACCOUNT (HSA)**

- 1. High Deductible Health Insurance Plan.**
- 2. Tax Benefits**
  - a. Pre-Tax Deductions**
  - b. Tax Deferred Earnings**
  - c. Tax Free Withdrawal If Used For Covered Medical Expenses**

# HEALTH SAVINGS ACCOUNT (HSA) IRS LIMITS

## 2018 IRS LIMITS

	<u>Single Plan</u>	<u>Family Plan</u>
Maximum Contribution Limit	\$3,450.00	\$6,900.00
Minimum Deductible	\$1,350.00	\$2,700.00
Maximum Out-Of-Pocket	\$6,650.00	\$13,300.00
Catch-Up Contribution (55+)	\$1,000.00	\$1,000.00

# **HEALTH SAVINGS ACCOUNT**

- I. Non-Qualified Withdrawal: Taxable And 20.0% Penalty Before 65**
- II. No Penalty For Non-Qualified Withdrawal After 65**
- III. Age Limit For Contributions: 65 Unless Delaying Medicare Enrollment**

## **ADDITIONAL MEDICARE TAX ON WAGES**

- I. Single Filers: Wages Are More Than \$200,000.00**
- II. Married Filing Joint Filers: Wages Are More Than \$250,000.00**
- III. Tax Rate: .90%**
- IV. Employee Is Responsible**
- V. Employer Continues To Pay Half The Base Rate Of 2.9%**
- VI. Self-Employed Individuals Will Be Liable Too**

# **MEDICARE TAX ON UNEARNED INCOME**

- I. Tax Rate: 3.8%.**
  
- II. Tax Applies To Whichever Is Less:**
  - I. Net Investment Income Or,**
  - II. Amount That Your Modified AGI Exceeds The Threshold.**
  
- III. Unearned Income Defined:**
  - A. Capital Gains**
  - B. Interest**
  - C. Dividends**
  - D. Rental Income**
  - E. Passive Investor**

# MEDICARE TAX ON UNEARNED INCOME

<b>Beginning Modified Adjusted Gross Income Subject To Tax</b>		
<b>Single Filers</b>	<b>Married Filing Jointly</b>	<b>Married Filing Separately</b>
<b>\$200,000.00</b>	<b>\$250,000.00</b>	<b>\$125,000.00</b>

# **REQUIRED MINIMUM DISTRIBUTIONS**

- I. 2 Types Of Required Minimum Distributions**
  - A. Age 70 ½**
  - B. Beneficiary IRA**
  
- II. Deadline: December 31, 2018**
  
- III. 50% Federal Penalty Of The Amount Not Withdrawn That Is Required.**
  
- IV. If Taxpayer Turned Age 70 ½ In 2018, Required Distribution Date Is April 1, 2019**
  - II. 2019 Distribution Also Needs To Be Taken In 2019**

# **QUALIFIED CHARITABLE DISTRIBUTION**

- 1. Satisfies Required Minimum Distribution (RMD)**
- 2. Not Included In Adjusted Gross Income**
- 3. RMD Goes To Charity**
- 4. Up To \$100,000.00 Annually**
- 5. Not Deductible As Itemized Deduction**



# **ALTERNATIVE MINIMUM TAX**

**I. AMT Exemption Will Be Inflation-Adjusted Annually.**

**II. Common Causes:**

- I. High Number Of Personal Exemptions**
- II. State And Local Income Taxes**
- III. Large Capital Gains**

**III. Other Causes:**

- I. Standard Deduction**
- II. Interest On Second Mortgage**
- III. Medical Expenses**
- IV. Various Credits**
- V. Incentive Stock Options**
- VI. Private Activity Bonds**

# ALTERNATIVE MINIMUM TAX (AMT) - EXEMPTION

## 1. Married Filing Joint:

1. 2017: \$84,500.00
2. 2018: \$109,400.00

## 2. Single:

1. 2017: \$54,300.00
2. 2018: \$70,300.00

# **ALTERNATIVE MINIMUM TAX (AMT) – EXEMPTION PHASE-OUT**

## **1. Married Filing Jointly:**

- 1. 2017: \$160,900.00**
- 2. 2018: \$1,000,000.00 - \$1,437,600.00**

## **2. Single:**

- 1. 2017: \$120,700.00**
- 2. 2018: \$500,000.00 - \$781,200.00**

# **IRA RECHARACTERIZATIONS**

- 1. Repealed For Roth IRA Conversion**
- 2. Starts With The 2018 Tax Year**
- 3. Can Still Recharacterize Traditional Or Roth IRA Contribution**

# **ROTH IRA CONVERSIONS**

- I. No Modified Adjusted Gross Income Limits**
- II. Ordinary Federal Income Taxes On The Converted Amount**
- III. Earnings May Be Withdrawn Without Tax Or Penalty:**
  - I. At Least 59 ½ And,**
  - II. Held The Roth IRA Account For At Least Five Years**
- IV. No Required Minimum Distribution Rules**
- V. Federal Income Taxes Should Be Paid With Non-IRA Assets**
- VI. The Tax-Free Status Can Be Passed To A Beneficiary**

# **RETIREMENT PLAN ROTH IRA CONVERSIONS**

- I. Applies To 401(k), 403(b) and 457(b) Governmental Plans**
- II. Employer Does Not Have To Offer.**
- III. Convert Pre-Tax Or After-Tax Contributions To A Roth Account.**
- IV. Roth Account Is Within Retirement Plan.**
- V. Only Vested Amounts Are Eligible.**
- VI. Recharacterization Is Not Allowed.**

# **CHILD TAX CREDIT**

- 1. \$2,000.00 Per Qualifying Child (From \$1,000.00)**
- 2. For Children Under Age 17**
- 3. \$500.00 Credit For Qualifying Dependents But Not Qualifying Child**
- 4. Phaseouts Apply:**
  - a. \$400,000.00 For Couples (\$110,000.00 – Current)**
  - b. \$200,000.00 For All Other Taxpayers (\$55,000.00 – Current)**

# **CHILD AND DEPENDENT CARE CREDIT**

- I. 20.0% - 35.0% Credit Rate Is Permanent.**
- II. Credit Reduces From A High Of 35.0% To 20.0% As Adjusted Gross Income (AGI) Increases.**
- III. AGI Above \$43,000.00, 20.0% Credit Applies**
- IV. \$3,000.00 Cap On Expenses For One Qualifying Child**
- V. \$6,000.00 For Two Or More Qualifying Children**
- VI. Dependent Under Age 13.**



# **ELECTRIC-DRIVE AUTOMOBILES**

- I. Incentives For Purchase Of Electric-Drive And Plug-In Hybrid Electric Vehicles.**
- II. \$2,500.00 - \$7,500.00 Non-Refundable Credit Depending On Battery Capacity And Weight.**
- III. Energy Department Website Lists Vehicles That Apply.**

# **SOCIAL SECURITY TAXATION**

- I. Provisional Income =**
  - A. Adjusted Gross Income +**
  - B. Half Of Social Security Income +**
  - C. Tax-Exempt Municipal Bond Income.**

# SOCIAL SECURITY TAXATION

<b>Filing Status</b>	<b>Provisional Income</b>	<b>Amount Of Social Security Subject To Tax</b>
<b>Married Filing Jointly</b>	<b>Under \$32,000</b>	<b>0%</b>
	<b>\$32,000 - \$44,000</b>	<b>Up to 50%</b>
	<b>Over \$44,000</b>	<b>Up to 85%</b>
<b>Single</b>	<b>Under \$25,000</b>	<b>0%</b>
	<b>\$25,000 - \$34,000</b>	<b>Up to 50%</b>
	<b>Over \$34,000</b>	<b>Up to 85%</b>

# **GIFTING APPRECIATED SHARES OF AN INVESTMENT**

- I. Avoiding Capital Gains On Significant Appreciated Investments.**
- II. To Charities And To Family Members**
- III. To Children (Be Aware of Kiddie Tax).**
- IV. Generally, Income Tax Deduction To Charity Based Upon Fair Market Value (Subject To Certain Limitations And Restrictions)**
- V. Annual Gifting Limits To An Individual (\$15,000.00 In 2018).**

# **ANNUAL GIFTING**

- I. \$15,000.00 Per Year Per Person**
- II. Gift Should Be Cashed Or Deposited By Before December 31, 2018.**
- III. No Annual Limitation For Gifts For:**
  - I. Tuition**
  - II. Medical**

# **PASS-THROUGH INCOME**

- 1. 20.0% Deduction Of Qualified Business Income**
  
- 2. Applies To:**
  - 1. Partnerships**
  - 2. S Corporation**
  - 3. Sole Proprietorship**
  - 4. Limited Liability Company (LLC)**
  - 5. Limited Liability Partnership (LLP)**
  
- 3. 20.0% Is Capped At The Greater Of:**
  - a. 50.0% Of The Amount Of Wages Paid To Employees**
  - b. 25.0% Of Wages Paid To Employees And 2.5% Of The Cost Of Depreciable Property Owned By The Business.**

# **PASS-THROUGH INCOME**

- 4. Below-The-Line Deduction But Not An Itemized Deduction**
- 5. Will Reduce Taxable Income**
- 6. Phase-Out Of Deduction For Specified Service Businesses**
  - a. Taxpayers With Taxable Income Beyond \$157,500.00 For Single**
  - b. Taxpayers With Taxable Income Beyond \$315,000.00 For Married Filing Jointly**

# **PASSIVE ACTIVITY LOSS CARRYOVER**

- I. Passive Activity Loss Carryover**
- II. Consider Disposing Of That Activity**
- III. Disposing Of The Activity Could Allow Deduction Of Passive Activity Loss Carryover Against Ordinary Income**



# **ALIMONY**

- 1. Deduction Is Disallowed For The Payor**
- 2. Income No Longer Taxable To The Recipient**
- 3. For Divorces Entered Into After 2018**

# **MOVING EXPENSES**

- 1. No Longer Deductible**
- 2. Exception: Armed Forces Moving Due To Military Order**

# **SECTION 1031**

- 1. Tax-Free Exchange**
- 2. Only For Real Estate**
- 3. Formerly Used For Investment Property Like Boat, Planes, Etc.**

# **EMPLOYEE TAXATION**

- 1. Employer-Reimbursed Moving Expenses Are Taxable**
- 2. Bicycling Commuting Expenses Are Taxable**

# **OTHER YEAR-END FINANCIAL PLANNING CONSIDERATIONS**

- I. Reevaluate Portfolio Risk**
- II. Property And Casualty Insurance**
- III. Life Insurance**
- IV. Disability Insurance**
- V. Long-Term Care Insurance**
- VI. Refinance**
- VII. Identify Theft**
  - A. Credit Monitoring Service**
  - B. Protect Your Documents**
- VIII. Estate Planning**
  - A. Review Beneficiary Designations**

# QUESTIONS AND ANSWERS

The image shows the letters 'Q&A' in a 3D, blocky font. The 'Q' and 'A' are red, while the ampersand '&' is grey. The letters are positioned centrally on a white background and cast a soft shadow below them.

Q&A



**Legend Financial Advisors, Inc.®**  
**5700 Corporate Drive, Suite 350**  
**Pittsburgh, PA 15237-5829**  
**Phone: (412) 635-9210**  
**E-mail: [legend@legend-financial.com](mailto:legend@legend-financial.com)**  
**[www.legacy-financial.com](http://www.legacy-financial.com)**



**EmergingWealth Investment**  
**5700 Corporate Drive, Suite 360**  
**Pittsburgh, PA 15237-5829**  
**Phone: (412) 548-1386**