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Marcia L. Campbell, CPA

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Specializing in Elder Care, Trusts & Estates, Taxes & Small Business

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Volume 13, Issue 1 January 26, 2018

JANUARY ISSUE

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Standard Mileage Rates for 2018 Up from Rates for 2017

The Internal Revenue Service issued the 2018 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on January 1, 2018, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 54.5 cents for every mile of business travel driven.
- 18 cents per mile driven for medical or moving purposes.
- 14 cents per mile driven in service of charitable organizations.

The business mileage rate and the medical and moving expense rates each increased 1 cent per mile from the rates for 2017. The charitable rate 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 and moving 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.

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What Your Itemized Deductions on Schedule A Will Look Like After Tax Reform

Initially, the change in the standard deduction amounts was meant to simplify the deduction scheme. In other words, most of the itemized deductions would have simply disappeared, leaving behind (initially) the charitable donation deduction and the home mortgage interest deduction. Over the past few weeks, however, those itemized deductions found on a Schedule A have been tweaked.

Here's how Schedule A will be affected for the 2018 tax year following tax reform:

1. **Medical and Dental Expenses.** Medical and dental expenses remain in place with a lower floor. We call it the "floor" because you can only deduct expenses over that number. The floor - before tax reform - was 10% of your adjusted gross income (AGI). Under tax reform, the 7.5% floor is back in place for two years beginning January 1, 2017 - that means that it applies to the 2017 tax year.

2. **State and Local Taxes.** Under tax reform, deductions for state and local sales, income, and property taxes normally deducted on a Schedule A remain in place but are limited (see #3 below).

3. **State and Local Tax (SALT) caps.** While SALT deductions remain in place, there is a cap on the aggregate, meaning that the amount that you are claiming for all state and local sales, income, and property

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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 (MACRS) 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. These and other requirements are described in Rev. Proc. 2010-51.

Notice 2018-03, posted on www.IRS.gov, contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

Source: irs.gov

2018 Tax Brackets

With the passage of the Tax Cuts and Jobs Act (TCJA), many tax brackets, thresholds, and rates will change in 2018. Noticeable changes to the structure of the individual tax code include the elimination of personal exemptions, the elimination of the 10% limitation on itemized deductions, and the expansion of the Child Tax Credit.

Additionally, on a yearly basis the IRS adjusts more than 40 tax provisions for inflation. This is done to prevent what is called "bracket creep," when people are pushed into higher income tax brackets or have reduced value from credits or deductions due to inflation, instead of any increase in real income.

The IRS used to use the Consumer Price Index (CPI) to calculate the past year's inflation. However, with the TCJA, the IRS will now use the Chained Consumer Price Index (C-CPI) to adjust income thresholds, deduction amounts, and credit values accordingly.

Filing Status	2018 Standard Deduction – Old Tax Law	2018 Standard Deduction – New Tax Law
Married Filing Joint	$13,000	$24,000
Married Filing Separate	$6,500	$12,000
Single	$6,500	$12,000
Head of Household	$9,550	$18,000

Source: taxfoundation.org

Please contact our office for more information.†

What Our Clients Say About Us

"Marcia is extremely patient and helpful. She and her team make doing taxes a simple and easy process. Thanks for everything." –AW

What Your Itemized Deductions on Schedule A Will Look Like After Tax Reform…*Continued From Pg 1*

taxes may not exceed $10,000 ($5,000 for married taxpayers filing separately).

4. **Home Mortgage Interest.** As of December 15, 2017, there's a limit on acquisition indebtedness - your mortgage used to buy, build or improve your home - of $750,000 ($375,000 for married taxpayers filing separately). For mortgages taken out before December 15, 2017, the limit is $1,000,000 ($500,000 for married taxpayers filing separately).

5. **Charitable donations.** Charitable donations remain deductible under tax reform. The rules are largely the same with a few changes. First, the percentage limit for charitable cash donations by an individual taxpayer to public charities and certain other organizations increases from 50% to 60%. Second, taxpayers are no longer entitled to deduct payments made to a college or college athletic department in exchange for college athletic event ticket or seating rights at a stadium. Those provisions are effective beginning in 2018.

6. **Casualty and Theft Losses.** The deduction for personal casualty and theft losses is repealed for the tax years 2018 through 2025 except for those losses attributable to a federal disaster as declared by the President.

7. **Job Expenses and Miscellaneous Deductions subject to 2% floor.** Miscellaneous deductions which exceed 2% of your AGI will be eliminated for the tax years 2018 through 2025.

Source: forbes.com

Please contact our office for more information.†

You can e-mail us at Toni@MCampbellCPA.com to receive your newsletter by e-mail!