

2019

WHAT'S NEW IN TAXES FOR 2019

by Robert D Flach
the internet's [Wandering Tax Pro](#)

Here are the inflation-adjusted and COLA numbers for tax year 2018 for use in Form 1040 tax planning and preparation. I do not include information for business activities.

THE STANDARD DEDUCTION

- Single and Married Filing Separate = \$12,200
- Married Filing Joint and Qualifying Widow(er) = \$24,400
- Head of Household = \$18,350

The Standard Deduction for a dependent is the greater of (1) \$1,100, or (2) the sum of \$350 and the individual's earned income (not to exceed \$12,200).

The additional Standard Deduction amount for the age 65 or older or blind is \$1,300 for married individuals and \$1,650 for Single and Head of Household.

PERSONAL EXEMPTION AMOUNT

There is no longer a personal exemption deduction. However, the amount of the gross income limitation for determining if a person is a qualifying relative is \$4,200.

ALIMONY

Alimony payments required by divorce or separation decrees or agreements executed after December 31, 2018 are not deductible, and alimony received resulting from divorce or separation decrees or agreements executed after December 31, 2018 is not included in taxable income. Taxpayers divorced before December 31, 2018 will continue to deduct or report alimony payments.

CONTRIBUTION LIMITS FOR TAX-DEFERRED PENSION PLANS - (no changes from 2016)

- IRA = \$6,000
- IRA Catch-Up Contributions at age 50 and older = \$1,000
- SIMPLE Plan = \$13,000
- SIMPLE Catch-Up Contributions at age 50 and older = \$3,000
- 401(k), 403(b), 457, and federal Thrift Savings Plan = \$19,000
- 401(k), 403(b), 457, and federal Thrift Savings Plan Catch-Up Contributions at age 50 and older = \$6,000
- Maximum contribution to a SEP or Solo401(k) plan = \$56,000. SEP and Solo401(k) contributions are based on a percentage of "compensation" or adjusted net earnings from self-employment.

The AGI phase-out range for contributions to a traditional IRA by taxpayers who are active participants in an employer retirement plan are -

- \$ 64,000 - \$74,000 = Single and Head of Household
- \$103,000 - \$123,000 = Married Filing Joint and Qualifying Widow(er)
- \$0 - \$10,000 = Married Filing Separate

The deduction on a joint return for a spouse that is not an active participant in an employer plan, but who is married to one who is, phases out at AGI of \$193,000 to \$203,000.

The AGI phase-out range for taxpayers making contributions to a Roth IRA is -

\$122,000 - \$137,000 = Single and Head of Household
 \$193,000 - \$203,000 = Married Filing Joint and Qualifying Widow(er)
 \$0 - \$10,000 = Married Filing Separate

HEALTH CARE FLEXIBLE SPENDING ARRANGEMENT

The maximum amount that an employee can contribute to an employer-sponsored "pre-tax" Flexible Spending Arrangement (FSA) for health care expenses is \$2,700.

EDUCATOR EXPENSES

The adjustment to income for expenses paid by grade K-12 teachers, instructors, counselors, principals, and aides for books, supplies, computer hardware, software, and services, equipment, and supplementary materials is limited to \$250, or \$500 on joint returns if both spouse qualify.

STUDENT LOAN INTEREST

The deduction for student loan interest, capped at \$2,500, phases out at AGI between \$70,000 to \$85,000 for Single, Head of Household and Qualifying Widow(er) and \$140,000 to \$170,000 for Married Filing Joint. No deduction is allowed on a Married Filing Separate return.

MEDICAL DEDUCTIONS

Qualified medical expenses are deductible on Schedule A only to the extent that the total exceeds 10% of your Adjusted Gross Income (AGI).

LONG-TERM CARE INSURANCE PREMIUM AGE-BASED DEDUCTION LIMITS

- Age 40 or less = \$420
- Age 41-50 = \$790
- Age 51-60 = \$1,580
- Age 61-70 = \$4,220
- Age 71 + older = \$5,270

TAXES

Property taxes, personal property taxes, and state and local income taxes or sales taxes paid are deductible up to a combined maximum of \$10,000, OR \$5,000 if married filing separately. Foreign property taxes are not deductible.

MORTGAGE INTEREST

Interest on acquisition debt (to buy, build or substantially improve the property) up to \$750,000 incurred after December 15, 2017 is deductible on 2 personal residences. Interest on "old" acquisition debt of up to \$1 Million in principle is grandfathered. The \$1 Million principle limitation also applies to mortgage loans in place before December 15, 2017 that are subsequently refinanced, as long as the principle of the new refinanced debt does not exceed the principle balance of the loan being refinanced. Interest on home equity debt is not deductible. There is no grandfathering of existing home equity debt.

TAX RATE SCHEDULES

Tax Rate	Single	Head of Household	Married Filing Jointly or Surviving Spouse	Married Filing Separately
10%	Up to \$9,700	Up to \$13,850	Up to \$19,400	Up to \$9,700
12%	\$9,701 to \$39,475	\$13,851 to \$52,850	\$19,401 to \$78,950	\$9,701 to \$39,475
22%	\$39,476 to \$84,200	\$52,851 to \$84,200	\$78,951 to \$168,400	\$39,476 to \$84,200
24%	\$84,201 to \$160,725	\$84,201 to \$160,700	\$168,401 to \$321,450	\$84,201 to \$160,725
32%	\$160,726 to \$204,100	\$160,701 to \$204,100	\$321,451 to \$408,200	\$160,726 to \$204,100
35%	\$204,101 to \$510,300	\$204,101 to \$510,300	\$408,201 to \$612,350	\$204,101 to \$306,175
37%	\$510,301 or more	\$510,301 or more	\$612,351 or more	\$306,176 or more

QUALIFIED DIVIDENDS AND LONG-TERM CAPITAL GAINS TAX RATES

The lower capital gain rates continue to be applied under the income brackets from the "old" law, as adjusted annually for inflation. Taxpayers in the former 10 and 15 percent tax brackets pay 0 percent, or no tax; taxpayers in the 25, 28, 33, and 35 percent income tax brackets pay 15 percent; those in the top 39.6 percent bracket pay 20 percent. The Qualified Dividends and Capital Gains rates for 2019, based on net taxable income, are –

Rate	Single Taxpayers	Married Filing Joint	Head of Household	Married Filing Separate
0%	Up to \$39,375	Up to \$78,750	Up to \$52,750	Up to \$39,375
15%	\$39,376-\$434,550	\$78,751-\$488,850	\$52,751-\$461,700	\$39,376-\$244,425
20%	Over \$434,550	Over \$488,850	Over \$461,700	Over \$244.425

CHILD TAX CREDIT AND OTHER DEPENDENT CREDIT

The child tax credit is \$2,000 per qualifying child, with \$1,400 refundable. A credit of \$500 is allowed for each dependent who is not a qualifying child. These credits will begin to phase out at AGI of 200,000 for Single and Head of Household and \$400,000 for Married Filing Joint and Qualifying Widow(er).

THE RETIREMENT SAVINGS CONTRIBUTIONS CREDIT

Amount of Credit	Married Filing Joint	Head of Household	Single/Separate
50% of first \$2,000	\$0 - \$38,500	\$0 - \$28,875	\$0 - \$19,250
20% of first \$2,000	\$38,501 - \$41,500	\$28,876 - \$31,125	\$19,251 - \$20,750
10% of first \$2,000	41,501 - \$64,000	\$31,126 - \$48,000	\$20,751 - \$32,000

LIFETIME LEARNING CREDIT

The AGI phase-out range for taxpayers claiming a Lifetime Learning Credit is \$58,000 to \$68,000 for Single, Head of Household and Qualifying Widow(er) and \$116,000 to \$136,000 for Married Filing Joint. No credit is allowed on a Married Filing Separate return.

SAVINGS BOND INTEREST EXCLUSION FOR EDUCATION COSTS

The exclusion for interest earned on US Savings Bonds used for higher education expenses is phased out for AGIs of \$81,100 to \$96,100 for single filers (includes Head of Household and Married Filing Separate filers) and \$121,600 to \$151,600 for joint filers and Qualified Widow(ers).

THE STANDARD MILEAGE ALLOWANCE

Effective January 1, 2019, the standard mileage rates are –

- 58 cents per mile for business miles
- 20 cents per mile for medical or moving purposes
- 14 cents per mile in service of charitable organizations

Employees can no longer deduct unreimbursed business mileage as an itemized deduction on Schedule A.

THE ALTERNATIVE MINIMUM TAX

The AMT exemption amount is –

- \$71,700 – Single and Head of Household
- \$111,700 - Married Filing Joint and Qualifying Widow(er)
- \$55,850 - Married Filing Separate

The AMT exemption is reduced as Alternative Minimum Taxable Income exceeds –

- \$500,000 – Single, Head of Household and Married Filing Separately
- \$1 MILLION – Married Filing Joint and Qualifying Widow(er)

The 28% AMT tax rate kicks in at AMT net taxable income (after deducting the exemption allowed) of \$194,800, or \$97,400 for a married couple filing separately.

THE NET INVESTMENT INCOME TAX

The Net Investment Income Tax is 3.8% on the lesser of Modified Adjusted Gross Income (MAGI) in excess of the threshold amount for your filing status or net investment income.

Net Investment Income includes taxable interest, dividends, net capital gains, annuities, royalties, net rental income, and other passive income less deductible penalties on early withdrawal of savings, state income taxes on the investment income, investment interest, and miscellaneous investment expenses.

The MAGI threshold amounts are:

Married Filing Jointly or Qualifying Widow(er) = \$250,000

Single or Head of Household = \$200,000

Married Filing Separately = \$125,000

If you are married filing a joint return and your MAGI is \$260,000 and net investment income is \$7,000 you pay the surtax on \$7,000. If net investment income is \$12,000 you pay the surtax on \$10,000.

THE MEDICARE SURTAX

An additional 0.9% Medicare Tax is assessed on wages and self-employment income in excess of the following amounts:

Married Filing Jointly or Qualifying Widow(er) = \$250,000

Single or Head of Household = \$200,000

Married Filing Separately = \$125,000

The additional 0.9% Medicare Tax may or may not be withheld from your wages by your employer. If it is it is treated on the Form 1040 as additional income tax withholding.

FOREIGN EARNED INCOME

The foreign earned income exclusion is \$105,900.

KIDDIE TAX

The taxable income of a child attributable to earned income and up to \$2,200 of net unearned income is taxed under the rates for single individuals. The taxable income of a child attributable to net unearned income in excess of \$2,200 is taxed according to the brackets applicable to trusts and estates.

The 2019 Tax Rate Schedule for Trusts and Estates are -

For Taxable Income of:	The Tax Due is:
\$0 - \$2,600	10%
\$2,601 - \$9,300	\$260 plus 24% of amount over \$2,600
\$9,301 - \$12,750	\$1,868 plus 35% of the amount over \$9,300
\$12,751 +	\$3,075.50 plus 37% of the amount over \$12,750

SOCIAL SECURITY WAGE BASE

The wage base for computing the Social Security component of the FICA tax is \$132,900. The maximum withholding for Social Security tax is \$8,239.80.

The self-employment tax imposed on self-employed people is 12.4% Social Security tax on the first \$132,900 of self-employment income, for a maximum of \$16,479.60, plus 2.9% Medicare tax on the all self-employment income.

ESTATE AND GIFT TAX

The annual gift tax exclusion is \$15,000 per person.

The estate tax exemption, also known as the unified credit, is \$11,400,000.

THE SHAFT

I am not talking about what the government gives taxpayers. The "shaft tax" imposed on the first sale by the manufacturer, producer, or importer of any shaft of a type used in the manufacture of certain arrows is 52 cents per shaft.

{NOTE: The numbers for Standard Mileage Allowance were not available as of this first printing. An updated version will be printed when the information is available.}

*If you have any questions about the information provided herein please consult your, or a, tax professional. You can begin your search for a tax professional at my website **[FIND A TAX PROFESSIONAL](#)**.*

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ABOUT THE AUTHOR - ROBERT D FLACH



Robert D. Flach has been preparing 1040s for individuals in all walks of life since 1972. He is "winding down" his tax practice and no longer accepts new clients.

Robert learned how to prepare 1040s the best way possible - by preparing 1040s. In 45+ years of preparing individual income tax returns he has never used tax preparation software. He prepares about 250 sets of returns each year manually.

Robert has been writing the popular tax blog THE WANDERING TAX PRO (<http://wanderingtaxpro.blogspot.com>) since the summer of 2001. He has also written articles and commentary for MEDIA FEED (<https://mediafeed.org/author/robert-d-flach>), for TAXPRO TODAY (<https://www.accountingtoday.com/author/robert-d-flach>) and for the financial portal THE STREET (<https://www.thestreet.com/author/1291389/robert-flach/all.html>)

He has created the websites A TAX PROFESSIONAL FOR TAX REFORM (<http://taxprosfortaxreform-com.webs.com>), and FIND A TAX PROFESSIONAL (<http://www.findataxprofessional.com>) as well as the special Facebook members-only group THE NATIONAL TAX PLANNING NETWORK (<https://robertdflach.blogspot.com/p/the-national-tax-planning-network.html>).

Robert has written several books and reports on tax planning and preparation and created compilations of original forms, schedules and worksheets for the average middle-class taxpayer and tax professionals. His books include "THE GOP TAX ACT AND THE NEW 1040", "TAX SMARTS", "THE JOY OF AVOIDING NEW JERSEY TAXES" and "SO YOU WANT TO BE A TAX PREPARER". You can learn more about these at <http://robertdflach.blogspot.com>. Some of his writings are available as e-books for reading on Kindle at Amazon. Check out his Amazon Author Page at <http://amazon.com/author/roberflach>.