2018 Itemized Deductions

SCHEDULE A (Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

▶ Information about Schedule A and its separate instructions is at *www.irs.gov/schedulea*.
▶ Attach to Form 1040.

OMB No. 1545-0074
201~~6~~8
Attachment Sequence No. **07**

Name(s) shown on Form 1040 | **Your social security number**

Medical and Dental Expenses 1

Caution: Do not include expenses reimbursed or paid by others.
1 Medical and dental expenses (see instructions) . . . . . | 1
2 Enter amount from Form 1040, line 38 | 2
3 Multiply line 2 by ~~10% (0.10). But if either you or your spouse was born before January 2, 1952, multiply line 2 by~~ 7.5% (0.075) ~~instead~~ | 3
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- . . . . | 4

Taxes You Paid 2 3

5 State and local **(check only one box):**
a ☐ Income taxes, ~~or~~ and
b ☐ General sales taxes | 5
6 Real estate taxes (see instructions) . . . . . . | 6
7 Personal property taxes . . . . | 7
8 Other taxes. List type and amount ▶ | 8
9 Add lines 5 through 8 . . . . | 9

Capped at $10,000

Interest You Paid 4

Note: Your mortgage interest deduction may be limited (see instructions).

10 Home mortgage interest and points reported to you on Form 1098 | 10
11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., and address ▶ | 11
12 Points not reported to you on Form 1098. See instructions for special rules . . . . | 12
13 Mortgage insurance premiums (see instructions) . . . . . | 13
14 Investment interest. Attach Form 4952 if required. (See instructions.) | 14
15 Add lines 10 through 14 . . . . | 15

Gifts to Charity 5

If you made a gift and got a benefit for it, see instructions.

16 Gifts by cash or check. If you made any gift of $250 or more, see instructions . . . . | 16
17 Other than by cash or check. If any gift of $250 or more, see instructions. You **must** attach Form 8283 if over $500 . . . | 17
18 Carryover from prior year . . . . | 18
19 Add lines 16 through 18 . . . . | 19

Casualty and Theft Losses 6

Only for federal disaster areas

20 Casualty or theft loss(es). Attach Form 4684. (See instructions.) . . . . . . | 20

~~**Job Expenses and Certain Miscellaneous Deductions**~~ 7

~~21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶~~ | 21
~~22 Tax preparation fees~~ | 22
~~23 Other expenses—investment, safe deposit box, etc. List type and amount ▶~~ | 23
~~24 Add lines 21 through 23~~ | 24
~~25 Enter amount from Form 1040, line 38~~ | 25
~~26 Multiply line 25 by 2% (0.02)~~ | 26
~~27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-~~ . . . . . . | 27

Other Miscellaneous Deductions

28 Other—from list in instructions. List type and amount ▶ | 28

Total Itemized Deductions 8

29 Is Form 1040, line 38, over $155,650?
☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. | 29
☐ ~~**Yes.** Your deduction may be limited. See the Itemized Deductions Worksheet in the instructions to figure the amount to enter.~~
30 If you elect to itemize deductions even though they are less than your standard deduction, check here . . . . ▶ ☐

2018 Itemized Deductions

Here's how Schedule A will be affected for the 2018 tax year following tax reform (numbers correspond to the numbers in the blue circles on Schedule A):

1. **Medical and Dental Expenses.** Medical and dental expenses remain in place with a lower floor. The floor – before tax reform – was 10% of your adjusted gross income (AGI).

Under tax reform, the 7.5% floor is back in place for two years beginning January 1, 2017 – that means that it applies to the 2017 tax year. So, if you AGI is $50,000 you can deduct the amount of medical expense which exceed $3,750 (7.5% x $50,000).

Unlike most of the provisions in the bill, this provision is effective retroactively to the beginning of 2017.

2. **State and Local Taxes (SALT).** Under tax reform, deductions for state and local sales, income, and property taxes normally deducted on a Schedule A remain in place but are limited (see #3 below). Foreign real property taxes may not be deducted under this exception.

3. **SALT caps.** While SALT deductions remain in place, there is a cap on the aggregate, meaning that the amount that you are claiming for all state and local sales, income, and property taxes together may not exceed $10,000 ($5,000 for married taxpayers filing separately).

State, local, and foreign property taxes, and sales taxes which are deductible on Schedule C, Schedule E, or Schedule F are not capped. This means that, for example, rental property – even if held individually and not in a separate entity – remains deductible and not subject to these limitations.

Congress already knows what you're planning, so amounts paid in 2017 for state or local income tax which is imposed for the 2018 tax year will be treated as paid in 2018. In other words, you can't pre-pay your 2018 state and local income taxes in 2017 to avoid the cap. However, you can prepay your 2018 property taxes in 2017 and deduct them in 2017.

4. **Home Mortgage Interest.** So, first, the home mortgage interest deduction didn't disappear. But it did get modified. Here's what you need to know. First, the definition of acquisition indebtedness is important: It's *indebtedness that is incurred in acquiring, constructing, or substantially improving a qualified residence of the taxpayer and which secures the residence*. Home equity indebtedness is indebtedness other than acquisition indebtedness that is secured by a qualified residence. Those distinctions are

important (more in a moment) no matter what they're called by you or by the bank.

As of December 15, 2017, there's a limit on acquisition indebtedness – your mortgage used to buy, build or improve your home – of $750,000 ($375,000 for married taxpayers filing separately). For mortgages taken out before December 15, 2017, the limit is $1,000,000 ($500,000 for married taxpayers filing separately). It's even more complicated because beginning in 2026, the cap goes back up to $1,000,000, no matter when you took out the mortgage.

For tax years 2018 through 2025, there is no deduction available for interest on home equity indebtedness.

5. **Charitable donations.** Charitable donations remain deductible under tax reform. The rules are largely the same with a few changes. First, the percentage limit for charitable for cash donations by an individual taxpayer to public charities and certain other organizations increases from 50% to 60%. Two, taxpayers are no longer entitled to deduct payments made to a college or college athletic department (or similar) in exchange for college athletic event ticket or seating rights at a stadium. Those provisions are effective beginning in 2018.

Effective beginning in 2017, the provision which allows for an exception to the substantiation rule if the donee organization files a return is repealed. So, **always get a receipt**.

6. **Casualty and Theft Losses.** The deduction for personal casualty and theft losses is repealed for the tax years 2018 through 2025 except for those losses attributable to a federal disaster as declared by the President (generally, this is meant to allow some relief for victims of Hurricanes Harvey, Irma, and Maria).

7. **Job Expenses and Miscellaneous Deductions subject to 2% floor.** Miscellaneous deductions which exceed 2% of your AGI will be eliminated for the tax years 2018 through 2025. This includes deductions for unreimbursed employee expenses, tax preparation expenses, expenses that you incur in your job that are not reimbursed, dues and subscriptions, and job search expenses.

8. **Itemized Deductions.** The overall limit on itemized deductions is suspended for the tax years 2018 through 2025.