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President Donald Trump on Friday 12/22/17 signed into law H.R.1, known as the Tax Cuts and Jobs Act (the Act), which makes widespread changes to the Internal Revenue Code.

Without going into all the details of the new tax law, I wanted to alert you to a few action items you may want to consider **before the new year begins on 1/1/18:**

Below are what I suggest you could do “now” to take advantage of the current tax law and lessen the impact of changes for 2018 before 1/1/18. **Only consider these if you do not expect to have Alternative Minimum Taxes (AMT) for 2017** Pull out a copy of your 2016 Form 1040 and look at line 45 (Alternative Minimum Tax). If you were subject to the AMT for 2016 and your overall income and deductions are comparable for 2017, you are probably going to be hit with AMT again. Therefore, ignore all of the below action suggestions except #3. Charitable deductions are not effected by AMT.

In 2018, if you are eligible for the new standard deduction (as opposed to itemizing your deductions like you may have in 2016 and will in 2017), these suggestions are highly recommended. The 2018 standard deduction is doubling in 2018 (see below). Review your 2016 1040 line 40 and Schedule A to see if your itemized deductions are less than the new 2018 standard deductions.

These action items are over and above normal tax strategies I would suggest (see www.albertcpa.com for more information):

1. Pre-pay your residential (primary and non-rental property real estate taxes before 1/1/18 (normally due this Spring 2018). If you have your real estate taxes paid to escrow, this could be challenging and may not work for you. Do not prepay real estate taxes on your rental properties, just your residence/second/third homes. (In 2018, combined deductions for residential property taxes and state income taxes (local and state) is limited to \$10,000);
2. Pay your State of Colorado (or any other estimated state taxes) 2017 4th quarter estimated income tax before **1/1/18** (due 1/15/18). You may also pay any state taxes you expect to owe for 2017 that are due 4/16/18;
3. You may want to accelerate your 2018 charitable giving to 2017. The Act's decrease to the marginal tax rates and the doubling of the standard deduction means a charitable deduction claimed on a 2017 tax return will yield more tax

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savings than the identical deduction on future tax returns. If you expect your marginal tax rate to decrease, or if you itemize now but might not under the new law, consider doing this;

4. Pre-pay your January residential mortgage payment before 1/1/18 to get an extra interest deduction.

In the next several days, I will have more information emailed out and/or published on my website with tax strategies for 2018 (for individuals and businesses).

The impact of the bill from 2018 through 2025 on individual taxpayers include:

1. the top individual rate is 37%;
2. the individual AMT remains but with increased exemption amounts and increased phase-out levels;
3. the mortgage interest deduction limit is reduced to \$750,000 on **new** mortgages and no home equity loan interest deductibility;
4. individuals are allowed to deduct up to \$10,000 in total state and local taxes, which include income or sales tax plus property taxes;
5. the child tax credit is increased to \$2,000, with up to \$1,400 refundable;
6. medical expenses in excess of 7.5% of AGI are deductible in 2017 and 2018 and then 10% of AGI thereafter;
7. no personal exemptions deductible;
8. no moving expenses deductible;
9. no alimony taxable or deductible starting in 2019;
10. no miscellaneous itemized deductions; and
11. no phase-out of itemized deductions.

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Standard Deduction Amounts. As written, the standard deduction amounts will increase \$12,000 for individuals, \$18,000 for heads of household, and \$24,000 for married couples jointly and surviving spouses.

| Filing Status | Standard Deduction Amount |
|---|---------------------------|
| Single | \$12,000 |
| Married Filing Jointly & Surviving Spouse | \$24,000 |
| Married Filing Separately | \$12,000 |
| Head of Household | \$18,000 |

Please contact us at 303-683-7171 or galbert@albertcpa.com with any questions.

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