RUSSELL M. KHEDERIAN
Certified Public Accountant

26 Brighton Street, Belmont, MA 02478
Tel. (617) 484-1816 • Fax (617) 484-3467
E-mail: russ@russkcpa.com

January 2, 2020

Dear Client:

Jill, Donna and I hope that your holidays were enjoyable and that 2020 will be a healthy, happy and prosperous year for us all.

The massive Tax Cuts and Jobs Act of 2017 signed into law in December of 2017 created many problems for individual taxpayers. Incorrect Federal withholding for most W-2 employees left many incensed with the reduction of their 2018 refunds as compared with prior years. There were also several mid and post tax season corrections to IRS worksheets and forms that contained errors. Fortunately the vast majority of Federal tax law changes went into effect on January 1, 2018. These changes are set to expire in 2025 unless they get extended.

For 2019, most changes are related to inflation adjustments in tax brackets, deductions and credits. A major change as a result of the TCJA was to the standard deduction. In 2018 it increased for singles and marrieds while the deduction for personal exemptions was eliminated. To offset the loss of valuable child exemptions, Congress doubled the child tax credit to $2,000 (per child) and raised the phase out of this credit to those married taxpayers with adjusted gross income above $400,000. The phase out prior to tax reform was just $110,000.

Beginning in 2018, sole proprietors and members of pass through entities (LLC's, S-Corps and Partnerships) benefitted from the new Qualified Business Income Deduction (or QBID). This is a very complicated deduction with many components, however it can result in thousands of dollars in Federal tax savings.

The biggest losers of the Tax Cuts and Jobs Act are blue state homeowners and taxpayers that are paying massive amounts of real estate and state/local income tax. Unfortunately the TCJA capped the combined state income tax and real estate tax (commonly referred to as the SALT deduction) at just $10,000. The loss of this deduction was clearly the most controversial provision of the new law.