McCullough & ASSOCIATES, LLC

Certified Public Accountants and Wealth Management Group

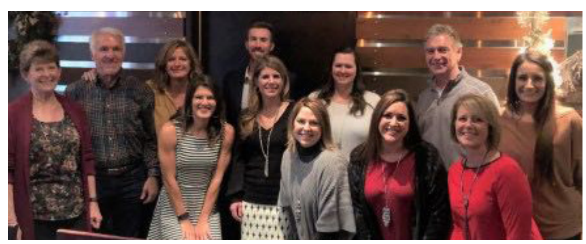
WINTER 2019

Tax Cuts and Jobs Act of 2017

The Tax Cuts and Jobs Act of 2017 (TCJA) eliminated or made changes to MANY tax provisions that will affect both the 2018 and 2019 tax years. Below is a comparison between the old law and new law for some of the major components so you can get ready for the upcoming tax season.

	Old Law	New Law
Alimony	The taxpayer paying alimony or maintenance could deduct these payments from their income. The taxpayer receiving the money included these payments as income.	For divorce or separation agreements entered into after Jan 1, 2019, the payor will not get to deduct alimony payments, and the recipient does not claim the payments as income.
ACA Mandate	Taxpayers who did not purchase health insurance, owed a penalty based on income.	Beginning Jan 1, 2019, taxpayers who choose not to purchase health insurance will no longer be charged a penalty.
Child Tax Credit	$1,000 per qualifying child under the age of 17. (was phased out starting at $110,000 for MFJ).	The credit doubles to $2,000 per qualifying child. (will be phased out starting at $200,000 for MFJ).
Gains on Personal Residences	Taxpayers could exclude up to $250,000 in gains made when selling a primary residence if they had lived there for two out of the last five years.	Taxpayers can still exclude gains of $250,000, but they have to have lived in the home five of the last eight years. This is effective Jan 1, 2018.
Personal Exemptions	In 2017, taxpayers could deduct $4,050 from their adjusted gross to reduce their tax burden.	In 2018, personal exemptions have been suspended through 2025.
Standard Deductions	Taxpayers took the standard deduction when they did not have enough expenses to itemize. In 2017, the standard deduction was $6,350 for single taxpayers and $12,700 for married couples who filed jointly.	Effective Jan 1, 2018, the standard deductions nearly doubled. In 2018, the standard deduction is $12,000 for single taxpayers and $24,000 for married couples who file jointly.
State and Local Tax Deduction	Taxpayers could include state and local property, income and sales tax as itemized deductions.	For years 2018-2025, taxpayers are now limited to only claiming a combined $10,000 in state and local property, income and sales taxes as itemized deductions.

A new year and a new tax season are upon us! Our team of tax, accounting, and wealth management professionals are ready to assist you with all aspects of your financial management. Our hope is that this newsletter will help educate you on some of the recent changes to the tax laws as well as changes that might affect your wealth management planning. As always, our team is standing by should you have any questions.



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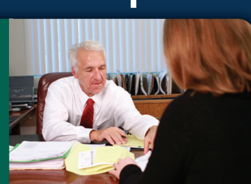
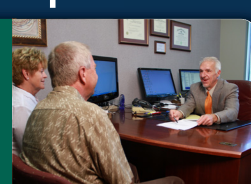
And Tips to Help You With:

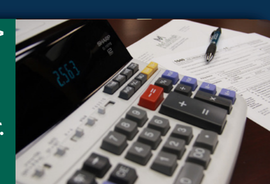
Taxes



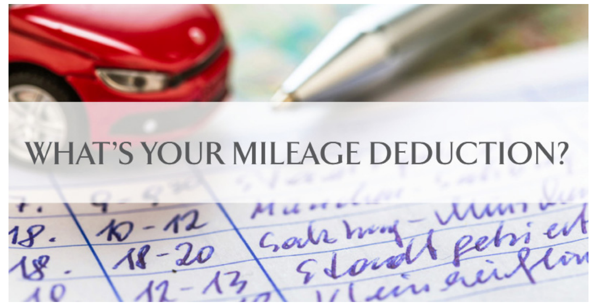
Investments



Accounting



2019 Standard Mileage Rates

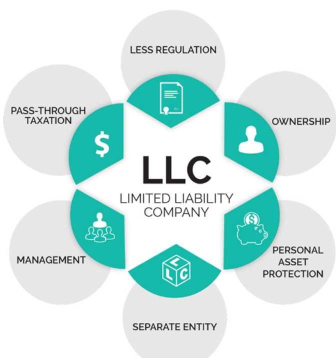


Are you using your personal vehicle for your small business, farm, or in service of a charitable organization? You could be eligible for a mileage deduction. The IRS has issued the new standard mileage rates for 2019. They are as follows:

- **58 cents per mile driven for business use, up 3.5 cent from the rate for 2018**
- **20 cents per mile driven for medical or moving purposes, up 2 cents from the rate for 2018**
- **14 cents per mile driven in service of charitable organization unchanged from 2018**

As always, documentation is required for all mileage expenses. Records must include the amount of the expense, date and place it was incurred, and an acceptable business purpose. Examples of records include receipts, canceled checks and mileage logs.

Structuring a Limited Liability Company - Keeping Entities Separate

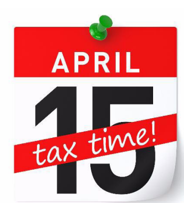


When starting a business there are several different ways the entity can be structured. If you choose to use a limited liability company to get the benefits of protection against liability, you need to make sure you respect the structure of the entity by keeping it separate from you personally as well as from other limited liability companies you may own. Both income and expenses need to be deposited in an account that is in the name of the respective LLC. The LLC will also need to maintain its own insurance policies as a separate entity.

For example, if using an LLC for rental property you need to make sure any deeds and leases are in the name of the LLC and signed by an authorized representative of the LLC. All rental checks should be made out to the LLC and any expenses should be paid by the LLC. If there are insufficient funds to pay the expenses and the owner (technically a "member" of the LLC) plans to pay them, they should make a capital contribution or a loan to the LLC's account which would then have sufficient funds to pay the expenses.

You will also want to make sure that minutes are kept that reflect approval of loans, establishing bank accounts, and authorization of persons entering agreements and contracts. These are all important aspects of respecting the structure you choose for your entity and help to ensure that you maintain your limited liability.

Deadline for 2018 IRA and 529 Plan Contributions



The past few years we have seen an extended tax filing period due to April 15th falling on a weekend or holiday. However, this year we are back to the traditional tax filing deadline date of April 15th. This is also an important date if you have not made your 2018 IRA, 529, or HSA contribution yet. You have until April 15, 2019 to make your contribution and it still be deductible for the 2018 tax year.

The 2018 contribution limit for Traditional IRAs and Roth IRAs is $5,500 ($6,500 if over the age of 50 by December 31, 2018). The maximum deduction on your Missouri income tax return for a 529 Plan contribution is $8,000 (Single) or $16,000 (Married Filing Jointly), however, you may contribute more if needed as long as you stay within the contribution limitations. If you need assistance in setting up or funding an IRA, Roth IRA, or 529 College Savings Plan, please contact our office and we will be glad to discuss those options with you. If you have a Health Savings Account (HSA) and qualify, you can also fund it up until April 15, 2018.

2019 Retirement Plan Contribution Limits

Some of the retirement contribution limits for 2019 have increased while others have remained the same. Here is a quick summary of the contribution limits for 2019.

- 401(k), 403(b), most 457 plans, and Thrift Savings Plan - $19,000 | Catch-up* - $6,000
- SEP IRA and Solo 401(k) - $56,000
- SIMPLE IRA - $13,000 | Catch-up* - $3,000
- Individual Retirement Accounts (IRA) - $6,000 | Catch-up* - $1,000
- Roth IRA - $6,000 | Catch-up* - $1,000

*Catch-up contributions apply to individuals age 50 or older, even if you turn 50 on December 31, 2019

If you earn too much to open a Roth IRA due to the IRS phase out rules, you can open a non-deductible IRA and convert it to a Roth IRA as congress lifted any income restrictions for Roth IRA conversions. To learn more about the "backdoor Roth", please contact our office.

2018 Federal Income Tax Brackets & Capital Gains Tax Rates

As a result of the Tax Cuts and Jobs Act of 2017 that was signed into law on December 22, 2017, you will notice a change in the individual tax brackets when your 2018 tax return is filed. Here is a chart that summarizes those new brackets.

If Taxable Income Is				Federal Income Tax	Capital Gains Tax
Over	But Not >	Over	But Not >		
Single		Married Filing Jointly (MFJ)			
$0	$9,525	$0	$19,050	10%	0% if taxable income is below $38,600 (single) or $77,200 (MFJ)
$9,525	$38,700	$19,050	$77,400	12%	
$38,700	$82,500	$77,400	$165,000	22%	15% if taxable income is $38,600 and up to $425,800 (single) or over $77,200 and up to $479,000 (MFJ)
$82,500	$157,500	$165,000	$315,000	24%	
$157,500	$200,000	$315,000	$400,000	32%	
$200,000	$500,000	$400,000	$600,000	35%	20% if taxable income is over $425,800 (Single) or $479,000 (MFJ)
$500,000	-	$600,000	-	37%	

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- Tax Planning & Preparation
- Business Accounting Services
- Year-End Planning
- Cash Flow Projections
- Financial Statement Preparation
- Payroll Services including Direct Deposit
- Investment Planning
- Retirement Planning
- Education Planning
- Insurance & Risk Management
- Employee Benefits
- Estate Planning

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