



Abstract: Tax laws have changed, and they are likely to affect you. Learn how you can take steps now to maximize your benefits under the new Tax Cuts and Jobs Act and protect against an unexpected tax bill or penalty next year.

Here's What You Need to Know About the New Tax Laws

In December 2017, the President signed the [Tax Cuts and Jobs Act](#), the most [sweeping tax-reform legislation](#) in more than 30 years. Most changes will apply to the general public, but some have special implications for the military community. Even within the military community the changes will not have the same impact on everyone. It is important to know your circumstances and adapt to the reforms in a way that reflects your finances and lifestyle.

Key Reforms

Picture your financial and personal events over the last year. Maybe you are looking forward to having your first child. Maybe the ink just dried on the paperwork for your new home! Take a look at these key reforms and see if they will affect your spending and family circumstances:

- **Standard deduction:** The standard deduction is increasing to \$12,000 for singles or those who are married but filing separately, \$24,000 for those who are married and filing jointly, and \$18,000 for those who file as head of household.
- **Personal exemption deduction:** For 2018, you can't claim a personal exemption deduction for yourself, your spouse or your dependents. This may

impact decisions on the itemized deductions and dependents you claim on your tax return.

- **Itemized deductions:** For 2018, the following changes have been made to itemized deductions that taxpayers can claim on Schedule A:
 - Your **itemized deductions** are no longer limited if your adjusted gross income is over a certain amount.
 - You can deduct the part of your **medical and dental expenses** that is more than 7.5 percent of your adjusted gross income.
 - Your deduction of **state and local income, sales and property taxes** is limited to a combined, total deduction of \$10,000 (\$5,000 if married filing separately). As a military member, your state of legal residence and the state where you own a home will determine how much this change impacts you.
 - Under the new rules, **unreimbursed business expenses**, including auto, travel, meals and entertainment and home office expenses, are no longer itemized deductions.
 - For debt incurred after Dec. 15, 2017, the deduction for **home mortgage interest** is limited to interest on up to \$750,000 (\$375,000 if you are a married taxpayer filing a separate return) of home-acquisition debt. This new limit doesn't apply if you had a binding contract to close on a home after Dec. 15, 2017, and closed on or before April 1, 2018. The prior limit would apply in that case.
 - Beginning in 2018, you cannot deduct interest on a **home equity loan or line of credit** unless it's for buying, building, or making substantial improvements to your home.
 - The limit on **charitable contributions of cash** has increased from 50 percent to 60 percent of your adjusted gross income.
- **Child tax credit:** For 2018, the maximum credit increases to \$2,000 per qualifying child. The maximum additional child tax credit increases to \$1,400. In addition, the income threshold at which the credit begins to phase out is increased to \$200,000 (\$400,000 if married filing jointly).
- **Credit for other dependents:** A new credit of up to \$500 is available for each of your dependents, such as an adult child with a disability or aged parent, who does not qualify for the child tax credit. In addition, the maximum income threshold at which the credit begins to phase out is increased to \$200,000 (\$400,000 if married filing jointly).
- **Education:** As a result of the new tax codes, you can use funds from your 529 education savings plan to [pay for private K-12 educational expenses](#) at secondary public, private or religious schools with a limit of \$10,000 per student per year. Although federal rules now allow you to use 529 plans for

pre-college expenses, check with your plan sponsor to be sure they are also making the change.

- **Reserve Service members:** Reserve Service members will now be able to deduct unreimbursed travel expenses to attend drill duty *only* if it takes place more than 100 miles away from home.
- **Moving expenses:** Members of the Armed Forces can still deduct moving expenses as long as the move is part of an authorized permanent change of station (PCS). If you're voluntarily moving, you will join most other taxpayers in no longer being able to deduct moving expenses from your taxes.
- **Deployments to the Sinai Peninsula:** If you previously served in the newly-designated combat zone, you may qualify for [retroactive tax benefits](#). If so, you'll need to submit an amended tax return ([Form 1040X](#)) for the year in which you were there, dating to 2015. You generally have three years from the date you filed your previous tax return to claim the refund.
- **Alimony or maintenance payments:** Beginning in 2019, if you make alimony or maintenance payments you will no longer be able to deduct them from your taxable income and the recipient will no longer have to claim the payments as income. This goes into effect for any divorce or separation agreement signed or modified after Dec. 31, 2018.
- **Estate tax exemption:** The estate tax exemption has doubled and is now at \$11.2 million, so an estate valued at less than the new threshold will not be taxed when the owner dies.
- **Investment fees:** You can no longer deduct investment fees from taxes. If a major part of your financial strategy includes investments, and you have substantial investor fees, you will be paying more in taxes.

How to prepare for the upcoming tax season

Protect your finances by withholding enough to avoid paying additional taxes when you file. Ask yourself the following questions to see if you need to update your withholding selections:

- Are you a two-income family?
- Do you work two or more jobs at the same time or work only part of the year?
- Do you claim credits such as the child tax credit?
- Do you claim older dependents, including children 17 or over?
- Did you itemize deductions in 2017?
- Do you have a high income and historically complex tax returns?
- Did you have a large tax refund or large tax bill in 2017?

If you answered yes to any of these questions, consider updating your [Form W-4, Employee's Withholding Allowance Certificate](#), with your employer as soon as possible.

Available Resources

- You have accredited [Personal Financial Managers](#) and [Counselors](#) at your fingertips. Set up a no-cost appointment at your nearest Family Center to learn more about how the tax law changes impact your financial goals.
- The Internal Revenue Service (IRS) provides a useful [Withholding Calculator](#) to help you determine whether you or your spouse need to make adjustments.
- The IRS often changes and updates tax forms. Always check the [IRS website](#) for the most up-to-date tax forms before planning or preparing your taxes.
- Tax preparation for the military community is available through the Volunteer Income Tax Assistance (VITA) program and Military OneSource. Locate the [VITA site](#) nearest to you.

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