

How Tax Season 2018 is starting...

In 2018 the Tax Cuts and Jobs Act (TCJA) took effect. Because the overhaul was so extensive, there was quite a bit of discussion amongst CPAs and it quickly became clear that there was a lot of information that needed further clarification and guidance from the IRS. In fact, the IRS released 180 pages of regulations in late January, 2019, just a few days prior to the start of the 2018 filing season and this has left many CPAs scrambling to understand and digest this information so they can best help their clients prepare and plan moving forward.

Unfortunately, this much needed clarification and guidance did not come early enough during 2018 to help mitigate the shock that many clients that have filed tax returns already are feeling. The IRS has already published that the average refund among early filers was down 8.4 percent. In some cases, this is due to the loss of certain deductions and in other cases it is due to the change in the withholding tables that led to less money being withheld from paychecks. The result is that taxpayers may be paying less over all but because the familiar filing dynamic has changed, it has caught many people off guard because their refunds are smaller or they are receiving a tax bill when they expected a similar situation to last year.

The TCJA lowered tax rates for businesses and individuals, and it provided a break to self-employed people and those with so-called pass-through businesses, where income passes through the business to the owner's personal tax returns. While this certainly helps, it is important to note that it also eliminated or cut back certain deductions such as capping the deduction for state and local taxes at \$10,000. This in turn, sparked criticism from some states, such as New York, and caused them to decouple from the federal tax laws. Although most people will see their tax burden decline, the Government Accountability Office is expecting about four million people to pay more.

The extensive overhaul and understanding of the new rules highlights the trend of this year's tax season: the I.R.S. is still getting back up to speed after the shutdown and it has been noted that people claiming certain credits, such as those claiming the earned-income tax credit, aren't receiving their refunds yet.

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