

2018 Standard Deductions, Exemptions & Credits

The **Tax Jobs and Cuts Act of 2017**, signed into law on December 22, 2017, creates a number of changes in tax deductions, exemptions, and credits for 2018.

Standard Deductions. The standard deduction for singles and married persons filing separate returns is \$12,000, up from \$6,350 in 2017. The deduction for married couples filing jointly and surviving spouses is \$24,000, up from \$12,700 in 2017. The deduction for head of household is \$18,000, up from \$9,350 in 2017.

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

Itemized Deductions. For high-income taxpayers who itemize their deductions, the Pease limitations, named after former Representative Don Pease (D-OH), previously capped or phased out certain deductions. For 2018, the Pease limitations do not apply.

Personal Exemptions. There will be no personal exemption amounts for 2018.

Family Related Tax Item Updates:

Earned Income Tax Credit (EITC). For 2018, the maximum EITC amount available is \$3,461 for taxpayers filing jointly with one child; \$5,716 for two children; \$6,431 for three or more children (up from \$6,143 in 2014) and \$519 for no children. Phaseouts are based on filing status and number of children and begin at \$8,490 for single taxpayers with no children and \$18,660 for single taxpayers with one or more children.

Child Tax Credit. The Child Tax Credit may be worth as much as \$2,000 per qualifying child depending on your income, and includes a refundable piece of up to \$1,400 per child. A refundable credit means that you can use the credit even if you do not owe any tax.

Kiddie Tax. For 2018, the threshold for the kiddie tax — meaning the amount of unearned net income that a child can take home without paying any federal income tax — is \$2,100.

Adoption Credit. For 2018, the credit allowed for an adoption of a child with special needs is \$13,810, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,810. Phaseouts do apply beginning at taxpayers with modified adjusted gross income (MAGI) in excess of \$207,140 and completely phased out for taxpayers with MAGI of \$247,140 or more.

[continued...]

Information gathered from irs.gov

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Education Related Updates:

American Opportunity Tax Credit ("AOTC"). Formerly known as the "Hope Scholarship Credit," the AOTC for 2018 will be an amount equal to 100% of qualified tuition and related expenses not in excess of \$2,000 plus 25% of those expenses in excess of \$2,000 but not in excess of \$4,000. That means that the maximum Hope Scholarship Credit allowable for 2018 is \$2,500. Income restrictions do apply and for 2018, those kick in for taxpayers with modified adjusted gross income (MAGI) in excess of \$80,000 (\$160,000 for a joint return).

Lifetime Learning Credit. As with the Hope Scholarship Credit, income restrictions apply to the Lifetime Learning Credit. For 2018, those restrictions begin with taxpayers with modified adjusted gross income (MAGI) in excess of \$56,000 (\$112,000 for a joint return).

Student Loan Interest Deduction. For 2018, the maximum amount that you can take as a deduction for interest paid on student loans remains at \$2,500. Phaseouts apply for taxpayers with modified adjusted gross income (MAGI) in excess of \$65,000 (\$135,000 for joint returns), and is completely phased out for taxpayers with modified adjusted gross income (MAGI) of \$80,000 or more (\$165,000 or more for joint returns).

Health Care and Fringe Benefit Updates:

Flexible Spending Accounts. The annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending accounts (FSA) edges up to \$2,650 for 2018 (up from \$2,600 in 2017).

High-Deductible Health Plans ("HDHP"). For 2018, the minimum annual deductible for an individual HDHP is \$1,350 (up from \$1,300 in 2017), and for a family HDHP is \$2,700 (up from \$2,600 in 2017). The contribution limits for a Health Savings Account ("HSA") for an individual is \$3,450 (up from \$3,400 in 2017), and for a family is \$6,900 (up from \$6,750 in 2017).

Qualified Transportation Fringe Benefit. For 2018, the monthly limitation for transportation in a commuter highway vehicle and any transit pass is \$260. The monthly limitation for qualified parking is \$260.

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