

## 2018 Tax Laws: What You Need to Know as the Year Ends

With the introduction of new tax law, you may be wondering how the reform may impact you. For many taxpayers with families, the new law creates an opportunity in the form of increased disposable income.

Here are the main takeaways of the new law, along with some things to consider for tax readiness and charitable giving.

### What is New?

#### Income Tax Brackets

Whether you're a single filer or a married person who files jointly, separately or as head of household, **your tax bracket will be new in 2018.**

The new law maintains seven tax brackets, but lowers rates for most brackets. The new brackets are: 10, 12, 22, 24, 32, 35 and 37 percent. Most taxpayers will see their tax rate decrease. A married couple with a combined income of \$150,000, for example, will go from a 25 percent tax rate to 22 percent under the new law.

You may now have an opportunity to give more to the charitable organizations you care about, such as Anna Maria College.

#### Higher Standard Deductions

The new law nearly doubles the standard deduction to \$12,000 for single filers, \$18,000 for heads of household and \$24,000 for joint filers. You may be less likely to itemize on your taxes and use the income tax charitable deduction.

You may now have an incentive to give more to Anna Maria College in one particular year over another to exceed the standard deduction and itemize your deductions.

#### Itemized Deductions

If you elect to itemize this year, your deductions may look a little different (though charitable deductions remain under the new law). Under the new plan, you will be able to deduct up to a total of \$10,000 for state and local taxes.

If you purchase a new home, there is now a cap on the mortgage interest deduction for the first \$750,000 of debt on newly purchased homes.

## Charitable Contributions for Cash Gifts

The new law increases the limitation of 50 percent of your adjusted gross income (AGI) for donations by cash, check or credit card up to 60 percent. Higher net worth donors may want to consider increasing cash gifts.

## What is the Same?

### Charitable Deductions

You will still be able to deduct your charitable contributions if you itemize your taxes.

### Long-Term Capital Gains and Dividends

The tax rates on capital gains and dividends remain the same at 0, 15 and 20 percent, depending on your tax bracket.

### Charitable Contributions of Appreciated Property

The limitation on charitable gifts of long-term appreciated property to public charities will remain at 30 percent of your adjusted gross income. You can still carry over any excess for up to five additional years.

## What Does This Mean for Me?

As you get older, tax season can get more complicated because you're accumulating more assets as well as potential deductions. Make the next tax season easier on yourself by following these four tips.

1. **Know what you can deduct.** Deduct cash, property and stock donations made to a charitable organization such as Anna Maria College, if you itemize your taxes. You cannot deduct the value of any time or services spent on charitable work, but you can deduct mileage and vehicle expenses if used for charitable purposes.
2. **Get proper documentation.** For cash contributions of any amount, be sure to have a bank record or written acknowledgment of your contribution from the charitable organization. (For any single contribution worth \$250 or more, you must obtain a written acknowledgment from the charitable organization. For property valued at more than \$5,000, you must have a qualified appraisal.)

**3. Transfer records to personal budgeting software such as Mint, YNAB or Quicken.**

Digitize your information from financial transactions to stay organized. Some apps also integrate with tax software to make preparation much easier.

**4. Involve the professionals.** A professional tax advisor is the best person for advice on specific tax issues. Feel free to contact Sharon Davenport for answers to any questions you might have about contributing to Anna Maria College.

## **Need Help?**

If you have questions, please contact Sharon Davenport at (508) 849-3490 [sdavenport@annamaria.edu](mailto:sdavenport@annamaria.edu) and we would be happy to help and can discuss how you can include your support of Anna Maria College as part of your plans.

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