

Tax Reform 101: Top 5 Changes

With so many changes under the new tax reform law, Class Act Federal Credit Union wanted to break down the Top 5 changes that may affect you this tax season.

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Top 5 Changes

Lower tax rates, more money. One of the biggest changes under the new tax law is that tax rates were reduced about 1 – 3% for the majority of taxpayers. Although the IRS adjusted the withholding tables that employers use to produce the correct amount of tax withholding for people with simpler tax situations, for instance, those who only take the standard deduction, the withholding tables don't reflect some of the other changes that impact more involved tax returns like the reduction of some itemized deductions.

Elimination of personal and dependent exemptions. Under the new tax law the personal and dependent exemptions of \$4,050 were eliminated. If you are married and have a few kids, the elimination of your personal and dependent exemptions can mean a big reduction in the number of write-offs you once had.

Increase in the Child Tax Credit. Although you're no longer able to take the dependent deduction, the new tax reform law increased the Child Tax Credit from \$1,000 to \$2,000 per child. The law also adds a new, non-refundable credit of \$500 for dependents other than children. Finally, it raises the income threshold at which these benefits phase out from \$110,000 for a married couple to \$400,000, which means more people will be eligible for the credit. Because the Child Tax Credit is for kids under 17, if your not so little one celebrated their seventeenth birthday this year, you may see a change in your taxes, since you can no longer take the Child Tax Credit for your 17-year-old.

Changes if you're a homeowner. If you are a homeowner, some of the changes in the new tax law are very important for you. As an existing homeowner, you may see fewer tax deductions that lower your tax liability especially if you live in a state with high property taxes since the new law limits the amount of state and local property, income, and sales taxes that can be deducted to \$10,000. In the past, these taxes have generally been fully tax deductible. Due to the cap on these tax deductions, you may now also have to take the standard deduction on your taxes instead of taking itemized deductions since the standard deduction has almost doubled. Don't worry about knowing if you should take the standard deduction or itemized deduction at tax time. TurboTax will ask you simple questions about you and give you the option (standard deduction or itemized) that's best for you.

Elimination of tax deductions. The new tax reform law eliminated several popular tax breaks starting in tax year 2018 (the one you file in 2019) like miscellaneous itemized deductions. This includes deductions such as job search expenses, unreimbursed work expenses, investment expenses and tax preparation fees, exceeding 2% of adjusted gross income as well as moving expenses.

Don't worry about knowing the new tax laws. TurboTax has you covered and will be up to date with the latest tax forms and 100% calculations. When you are ready to file, [click here to access TurboTax and your savings!](#)

