



April 2019

Biggest tax changes for 2019 returns

Towards the end of 2017, President Trump officially signed a new tax reform – the Tax Cuts and Jobs Act (TCJA) – into law. Though the law took place starting in 2018, taxpayers are just now seeing the direct impact of the law on their tax returns. Prior to the tax deadline coming up in the middle of April, here is a look at the biggest changes you may see.

Revised tax bracket structure and rates





The tax reform introduced changes to both the structure of the different tax brackets and the rates at which they are taxed. For tax rates, the 10 percent and 35 percent brackets remain the same, while all other brackets see a reduction anywhere from one to four percent. Changes to the overall tax bracket structure may bump taxpayers who were at the upper end of their 2017 bracket to a higher bracket on this year’s filing. See below for details on these changes:

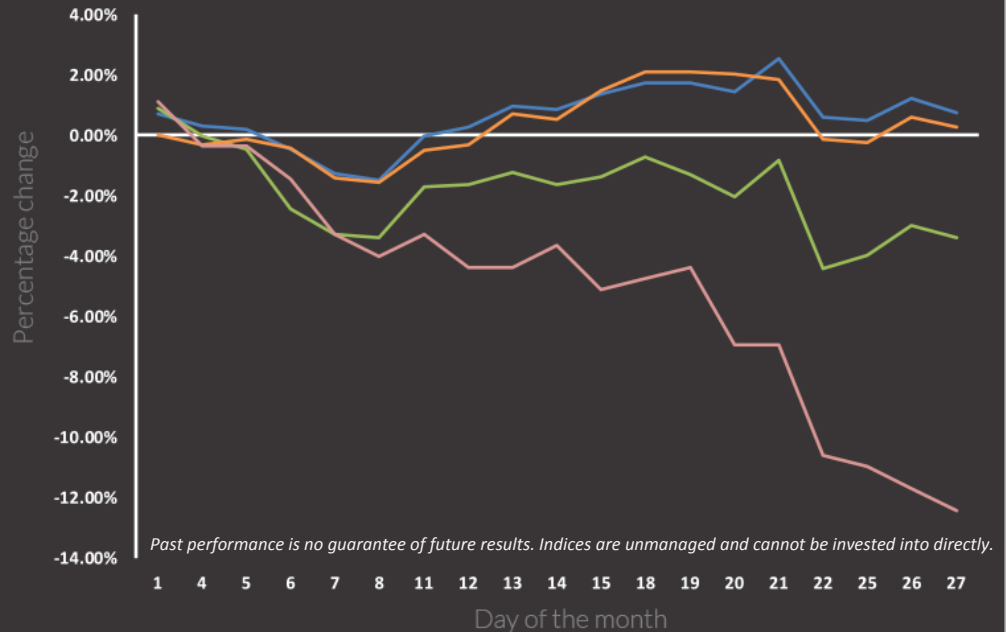
2017 TAX RATE	2018 TAX RATE
10 percent	10 percent
15 percent	12 percent
25 percent	22 percent
28 percent	24 percent
33 percent	32 percent
35 percent	35 percent
39.6 percent	37 percent
2017 TAX BRACKET	2018 TAX BRACKET
\$0 to \$9,325	\$0 to \$9,525
\$9,325 to \$37,950	\$9,525 to \$38,700
\$37,950 to \$91,900	\$38,700 to \$82,500
\$91,900 to \$191,650	\$82,500 to \$157,500
\$191,650 to \$416,700	\$157,500 to \$200,000
\$416,700 to \$418,400	\$200,000 to \$500,000
Over \$418,400	Over \$500,000



The market at a glance

March

 U.S. Large Cap (S&P 500)	2,834.40 (1.79%) ▲
 U.S. Mid/Small (Russell 2000)	1,539.74 (-2.27%) ▼
 International Large (NYSE International 100)	5,413.65 (0.59%) ▲
 U.S. Treasuries (U.S. 10-year Treasury yield rate)	2.41 (-11.72%) ▼



The market in action

- Airline manufacturer Boeing lost more than \$25 billion in market value following recent concerns over its 737 Max 8 jet. In the last five months, the aircraft model was involved in two fatal crashes and was then grounded by the U.S. Federal Aviation Administration alongside more than 50 other countries.
- One day after its IPO debut, transportation network company Lyft has seen its price per share drop by more than 11 percent in response to underwhelming profits that were made public with respect to the filing. Just three days prior to the IPO, rival company Uber announced the acquisition of Middle Eastern ride-sharing service Careem for \$3.1 billion.
- Investment bank and financial services company JPMorgan Chase & Co announced it will no longer finance private prison and detention center operator CoreCivic. The decision comes after years of criticism by activists opposed to the private prison company borrowing nearly \$1.8 billion from banks including JPMorgan Chase and others.
- Shares of the membership-only warehouse retail company Costco rose five percent after beating analysts' estimates for quarterly profits. The company said it will soon raise starting wages to \$15 per hour in the U.S. and Canada in response to a tight labor market.

Increase to standard deductions

Alongside changes to tax brackets and rates, standard deduction amounts have been increased substantially to be nearly double the amount from 2017. See below for details on the increases:

FILING STATUS	2017 STANDARD DEDUCTION	2018 STANDARD DEDUCTION
Single	\$6,350	\$12,000
Married, filing jointly	\$12,700	\$24,000
Married, filing separately	\$6,350	\$12,000
Head of household	\$9,350	\$18,000

Personal exemption eliminated

To balance out the increases made to standard deductions in 2018, personal exemptions have been eliminated. Previously, this deduction amounted to \$4,050 for an individual and each dependent family member.

An individual filing in 2017 could have taken a personal exemption of \$4,050 plus the former standard deduction of \$6,350 for a total of \$10,400, which is \$1,600 less than their new 2018 standard deduction of \$12,000.

On the other hand, a family of five in 2017 could have taken five personal exemptions of \$4,050 plus the former standard deduction of \$12,700 for a total of \$32,950, which was \$8,950 more than their new 2018 standard deduction of \$24,000.

Increase to the child tax credit

Though families may have a lower total deduction from the elimination of the personal exemption, the child tax credit has been increased to help account for this. In 2018, the credit has been doubled from \$1,000 to \$2,000, with \$1,400 potentially refundable. Furthermore, the income phase-out limitations have risen to \$400,000 from the former \$110,000 for joint filers and \$200,000 from the former \$75,000 for single filers.

Looking back to the example of that family of five who was only able to claim \$24,000 with their standard deduction, they would gain \$5,000 back with these credits to be at \$29,000 overall.

New small business deduction

Though impacting less of the population than those listed above, a new deduction is now available for small business owners with the Qualified Business Income Deduction (QBID). Owners of sole proprietorships, S corporations, or partnerships can now deduct up to 20 percent of the income earned by their business in 2018. There are several limitations and phase out specifications for this new deduction, so be sure to consider your exact situation before calculating this deduction.



6725 Kingery Hwy Willowbrook, IL 60527 Tel:
630.789.9653 | Fax: 630.734.1471
www.libertyassetmgt.com

Connect with us!



This article was written by Advicent Solutions, an entity unrelated to Liberty Asset Management, Inc.. The information contained in this article is not intended to be tax, investment, or legal advice, and it may not be relied on for the purpose of avoiding any tax penalties. Liberty Asset Management, Inc. does not provide tax or legal advice. You are encouraged to consult with your tax advisor or attorney regarding specific tax issues. © 2017 Advicent Solutions. All rights reserved.