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Year-End Tax Planning: It's a Whole New Ballgame

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When the Tax Cuts and Jobs Act was passed in December 2017, it enacted a slew of changes to the U.S. tax code, affecting taxpayers in every bracket. In December's Wealth Management Insights, we look at changes to tax rates and deductions you should be aware of as you start to think about your own plans.

For a more in-depth look at how the Tax Cuts and Jobs Act impacts taxpayers in 2018, be sure to visit our tax reform page at **rwbaird.com/taxreform**.

What you should know:

1. **Under the Tax Cuts and Jobs Act, taxpayers will generally have fewer deductions available to them, resulting in more income subject to tax.**

- Many common itemized deductions – including state and local taxes, home equity interest and a variety of "miscellaneous deductions" – have been capped or outright eliminated.
- That said, other deductions, including those for medical expenses and charitable contributions, have been expanded, at least temporarily.
- The standard deduction, which is used by most tax filers, has nearly doubled for all taxpayers.

2. **While taxpayers may have lost several common deductions, the Tax Cuts and Jobs Act also included other changes that will lower most people's overall liability.**

- The tax rates that apply to nearly all ranges of income have been reduced from the 2017 levels.
- Many of the items that historically triggered the alternative minimum tax have been changed in a way that will keep most taxpayers from having to pay this extra tax.
- The child credit has been doubled to $2,000 – plus more taxpayers will qualify for this credit thanks to a big increase in the qualifying income threshold.

3. There are a few other key points of the Tax Cuts and Jobs Act that taxpayers should be aware of.

- The act repealed the Pease limitation, which phased out itemized deductions for high-income taxpayers.
- The personal exemption, a $4,050 deduction you could claim for yourself and each of your dependents, has essentially been eliminated.
- The "kiddie tax" – the tax applied to non-wage income for children under 18 – will now be based on the trust tax rate, which could result in a tax break for kids of parents in higher brackets.

What you should do now:

In addition to getting your 2018 tax documents in order, there are other end-of-year actions you should start thinking about, like maximizing your retirement plan contributions, updating your estate plan documents and reviewing your portfolio allocation and credit report. Your **Baird Financial Advisor** can help you cross your tax and planning items off your year-end to-do list as we head into 2019. ■