Hohmeier Malas LLC
CERTIFIED PUBLIC ACCOUNTANTS

The Tax Cuts & Job Act Bill

November 2017 Newsletter

As many of you know Congress is in the process of retooling our tax code. We have read the bill, and we wanted to address a few items that you should think about before the year end, IF the bill passes the Senate in its current form.

The Tax Reform Bill eliminates most of the middle class tax deductions. For individuals, there are a few good items in the bill, such as elimination of AMT and the slight adjustment of the tax brackets. To see a comparison of your new proposed tax rate and the old tax rate, click here.

Congress' goal is to simplify the tax code, but this removes incentives and important deductions that will affect the middle class. We want you to be prepared, and if possible do what you can to maximize your deductions this year, just in case it is signed into law. If it does not pass, then you will only have prepaid some bills this year, no harm done.

A few of the key items in the Tax Cuts & Job Act bill and what you can do in 2017:

- If you have an HSA (Health Savings Account), you may want to put in the maximum amount you can this year. $3,400 for single, and $6,570 for families. In the proposed bill, this deduction is eliminated.
- **Student Loan Interest –** if you are currently able to deduct student loan interest, you may want to make sure you pay in the maximum amount of interest you can deduct this year, which is $2,500 per tax return. In the proposed bill, this deduction is eliminated.
- **Medical Expenses –** if you are currently able to deduct medical expenses on your Schedule A, you may want to pay your bills or finish any disability construction (ramps, elevators, etc) this year. In the proposed bill, this deduction is eliminated.
- In the proposed bill property tax is capped at $10,000 per year. If you currently itemize on Schedule A, and your property tax is above $10,000 per year, you may want to think about pre-paying a portion of your tax bill before December 31, 2017 in order to maximize the deduction this year. You can read how to do this here.
- **Unreimbursed job expenses –** if you currently are able to take unreimbursed job expenses on form 2106 in your tax return, you may want to maximize your expenses this year. In the proposed bill this deduction is eliminated.
- **Dependent Care Credit –** if you currently use this credit, think about paying ahead for 2018 to get your maximum benefit. To receive maximum benefits pay at least $3,000 for one child or $6,000 for two or more. Remember, day camps, summer camps, and specialized camps, such as basketball camps qualify. In the proposed bill, this deduction is eliminated. If you have access to a Dependent Care FSA at work, consider signing up for the $5,000 pre-tax benefit to save on your taxes. At present time, Congress is considering preserving this employer based benefit.
- **Sale of the home –** there is really no action plan for this one, but in the bill you will have to live in your home for 5 out of 8 years before you sell it in order to suppress any gain. Currently, it is 2 out of 5 years. This is just food for thought if you are looking at moving.

There are a lot of IF's in this bill, but we want you to be as prepared as possible. Again, it may not be signed into law, but if it does we want you to take advantage of as many deductions as you can this year!

We will keep following this pending and changing tax bill, and will keep you informed. If you have any questions, please feel free to call or email us!

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November Tax Tip

Estimate your taxes under the new Tax Cuts & Jobs Act bill so you are better prepared for next year! We are here to help, so please call us if you need assistance!