

James A. Beal IV, CPA, CFP®
Debra C. Yonz, CPA
James S. Rivers III, CPA, CFP®
Larry G. Taylor, CPA

**BYRT CPAs,
LLC**
Certified Public Accountants



byrt@byrt.com

1 BYRT Way
Alma, GA 31510
Phone: 912-632-7171
Fax: 912-632-6663

722 S. Main Street
Baxley, GA 31513
Phone: 912-367-9888
Fax: 912-367-0116

105 East Dame Avenue
Homerville, GA 31634
Phone: 912-487-5414
Fax: 912-487-5314

102 Lee Avenue
Waycross, GA 31501
Phone: 912-283-8889
Fax: 912-283-1971

2018 Tax Reform – Changes to Itemized Deductions

Dear Client,

In December 2017 the Tax Cuts and Jobs Act (TCJA) was passed, the largest tax overhaul in 30 years. See below for a detailed explanation of how itemized deductions are changing for the 2018 tax year.

Miscellaneous Itemized Deductions

Before the changes were effective, individuals were permitted to claim the following deductions as itemized deductions if they exceeded 2% of their adjusted gross income.

- (1) Unreimbursed Employee Expenses for W-2 employees including:
 - Job Travel
 - Union Dues
 - Unreimbursed Job Education
 - Unreimbursed Tools
 - Home Office used exclusively for business
- (2) Tax Preparation Fees
- (3) Safe Deposit box rental fee
- (4) Investment Expenses

Under the new law these deductions are eliminated for W-2 employees. Any of the above-mentioned expenses related to a farm/rental property/self-owned business are still deductible – so you will want to be sure to allocate any tax preparation fees/legal fees/mileage/investment expenses to an applicable business if possible.

This limitation only applies to W-2 employees – if you are paid with a 1099 you will still be able to deduct related business expenses. If you are a W-2 employee who typically incurs significant business expenses (that are not reimbursed) you may want to ask your employer about adjusting compensation or establishing an accountable reimbursement plan that would allow the employer to reimburse you tax-free while also taking a deduction against their business income.

2018 Tax Reform – Deductible Taxes

Before the changes were effective, individuals were permitted to claim the following types of taxes as itemized deductions, even if they were not business related:

- (1) State and Local Taxes (you could elect sales tax if it was greater)
- (2) Real Property Taxes (taxes on your home/land)
- (3) Personal Property Taxes (ad valorem tax that you pay annually on vehicles or any other personal property)

Under the new law, for tax years 2018 through 2025, total tax allowed for itemized deduction is limited to \$10,000 for both single & married taxpayers (\$5,000 for married filing separately). This means if the total of the three types of taxes listed above exceed \$10,000 the excess taxes paid will be non-deductible. Our system shows that in previous years you were close or exceeded the \$10,000 tax deduction; we wanted you to be aware of this change and avoid surprises when you file your 2018 taxes.

Unfortunately there isn't much you can do to avoid this limitation – it applies to all taxpayers and there are no exceptions but we have a few planning tips to make sure you get the maximum tax deduction possible:

- Only pay one year of real estate taxes each year (don't pay real estate taxes for one year in January and the next year in November).
- Take advantage of a Georgia Tax Credit – these reduce your Georgia tax and count as charitable contributions. The two most common are the GA GOALS Scholarship Program & Rural Hospital Tax Credit. If you are interested in either of these programs please contact our office.

I hope this information helps you understand these changes. Please call us if you wish to discuss how this change or any of the many other changes in the TCJA could affect your particular tax situation.

Very truly yours,

BYRT CPAs, LLC