

# Journal of Accountancy

## Filing season quick guide — tax year 2018

### Single taxpayers

If taxable income is over	But not over	Tax is	Plus	Of the amount over
\$0	\$9,525	10%		\$0
\$9,525	\$38,700	\$952.50	12%	\$9,525
\$38,700	\$82,500	\$4,453.50	22%	\$38,700
\$82,500	\$157,500	\$14,089.50	24%	\$82,500
\$157,500	\$200,000	\$32,089.50	32%	\$157,500
\$200,000	\$500,000	\$45,689.50	35%	\$200,000
\$500,000		\$150,689.50	37%	\$500,000

### Married taxpayers filing joint returns and surviving spouses

If taxable income is over	But not over	Tax is	Plus	Of the amount over
\$0	\$19,050	10%		\$0
\$19,050	\$77,400	\$1,905	12%	\$19,050
\$77,400	\$165,000	\$8,907	22%	\$77,400
\$165,000	\$315,000	\$28,179	24%	\$165,000
\$315,000	\$400,000	\$64,179	32%	\$315,000
\$400,000	\$600,000	\$91,379	35%	\$400,000
\$600,000		\$161,379	37%	\$600,000

### Married taxpayers filing separate returns

If taxable income is over	But not over	Tax is	Plus	Of the amount over
\$0	\$9,525	10%		\$0
\$9,525	\$38,700	\$952.50	12%	\$9,525
\$38,700	\$82,500	\$4,453.50	22%	\$38,700
\$82,500	\$157,500	\$14,089.50	24%	\$82,500
\$157,500	\$200,000	\$32,089.50	32%	\$157,500
\$200,000	\$300,000	\$45,689.50	35%	\$200,000
\$300,000		\$80,689.50	37%	\$300,000

### Heads of household

If taxable income is over	But not over	Tax is	Plus	Of the amount over
\$0	\$13,600	10%		\$0
\$13,600	\$51,800	\$1,360	12%	\$13,600
\$51,800	\$82,500	\$5,944	22%	\$51,800
\$82,500	\$157,500	\$12,698	24%	\$82,500
\$157,500	\$200,000	\$30,698	32%	\$157,500
\$200,000	\$500,000	\$44,298	35%	\$200,000
\$500,000		\$149,298	37%	\$500,000

### Trusts and estates

If taxable income is over	But not over	Tax is	Plus	Of the amount over
\$0	\$2,550	10%		\$0
\$2,550	\$9,150	\$255	24%	\$2,550
\$9,150	\$12,500	\$1,839	35%	\$9,150
\$12,500		\$3,011.50	37%	\$12,500

### Long-term capital gains rates

Filing status	0% rate: Taxable income of	15% rate: Taxable income of	20% rate: Taxable income of
Married filing jointly	\$0 to \$77,200	\$77,201 to \$479,000	\$479,001 and over
Married filing separately	\$0 to \$38,600	\$38,601 to \$239,500	\$239,501 and over
Heads of household	\$0 to \$51,700	\$51,701 to \$452,400	\$452,401 and over
Single	\$0 to \$38,600	\$38,601 to \$425,800	\$425,801 and over
Trusts and estates	\$0 to \$2,600	\$2,601 to \$12,700	\$12,701 and over



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## NET INVESTMENT INCOME TAX

3.8% of the lesser of (1) net investment income or (2) the amount of modified adjusted gross income (MAGI) over these thresholds:

- Single: \$200,000.
- Married filing jointly and surviving spouses: \$250,000.
- Married filing separately: \$125,000.
- Heads of household: \$200,000.
- Estates and trusts: \$12,500.

## SELF-EMPLOYMENT TAX

- Tax rate: 15.3% (12.4% OASDI tax plus 2.9% Medicare tax).
- Surtax: 0.9% Medicare surtax is applied to self-employment income in excess of \$200,000 (single), \$250,000 (married filing jointly), or \$125,000 (married filing separately).
- Wage base: \$128,400 of self-employment income for OASDI (maximum OASDI tax \$15,921.60; no ceiling on Medicare tax).

## KIDDIE TAX

Earned income taxed at rates for single individuals; net unearned income taxed at trusts and estates rates. Net unearned income is the excess of the child's unearned income over the sum of (1) \$1,050 plus (2) the greater of \$1,050 or the child's itemized deductions directly connected to the production of the unearned income.

## PERSONAL EXEMPTION

Personal exemptions are suspended from 2018 through 2025. A deemed personal exemption amount of \$4,150 is used for purposes of determining who is a "qualifying relative" under Sec. 152(d)(1)(B).

## ITEMIZED DEDUCTIONS

The overall limitation on itemized deductions is suspended from 2018 through 2025. Miscellaneous itemized deductions subject to the 2%-of-adjusted-gross-income (AGI) floor are also suspended from 2018 through 2025.

## STANDARD DEDUCTION

- Single: \$12,000.
  - Married filing jointly and surviving spouses: \$24,000.
  - Married filing separately: \$12,000 (\$0 if spouse itemizes deductions).
  - Heads of household: \$18,000.
- Additional standard deduction for 65+ and blind taxpayers:
- Single: \$1,600.
  - Married filing jointly and surviving spouses: \$1,300.
  - Heads of household: \$1,600.

Standard deduction for individuals who can be claimed as dependents is the lesser of (1) \$12,000 or (2) the greater of \$1,050 or \$350 plus the individual's earned income.

## STANDARD MILEAGE RATE

- Business: 54.5 cents per mile. Business mileage is no longer deductible as an unreimbursed employee business expense, except for members of a reserve component of the U.S. armed forces, state or local government officials paid on a fee basis, and certain performing artists.
- Medical and moving: 18 cents per mile. Moving mileage is deductible only by U.S. armed forces members on active duty who move pursuant to a military order and incident to a permanent change of station to whom Sec. 217(g) applies.
- Charitable services: 14 cents per mile.

For business autos for which the optional business standard mileage rate is used, the portion treated as depreciation is 25 cents per mile.

## TAX CREDITS

- **Earned income:** Maximum credit per number of qualifying children: \$519 (none); \$3,461 (one); \$5,716 (two); \$6,431 (three or more), subject to phaseouts.

- **Child:** \$2,000 per qualifying child under age 17. Up to \$1,400 is refundable to the extent of 15% of the taxpayer's earned income in excess of \$2,500 or, for a taxpayer with three or more qualifying children, the excess (if any) of: (1) the taxpayer's Social Security taxes for the tax year over (2) the earned income tax credit for the tax year. The credit is not refundable for taxpayers who exclude income under Sec. 911. To be a qualifying child, the child must be the taxpayer's dependent, a U.S. citizen, national, or resident and must have a Social Security number. Phases out with MAGI above \$200,000 (\$400,000 for married filing jointly). An additional \$500 nonrefundable credit is available for each dependent who is not a qualifying child (but must be a U.S. citizen, national, or resident).
- **Adoption expense:** \$13,810 maximum. Phases out with MAGI between \$207,140 and \$247,140.
- **American opportunity:** \$2,500 per-year maximum (100% of the first \$2,000 of qualifying expenses and 25% of the next \$2,000), with 40% of the credit refundable. Phases out for single taxpayers with MAGIs between \$80,000 and \$90,000 (\$160,000 and \$180,000 for married filing jointly).
- **Lifetime learning:** 20% of up to \$10,000 of qualified tuition and related expenses, up to \$2,000 maximum. Phases out between \$57,000 and \$67,000 of MAGI for single filers and from \$114,000 to \$134,000 for married filing jointly.
- **Sec. 25D residential energy-efficiency property:** 30% of amount paid for qualifying property (for qualified fuel cell property, maximum credit of \$500 for each 0.5 kilowatt of capacity).
- **Small business health insurance:** 50% of amount of nonelective contributions an eligible small business makes on behalf of its employees for premiums for health insurance (35% credit against payroll tax for tax-exempt entities). Available for two consecutive tax years. Phases out for employers with between 10 and 25 full-time-equivalent employees and average annual wages of between \$26,600 and \$53,200.

## SEC. 179 AND BONUS DEPRECIATION

- Sec. 179 expense deduction: \$1,000,000 with a phaseout threshold of \$2,500,000.
- Sec. 168(k) bonus depreciation: 100% of adjusted basis of qualifying property in the first year it is placed in service (for property placed in service after Sept. 27, 2017).

## RETIREMENT PLAN LIMITS

- Maximum 401(k) plan elective deferral: \$18,500 (plus \$6,000 catch-up for age 50+).
- Defined benefit plan maximum benefit: \$220,000.
- Defined contribution plan contribution limit: \$55,000 or 100% of compensation, whichever is less.
- IRA contribution limit: \$5,500 (plus \$1,000 catch-up for age 50+).
- IRA deduction phaseout for active participant in a workplace retirement plan: MAGI from \$101,000 to \$121,000 (married filing jointly); \$63,000 to \$73,000 (single taxpayers and heads of household); \$0 to \$10,000 (married filing separately); \$189,000 to \$199,000 (individual who is not an active participant in a workplace retirement plan whose spouse is an active participant in a workplace retirement plan).
- Roth IRA contribution limit: \$5,500 (plus \$1,000 catch-up for age 50+).
- Roth IRA contribution limit phaseout (MAGI): \$189,000 to \$199,000 (married filing jointly); \$120,000 to \$135,000 (single and heads of household); \$0 to \$10,000 (married filing separately).
- SEP minimum required compensation: \$600; compensation limit: \$275,000.