



Hohmeier Malas LLC  
CERTIFIED PUBLIC ACCOUNTANTS

## Tax Update and Strategy

November 2018 Newsletter

We hope all of you had a wonderful Thanksgiving! The New Year is almost here and tax season will be quick to follow. We wanted to point out some new strategies and provide an update on any tax changes. It is very possible that the tax code will continue to change, but we promise to keep you updated.

- **Qualified Charitable Distributions** are charitable contributions made from a qualified retirement plan directly to a charitable organization. This can benefit a taxpayer in a couple different ways. First and foremost, the IRA distribution that is directly donated would not be taxable. This could benefit a taxpayer that must take required minimum distributions every year, and that generally donates to a single charitable organization an amount that meet or exceeds their requirement minimum distribution. This is also beneficial way to gain a tax benefit on charitable donations even if you can't itemize. It will be much harder in 2018 for married taxpayers to itemize. The standard deduction is going up to \$24,000, with taxes (real estate and State) capped at \$10,000. This means that charitable donations plus mortgage interest must exceed \$14,000 for it to be beneficial to itemize. Some additional rules:
  - Distribution should be made from an IRA (simplified employee pension plans (SEP) or savings incentive match plans (SIMPLE) do not qualify
  - IRA owners must be at least 70 ½
  - Up to \$100,000 can be donated from an IRA to an eligible charitable organization 501(c)(3)
  - Documentation from the charity confirming the donation should be obtained
- **ACA individual Mandate** requires that individuals be covered by health insurance that provides minimum essential coverage. This is still in effect for 2018. Penalties for not having insurance are \$695 per adult with a maximum of \$2,085 per family. The mandate will still be in effect for 2019, but the tax will be zero. This means that starting in 2019, individuals will not face a penalty if they are not covered by insurance and do not have minimum essential coverage.
- **Alimony** has been deductible from income by the individual paying alimony and taxable to the person receiving. The Tax Cuts and Jobs Act permanently repeals this and does not allow for a deduction for the payer and taxation to the payee in the following situations:
  - Divorce agreements executed after 12/31/18
  - Agreements made before 2019 and modified after 12/31/18, if the agreement states that the tax and jobs act repeal applies
- **Moving Expenses** are no longer deductible and reimbursement for qualified moving expenses from an employer are now taxable. There is an exception for active duty members of the Armed Services.
- **Marriage penalty** is when couples getting married have a higher tax rate than when they filed single. The Tax Cuts and Jobs Act pushes the marriage penalty all the way up to the 35% tax bracket (\$400,000 and higher) meaning fewer married couples will be subject to a higher tax rate because of marriage.



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### November Tax Tip

**Bundling Donations.** With the higher standard deduction for taxpayers, it will be increasingly harder to itemize deductions. One strategy that would work is to make all your donations every other year. For example, if you normally donate \$4,000 a year to charity, save that money and donate it the next year so that you are now donating \$8,000, then continue to do this every other year. This may help you to itemize every other year.

