9 Tax Deductions That Are Gone In 2018 (And What To Claim Instead)

Casey Bond,HuffPost 17 hours ago

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The Tax Cuts and Jobs Act, which passed in December 2017, involved some of the most sweeping changes to the U.S. tax system in more than 30 years. And Americans will experience the effects of those changes when they file taxes for 2018.

“Many itemized deductions ... will be capped, eliminated or otherwise diluted in power,” said Ben Flood, a certified financial planner and vice president of Bigelow Investment Advisors. “Offsetting this for many tax filers is the fact that the standard deduction is significantly higher.”

How much higher? Nearly double what it was in 2017: $12,000 for individuals and $24,000 for families.

That means it will be a lot tougher to qualify to itemize deductions. Those who do will find many differences in what they can claim. Here’s a look at the deductions you won’t be able to claim on your 2018 taxes — and what you can do instead.

9 Tax Write-Offs You Can’t Claim Anymore

1. Personal exemptions

A personal exemption is a sum of money you can deduct for yourself and any dependents from your taxable income. The personal exemption was worth $4,050 in 2017. A family of four, for example, would have received $16,200 in exemptions last year.

“Now, personal exemptions are no longer in play,” said Christina Taylor, head of tax operations at Credit Karma Tax. “This could have a substantial impact on refunds for larger families.”

2. Casualty and theft losses

Prior to the latest tax bill, victims of fires, earthquakes, floods or similar natural disasters who experienced uninsured losses greater than 10 percent of their adjusted gross income could deduct a portion of those losses from their taxable income.

Now? “You’ll only be able to claim them if they were a result of a federally declared disaster,” Taylor said. Those designations are made on a county basis, which means some areas could be declared official disaster zones, while others could not.

3. Unlimited SALT deductions

The new tax law reduced the amount taxpayers can claim for taxes paid to agencies that are not the IRS, according to Arthur Rosatti, an attorney with Ashley F. Morgan Law. These are typically called SALT, or state and local taxes.

“There is now a $10,000 cap on all state income taxes, personal property taxes, sales tax and local taxes,” he said. Prior to 2018, there was no cap. “This will hit individuals who are higher income and live in states with income tax the most,” Rosatti said.

4. Mortgage interest above $750,000

Homeowners previously were able to write off the interest on mortgages up to $1 million. Under the new tax law, however, the cap has been reduced to $750,000 in qualified residence loans. According to the IRS, that limit applies to the combined amount of loans you use to buy, build or “substantially improve” your primary or second home.

The good news is this change only applies to new homeowners, according to Josh Zimmelman, owner of Westwood Tax & Consulting. “The $1 million cap still applies to homeowners who took out a mortgage before December 15, 2017,” he said. “New homeowners can take this deduction on mortgages up to $750,000.”

5. Unrestricted home equity loan interest deduction

Before the new tax law, homeowners could deduct interest paid on a home equity loan or line, or credit of up to $100,000, regardless of how the funds were used. For example, if a homeowner used a home equity loan to pay off credit card debt, they’d receive a tax break on the interest paid.

"In 2018, unless that taxpayer used the borrowed funds to buy, build or substantially improve either their primary home or a second home, the interest is not deductible," said Shan-Nel D. Simmons, a former IRS revenue agent and owner of Nel's Tax Help.

6. Moving expenses

Taxpayers previously could deduct certain moving expenses related to relocating for a new job, Zimmelman said. This was an "above-the-line" deduction, meaning it could be claimed even if the taxpayer didn't itemize.

"Now the only people who can take this deduction are military service members moving for assignment," Zimmelman said.

7. Work-related expenses

In the past, if a taxpayer's job required certain purchases in order for an employee to perform their job and the employer was unable or unwilling to reimburse the employee, those expenses were tax deductible. For example, employees could deduct mileage driven for work purposes (not commuting), uniforms, tools, union dues and more as long as they met the 2 percent rule for miscellaneous deductions.

However, beginning in 2018, "employees will not be allowed to deduct out-of-pocket work expenses they pay to do their job," Simmons said. This deduction, along with other miscellaneous deductions, is suspended through 2025.

8. Tax preparation fees

Prior to 2018, fees related to tax preparation could also be combined with other miscellaneous deductions that exceeded 2 percent of your adjusted gross income. This deduction has been suspended through 2025, according to Taylor.

9. Other miscellaneous expenses

Many other miscellaneous deductions are off the table for 2018. Also included in this bunch are expenses related to investment fees, legal fees, home office use and alimony for divorces finalized after December 31, 2018. These deductions will be reinstated in 2026 unless Congress votes to extend the current rule.

5 Valuable Deductions And Credits You Can Still Claim

Though it seems like taxpayers lost many important deductions for the 2018 tax year, the increased standard deduction could help take the sting out of losing those benefits, Flood said.

Plus, there are several valuable tax write-offs, some of which were previously on the tax bill's chopping block, that remain for 2018. Those include:

1. Child Tax Credit

Families might be able to offset some of the personal exemption loss with the revised Child Tax Credit, which is now worth up to $2,000 in 2018. "Congress also raised the income threshold to $200,000 (for single filers) before the credit starts to phase out," Rosatti said. "The new law is also giving a $500 credit for qualifying dependents who are not children."

2. Charitable donations

Taxpayers who do itemize can still deduct qualifying charitable donations. The deduction is limited to 60 percent of adjusted gross income for cash gifts — up from 50 percent in previous years. Any amount in excess of that can be carried forward up to five years.

3. Student loan interest deduction

Another above-the-line deduction available to student loan borrowers is a deduction on the interest paid. Borrowers can deduct of up to $2,500 in interest per year. The deduction begins to phase out for borrowers with an adjusted gross income over $65,000 and caps at $80,000.

4. Contributions to IRAs and HSAs

If you contribute to a tax-advantaged savings plan, such as an individual retirement account or health savings account, those contributions are still eligible for the same tax benefits.

5. Self-employed expenses

Though the miscellaneous deductions outlined above have been suspended through 2025 for regular employees, self-employed workers can still write-off qualifying work-related expenses. Deductions such as self-employment taxes, insurance premiums and yes — a home office — can be claimed using the Schedule C form.

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Robert Carnevale,ValuePenguin 16 hours ago

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The 2019 tax season begins at the end of January, but taxpayers will no longer be able to rely on five important exemptions that have saved them money in years past, thanks to the Tax Cuts and Jobs Act, which became federal law more than a year ago. Plus, there's a new $10,000 cap on in-state and local tax (SALT) exemptions and a $750,000 cap on mortgage interest deductions, all of which add up to a brand-new tax landscape for you to navigate this year. Here's what you (or whoever prepares your taxes) need to know in order to avoid a nasty surprise from the IRS.

Tax deduction #1: personal exemptions

Standard deduction amounts have increased for 2018 income tax filers to $12,000 for individuals, $18,000 for heads of household, and $24,000 for married couples filing jointly (and spouses who've survived the death of their partner). Despite the increase, there's a catch. Last year, eligible taxpayers could claim a tax exemption of $4,150 for themselves, a spouse and eligible dependents. Starting with the 2019 tax season, there are no personal exemptions. The Tax Cuts and Jobs Act suspended them for tax years 2018 through 2025.

In other words, in 2017, a married couple with adjusted gross income of $75,000 and two kids would have had a total of $16,600 in personal exemptions in 2018 (or $4,150 per person). That's on top of the $12,700 standard deduction the couple would have received for filing jointly that year. This year that same couple can claim $0 in personal exemptions. Some experts say the increase in the child tax credit will offset the loss of personal exemptions, but it won’t help everyone, especially if your dependent children are over the age of 16 during the tax year, which disqualifies them from the child tax credit.

Standard Deduction Change from 2017

Your Filing Status	**2017**	**2018**
Single	$6,350	$12,000
Married filing separately	$6,350	$12,000
Married filing jointly	$12,700	$24,000
Head of household	$9,350	$18,000

Tax deduction #2: moving expenses

Taxpayers will no longer be able to deduct moving expenses from their 2018 taxable income with the exception of active-duty members of the U.S. armed forces who are ordered to relocate. So if your employer reimbursed you for moving expenses in 2018, that reimbursement will be considered taxable income.

Tax deduction #3: home equity loan interest

The home equity line of credit interest deduction is gone. That means if you have an existing home equity loan, you can't deduct the interest from your taxes—unless you can connect it to home improvements.

Tax deduction #4: out-of-pocket job-related expenses

Miscellaneous tax deductions for job-related expenses have been suspended under the TCJA. That includes unreimbursed employee expenses, such as union dues, uniforms, qualified employee education expenses, and business-related travel, meals and entertainment. So, if you paid for any job-related expenses out-of-pocket in 2018, you're out of luck.

Tax deduction #5: casualty and theft losses

The Tax Cuts and Jobs Act modified the tax deduction for casualty and theft losses, limiting it to only taxpayers who suffered losses as a result of a federally-declared disaster. The loss must exceed $100 per casualty and the net total loss must exceed 10% of your adjusted gross income, according to the IRS.

Tax deduction #6: $750,000 mortgage interest cap

Last year, taxpayers could deduct interest on a mortgage of up to $1 million. Starting in the 2018 tax year, only interest on the mortgage value capped at $750,000 will be deductible.

Tax deduction #7: SALT deductions

The $10,000 cap in state and local tax (SALT) exemptions goes into effect this year, which will have a significant impact on people in states that have high property taxes, such as New York and California. New York and California are exploring strategies to offset the lost SALT deduction and retain high-income taxpayers, but nothing has changed yet in those states.

Kiplinger

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Kimberly Lankford, Contributing Editor, Kiplinger's Personal Finance,Kiplinger 20 hours ago

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