Limitation on the deduction for casualty and theft losses. You can no longer deduct a personal casualty or theft loss unless the loss occurred in a federally declared disaster area.

Deductions for employee business expenses eliminated. One of the biggest changes under this new law was the elimination of the deduction for unreimbursed employee business expenses beginning with 2018 tax returns. This effectively means that employees will no longer be able to offset their taxable income by common business expenses they incur. (This change under the TCJA does not affect self-employed individuals.)

Form 2106, Employee Business Expenses, is now to be used only for certain categories of employee:

- Qualified performing artists
- Fee-based state or local government officials
- Armed forces reservists
- Employees with impairment-related work expenses

Standard mileage rate. The 2018 standard mileage rate is 54.5 cents per mile for business miles.

Additional changes

Moving expenses. Beginning January 1, 2018, moving expenses cannot be deducted by most people. Active duty members of the U.S. Armed Forces who move pursuant to a military order and incident to a permanent change of station can still deduct moving expenses and exclude reimbursed moving expenses. Additionally, most taxpayers cannot exclude employer reimbursements for moving expenses from income.

Qualified Business Income Deduction (QBID). A new deduction for qualified business income from a trade or business, including sole proprietorships, S corporations, or partnerships, is available on Form 1040. QBI doesn't include W-2 wages. The deduction is subject to many limitations, such as income level and type of business. If you have QBI, you can reduce your taxable income, whether you itemize deductions or claim the standard deduction. In its simplest form, if adjusted gross income less itemized or standard deduction is under $157,500 ($315,000 for joint filers) you can deduct 20% of your QBI from income before computing your tax.

Alternative Minimum Tax (AMT). Fewer taxpayers will be subject to AMT due to increased exemption amounts and phaseout thresholds.

Certain ITINs expired. As of December 31, 2018, ITINs with middle digits "73," "74," "75," "76," "77," "81," or "82" in the fourth and fifth positions have expired. The ITIN must be renewed if it will be included on a 2018 federal tax return.

Depreciation changes. There are numerous changes to how depreciation can be claimed on assets purchased during 2018. Many assets can be entirely written off in 2018 rather than being depreciated over several years.

Healthcare Mandate Penalty Repealed for 2019. Beginning in 2019, individuals who fail to carry health insurance will no longer be required to pay an individual shared responsibility payment with their tax return.

We look forward to helping you get the most benefit from these tax law changes. Please contact us for more information.