

April 2018 TaxInsight



Tax Updates and Changes

As you know, the *Tax Cuts and Jobs Act* passed in December, and then a budget deal passed in February. These acts make certain changes that may affect your 2017 taxes. If any of the following apply to you, come see me to amend your return!

First, if you had cancellation of debt income in 2017 from the discharge of qualified personal residence indebtedness, you may be able to exclude this income. You can exclude income from the canceled debt even if you are not insolvent or bankrupt.

Next, if you purchased your house recently, and your down payment was less than 20% of the purchase price, you may be paying private mortgage insurance (PMI). In prior years, you were able to deduct this as mortgage interest if you itemized. This deduction expired for 2017. However, the new budget bill retroactively extends the deduction for PMI.

Another extended provision is the above-the-line deduction for qualified tuition and related expenses. This deduction is available again, and can be up to \$4,000. If you did not take the American Opportunity Credit or Lifetime Learning Credit, you may be able to take a deduction, even if you do not itemize.

Going forward, there are a couple of changes that you should be aware of. First, the *Tax Cuts and Jobs Act* changes the way certain amounts are indexed

for inflation. One common amount that changed is the family maximum HSA contribution limit. It has decreased from \$6,900 to \$6,850 for 2018. Be aware, so that you do not contribute more than you're allowed. The self-only contribution limit has not changed.

Finally, the budget deal has a requirement that the IRS create a simplified tax return for taxpayers who are age 65 or older. This form will be called Form 1040-SR. It will be similar to the 1040-EZ, but won't have the same restrictions on the amount and types of income that can be reported. These forms will be used starting in 2019.

Important Tax Deadlines

- April 17 – Individual Returns, unless extended
- May 15 – Exempt Organization Returns, unless extended

Did You Know?

The new Form W-4, *Employee's Withholding Allowance Certificate*, is available. Now is a good time to make sure your withholding amounts are correct, so you don't have a surprise (either good or bad) next year when you get your taxes prepared. The IRS Withholding Calculator at www.irs.gov can help you identify your tax withholding to make sure you have the right amount of tax withheld from your paycheck at work.

Quote Corner

When asked to describe her idea of a perfect date, Cheryl, Miss Rhode Island in the movie "Miss Congeniality," responded, "That's a tough one. I'd have to say April 25th, because it's not too hot, not too cold. All you need is a light jacket."