

PRW WEALTH MANAGEMENT, LLC

Clarity for the Present ♦ Vision for the Future

2019 TAX RATES, TAX DEDUCTIONS AND COST OF LIVING ADJUSTMENTS

In 2018, we had several major changes to our tax laws brought by the enactment of the “Tax Cuts and Jobs Act.” There is no such major tax act impacting US taxpayers in 2019. A number of rates have changed for 2019, however, as provided below.

INCOME TAX RATES BY TAX RETURN FILING STATUS

Individual Taxpayers	
If Taxable Income is Between:	The Tax Due is:
\$0 - \$9,700	10% of taxable income
\$9,701 - \$39,475	\$970+ 12% of the amount over \$9,700
\$39,476 - \$84,200	\$4,543 + 22% of the amount over \$39,475
\$84,201 - \$160,725	\$14,382.50+ 24% of the amount over \$84,200
\$160,726 - \$204,100	\$32,748.50 + 32% of the amount over \$160,725
\$204,101 - \$510,300	\$46,628.50 + 35% of the amount over \$204,100
\$510,301 +	\$153,798.50+ 37% of the amount over \$510,300

Married Individuals Filing Joint Returns and Surviving Spouses	
If Taxable Income is Between:	The Tax Due is:
\$0-\$19,400	10% of taxable income
\$19,401 - \$78,950	\$1,940+ 12% of the amount over \$19,400
\$78,951 - \$168,400	\$9,086 + 22% of the amount over \$78,950
\$168,401 - \$321,450	\$28,765 + 24% of the amount over \$168,400
\$321,451 - \$408,200	\$65,497 + 32% of the amount over \$321,450
\$408,201 - \$612,350	\$93,257 + 35% of the amount over \$408,200
\$612,351+	\$164,709.50 + 37% of the amount over \$612,350

Heads of Household	
If Taxable Income is Between:	The Tax Due Is:
\$0-\$13,850	10% of taxable income
\$13,851 - \$52,850	\$1,385 + 12% of the amount over \$13,850
\$52,851 - \$84,200	\$6,065 + 22% of the amount over \$52,850
\$84,201 - \$160,700	\$12,962 + 24% of the amount over \$84,200
\$160,701 - \$204,100	\$31,322 + 32% of the amount over \$160,700
\$204,001 - \$510,300	\$45,210 + 35% of the amount over \$204,100
\$510,301+	\$152,380 + 37% of the amount over \$510,300

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Married Filing Separately	
If Taxable Income is Between:	The Tax Due Is:
\$0-\$9,700	10% of taxable income
\$9,701 - \$39,475	\$970 + 12% of the amount over \$9,700
\$39,476-\$84,200	\$4,543 + 22% of the amount over \$39,475
\$84,201 - \$160,725	\$14,382.50 + 24% of the amount over \$84,200
\$160,726 - \$204,100	\$32,748.50 + 32% of the amount over \$160,725
\$204,101 - \$306,175	\$46,628.50 + 35% of the amount over \$204,100
\$306,176+	\$82,354.75 + 37% of the amount over \$306,175

Trust & Estates	
If Taxable Income is Between:	The Tax Due Is:
\$0-\$2,600	10% of taxable income
\$2,601 - \$9,300	\$260 + 24% of the amount over \$2,600
\$9,301 - \$12,750	\$1,868 + 35% of the amount over \$9,300
\$12,751+	\$3,075.50 + 37% of the amount over \$12,750

Kiddie Tax

The **kiddie tax** applies to **unearned income** for children under the age of 19 and college students under the age of 24. Unearned income is income from sources other than wages and salary, for example, dividends and interest. Taxable income attributable to net unearned income will be taxed under the Rate Table applicable to **trusts and estates** (see above).

STANDARD DEDUCTION (if elected)

Filing Status	Standard Deduction Amount
Single	\$12,200
Married Filing Jointly & Surviving Spouse	\$24,400
Married Filing Separately	\$12,200
Head of Household	\$18,350

PERSONAL EXEMPTION

There will be no **personal exemption amount** for 2019. The personal exemption amount was set to zero (0) under the Tax Cuts and Jobs Act of 2018.

ALTERNATIVE MINIMUM TAX EXEMPTIONS

Filing Status	Exemption Amount:
Individual	\$71,700
Married Filing Jointly & Surviving Spouses	\$111,700
Married Filing Separately	\$55,850
Trusts and Estates	\$25,000

ITEMIZED DEDUCTIONS

- **Medical and Dental Expenses.** The "floor" for medical and dental expenses increases from 7.5% in 2018 to 10% for 2019. This means you can only deduct those expenses which exceed 10% of your Adjusted Gross Income.
- **State and Local Taxes.** Deductions for state and local sales, income, and property taxes remain in place but are limited to a combined total of \$10,000 (\$5,000 for married taxpayers filing separately).
- **Home Mortgage Interest.** The home mortgage interest deduction is limited to \$750,000 (\$375,000 for married taxpayers filing separately).
- **Charitable donations.** Cash donations to public charities increased from 50% to 60% in 2018 and will remain at 60% for 2019.
- **Casualty and Theft Losses.** The deduction for personal casualty and theft losses is eliminated except for losses attributable to a federal disaster area.
- **Job Expenses and Miscellaneous Deductions subject to 2% floor.** Miscellaneous deductions, including unreimbursed employee expenses and tax preparation expenses, which exceed 2% of your AGI, have been eliminated.
- **Pease Limitation Eliminated.** The Pease limitation, named after former Rep. Don Pease (D-OH), used to cap or phase out certain deductions, is eliminated for 2019.
- **Student Loan Interest Deduction.** For 2019, the maximum deduction for interest paid on student loans remains at \$2,500. Phase-outs apply for taxpayers with Modified Adjusted Gross Income of more than \$70,000 (\$140,000 or more for joint returns) and the deduction is completely phased out for taxpayers with MAGI of \$85,000 or more (\$170,000 or more for joint returns).

OTHER MISCELANEOUS CREDITS

- **Child Tax Credit.** The child tax credit has been expanded to \$2,000 per qualifying child and is refundable up to \$1,400, subject to phase outs. Phase-outs, begin with adjusted gross income (AGI) of more than \$400,000 for married taxpayers filing jointly and more than \$200,000 for all other taxpayers.
- **Earned Income Tax Credit (EITC).** For 2019, the maximum EITC amount available is \$6,557 for married taxpayers filing jointly who have three or more qualifying children, subject to phase outs.
- **Adoption Credit.** For 2019, the credit allowed for an adoption of a child with special needs is \$14,080, and the maximum credit allowed for other adoptions is the amount of qualified adoption expenses up to \$13,810. Phase-outs apply.
- **Lifetime Learning Credit.** For the 2019 tax year, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is \$116,000, up from \$114,000 for tax year 2018.
- **Foreign Earned Income Exclusion.** For tax year 2019, the foreign earned income exclusion is \$105,900, up from \$103,900 for tax year 2018.

ESTATE AND GIFT TAXES

The estate and gift tax exemption is increased to **\$11.4 million** per individual (an increase from \$11.18 million in 2018). This means an individual can transfer \$11.4 million (\$22.8 million for married couples) to heirs and pay no federal gift tax if the gift is made during life or federal estate if made at death. It is important to remember that the federal exemption amounts do not apply to state estate taxes. The annual gift exclusion amount remains the same at **\$15,000**.

RETIREMENT PLAN CONTRIBUTION CHANGES

- **401(k)s.** The annual contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan, is \$19,000 for 2019 (an increase of \$500 from 2018). Note: you can make changes to your 401(k) election at any time during the year, not just during open enrollment season when most employers send you a reminder to update your elections for the next plan year.
- **The 401(k) Catch-Up.** The catch-up contribution limit for employees age 50 or older participating in these plans remains the same at \$6,000 for 2019.
- **SEP IRAs and Solo 401(k)s.** For the self-employed and small business owners, the amount they can save in a SEP IRA or a solo 401(k) increases from \$55,000 in 2018 to \$56,000 in 2019. The amount is based on the contribution that can be made as an employer, as a percentage of salary. The compensation limit used in the savings calculation also increases from \$275,000 in 2018 to \$280,000 in 2019.
- **The SIMPLE.** The limit on SIMPLE retirement accounts increases from \$12,500 in 2018 to \$13,000 in 2019. The SIMPLE catch-up limit remains at \$3,000.
- **Defined Benefit Plans.** The limitation on the annual benefit of a defined benefit plan increases from \$220,000 in 2018 to \$225,000 in 2019.
- **Individual Retirement Accounts (IRAs).** The limit on annual contributions to an Individual Retirement Account (pretax or Roth or a combination) increases to \$6,000 for 2019, up from \$5,500 in 2018. The catch-up contribution limit remains at \$1,000. (Remember that 2018 IRA contributions can be made until April 15, 2019.)
- **Deductible IRA Phase-Outs.** In 2019, the deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (MAGI) between \$64,000 and \$74,000, up from \$63,000 and \$73,000 in 2018. For married couples filing jointly, where the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$103,000 to \$123,000 for 2019, increased from \$101,000 to \$121,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$193,000 and \$203,000 in 2019, up from \$189,000 and \$199,000 in 2018.

If you have questions or concerns about the new 2019 tax rules and how they may impact you, your family and your planning, we are here to help. We look forward to hearing from you.