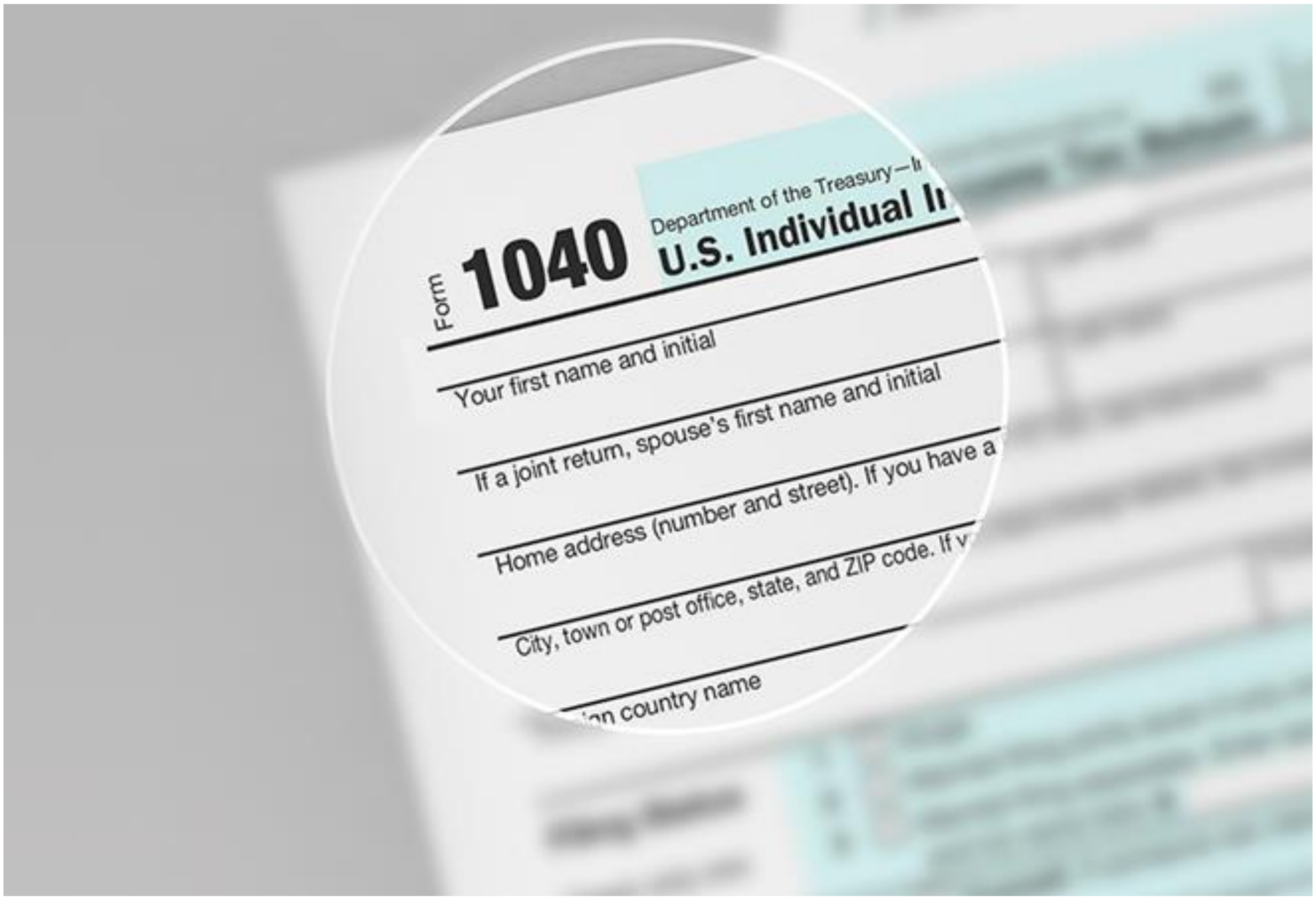

TAX REFORM MYTHS AND REALITIES

While it's been several months since Congress passed one of the most significant tax reform bills in decades, there is still a great deal of misunderstanding over how this legislation will impact individual taxpayers. Here are five of the most common myths and misconceptions surrounding the Tax Cuts and Jobs Act.

MYTH NO. 1:

I NO LONGER GET A TAX BENEFIT FOR MY KIDS.

It's true that the personal exemption has been repealed after 2017, which means there is no longer a $4,050 deduction available for each spouse and dependent. However, the newly expanded child tax credit will help offset that loss for many families. The tax credit for kids under age 17 has doubled to $2,000, plus there is a new $500 credit for any dependent who isn't a child under 17, so older kids or even your parents who are dependents can qualify for a new credit. Also, the income levels for eligibility have gone up dramatically, from $110,000 in 2017 to $400,000 in 2018 for couples, meaning many more families will benefit from this credit. In fact, for many, the new credits will more than offset the loss of the deduction.

MYTH NO. 2:

I CAN NO LONGER DEDUCT MY MORTGAGE INTEREST.

The new law changed the mortgage interest deduction so that only the interest on up to $750,000 of debt (on your primary and one other home) can be deducted. However, that applies only to loans acquired after December 14, 2017. Any loans in place prior to then are still subject to the $1 million debt limit, so if the interest on a loan was deductible in 2017 it will likely still be deductible in 2018. New loans, however, could be limited in their deductibility.

"Tax rates for nearly all levels of income have been lowered for 2018, so the majority of taxpayers will end up paying less tax overall."

MYTH NO. 3:

I CAN NO LONGER DEDUCT THE INTEREST ON MY HOME EQUITY LOAN.

The new law eliminated the deduction for home equity loan interest, with no grandfathering of old loans. However, not all home equity loans generate home equity interest. The IRS says that as long as the equity loan proceeds were used to buy, build or substantially improve the home, the interest is considered *acquisition* interest and is still deductible under the old rules. If the home equity loan was used to buy a car, consolidate other debt or other purposes, then the interest is no longer deductible. This means that borrowers will need to carefully track the use of their home equity loan proceeds in order to maintain the tax deduction.

MYTH NO. 4:

ALL THE TAX BILL DID WAS ELIMINATE MY TAX DEDUCTIONS.

While it may seem that way, there was one big change that actually allows taxpayers to keep deductions they would have lost under the prior law. In 2017, couples with

Adjusted Gross Income over $313,800 (and singles over $261,500) were subject to a phaseout of their deductions. As their income rose over that level, their total itemized deductions were reduced. Beginning with 2018, that phaseout no longer applies. Taxpayers who are most likely to be impacted by the deductions that were capped or lost in this bill (especially the state and local tax deduction) can take solace in knowing this phaseout is gone.

MYTH NO. 5:

MY TAXABLE INCOME IS GOING UP, SO MY TAX BILL WILL, TOO.

Due to the Tax Cuts and Jobs Act, it's fair to say that most taxpayers will see their taxable income go up in 2018. After all, the caps on some deductions and the elimination of others will likely mean more income will be subject to tax. However, the tax rates applied to nearly all levels of income have been lowered for 2018, so the majority of taxpayers will end up paying less tax overall. Certainly there will be some taxpayers paying more in 2018, particularly high-income residents of high-tax states or those who own multiple homes. However, one study by a prominent independent research center has estimated that 80% of taxpayers will pay less tax in 2018 than in 2017, while just 5% will pay more.