

November 2018



Client Newsletter

Updates of Interest

The Internal Revenue Service just released the revised contribution and income limits for 2019 for retirement plans, including phase-out limits; and we have summarized these changes below. The new limits for social security are included as well, along with considerations for your income tax return for 2018. We have also prepared a brief synopsis of the Net Investment Income Tax and the new Section 199A qualified small business income determination.

We hope this information is helpful to you in planning for 2019 and completing your year-end planning for 2018. Please contact us or your tax professional with any questions.

IRS Changes in 2019

Retirement Plan Contribution Limits

IRA Annual Contributions	\$6,000
Catch Up for over age 50	\$1,000
Section 401(k), 403(b), most 457 plans, and Federal Government Thrift Savings Plans.....	\$19,000
Catch Up for over age 50	\$6,000
Simple Retirement Plans	\$13,000
Catch Up for over age 50	\$3,000
Defined Contribution Plan Limits in Total.....	\$56,000

Income Limits for Certain IRA Contributions

Active Participant in Retirement Plan Phase Out Income Limits:	
Joint or Qualifying Widow(er).....	\$103,000 – \$123,000
Single.....	\$64,000 – \$74,000
Married with One Spouse an Active Participant.....	\$193,000 – \$203,000

Roth IRA Contribution Income Limits

Married, filing joint return	\$193,000 – \$203,000
Single or Head of Household	\$122,000 – \$137,000

Social Security

Maximum Taxable Earnings (OASDI)	\$133,900
Medicare Premium Tax.....	No Limit
Earnings Limits while receiving Social Security Benefits:	
Under Full Retirement Age for Entire Year	\$17,640
For Months Before Reaching Full Retirement Age in Given Year	\$46,920
Beginning with Month Reaching Full Retirement Age.....	No Limit
Full Retirement Age in 2019	Age 66
Maximum Monthly Social Security Benefit for Workers Reaching Full Retirement Age in 2019	\$2,861
Cost of Living Adjustment for 2019	2.8%

Considerations for 2018 Income Tax Filing

Standard Deduction

Married, filing joint return	\$24,000
Single or Married, filing separately	\$12,000
Head of Household	\$18,000
Dependent, filing own return.....	\$1,050
Additional Deduction for Non-Itemizers:	
Blind or over age 65	\$1,300
Blind or over age 65, unmarried, not surviving spouse.....	\$1,600

Itemized Deductions

Elimination of Miscellaneous Deductions	
Maximum deduction for state income taxes, local personal property and real estate taxes	\$10,000



**131 W. Davis Street
Culpeper, VA 22701**

Considerations for 2018 (continued)

Long Term Capital Gains and Qualified Dividends Tax Rates

If taxable Income falls below	
\$38,600 (single, married filing separately), \$77,200 (joint), or \$51,700 (head of household)	0%
If taxable Income falls at or above	
\$38,600 (single, married filing separately), \$77,200 (joint), or \$51,700 (head of household)	15%
If taxable Income falls at or above	
\$425,600 (single), \$239,500 (married filing separately), \$479,000 (joint), or \$452,400 (head of household)	20%

Net Investment Income Tax

In 2018, Capital gains, dividends and certain passive income for those making over a certain threshold are assessed an additional tax known as the net investment income tax (NIIT). NIIT is assessed at 3.8% on taxpayers whose modified adjusted gross income (MAGI) exceeds the following thresholds:

- Single: \$200,000
- Married filing jointly: \$250,000
- Married filing separately: \$125,000
- Head of Household: \$200,000
- Qualifying Widow(er) with dependent child: \$250,000

Although not passed into law yet; the NIIT may be repealed for the 2019 tax year.

Section 199A Operational Rules and Limits

The new provision and calculation for the qualified business income deduction is extremely complex. That said, we recommend you consult your CPA for the operational rules and limits of this new code section, especially if your income exceeds the thresholds below.

Deduction available to:

- Sole Proprietorships
- Partnerships
- Trusts
- S Corporations

Deduction available for income not exceeding the following thresholds:

- \$157,500 single
- \$315,000 married filing joint return (indexed for inflation)

Deduction is usually equal to the lesser of:

- 20% of qualified business income (QBI) plus 20% of REIT dividends and publicly traded partnership income
- OR
- 20% of individual's taxable income in excess of net capital gain