

FINANCIAL Insights

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Biggest tax changes for 2019 returns

Towards the end of 2017, President Trump officially signed a new tax reform – the Tax Cuts and Jobs Act (TCJA) – into law. Though the law took place starting in 2018, taxpayers are just now seeing the direct impact of the law on their tax returns. Here is a look at the biggest changes you may see.

Revised tax bracket structure and rates

The tax reform introduced changes to both the structure of the different tax brackets and the rates at which they are taxed. For tax rates, the 10 percent and 35 percent brackets remain the same, while all other brackets see a reduction anywhere from one to four percent. Changes to the overall tax bracket structure may bump taxpayers who were at the upper end of their 2017 bracket to a higher marginal bracket on this year's filing. See below for details on these changes:

2017 TAX RATE		2018 TAX RATE	
10 percent		10 percent	
15 percent		12 percent	
25 percent		22 percent	
28 percent		24 percent	
33 percent		32 percent	
35 percent		35 percent	
39.6 percent		37 percent	
2017 TAX BRACKET		2018 TAX BRACKET	
\$0 to \$9,325		\$0 to \$9,525	
\$9,325 to \$37,950		\$9,525 to \$38,700	
\$37,950 to \$91,900		\$38,700 to \$82,500	
\$91,900 to \$191,650		\$82,500 to \$157,500	
\$191,650 to \$416,700		\$157,500 to \$200,000	
\$416,700 to \$418,400		\$200,000 to \$500,000	
Over \$418,400		Over \$500,000	



Increase to standard deductions

Alongside changes to tax brackets and rates, standard deduction amounts have been increased substantially to be nearly double the amount from 2017. See below for details on the increases:

FILING STATUS	2017 STANDARD DEDUCTION	2018 STANDARD DEDUCTION
Single	\$6,350	\$12,000
Married, filing jointly	\$12,700	\$24,000
Married, filing separately	\$6,350	\$12,000
Head of household	\$9,350	\$18,000

Personal exemption eliminated

To balance out the increases made to standard deductions in 2018, personal exemptions have been eliminated. Previously, this deduction amounted to \$4,050 for an individual and each dependent family member.

An individual filing in 2017 could have taken a personal exemption of \$4,050 plus the former standard deduction of \$6,350 for a total of \$10,400, which is \$1,600 less than their new 2018 standard deduction of \$12,000.

On the other hand, a family of five in 2017 could have taken five personal exemptions of \$4,050 plus the former standard deduction of \$12,700 for a total of \$32,950, which was \$8,950 more than their new 2018 standard deduction of \$24,000.

Increase to the child tax credit

Though families may have a lower total deduction from the elimination of the personal exemption, the child tax credit has been increased to help account for this. In 2018, the credit has been doubled from \$1,000 to \$2,000, with \$1,400 potentially refundable. Furthermore, the income phase-out limitations have risen to \$400,000 from the former \$110,000 for joint filers and \$200,000 from the former \$75,000 for single filers.

Looking back to the example of that family of five who was only able to claim \$24,000 with their standard deduction, they would gain \$5,000 back with these credits to be at \$29,000 overall.

New small business deduction

Though impacting less of the population than those listed above, a new deduction is now available for small business owners with the Qualified Business Income Deduction (QBID). Owners of sole proprietorships, S corporations, or partnerships can now deduct up to 20 percent of the income earned by their business in 2018. There are several limitations and phase out specifications for this new deduction, so be sure to consider your exact situation before calculating this deduction.



The Keys to Happiness

You want to feel happy, right? Doesn't everybody?

A recent article online in Forbes looked at some research, and found a few tricks and habits that might induce more happiness in our lives. The first is exercise. Cardiovascular exercise (that is, a strenuous workout) functions almost like a wonder drug with regard to a person's overall well-being, and has recently been associated with the growth of new neurons in the hippocampus, the part of the brain known to be affected by depression.

You probably already know that processed sugars can cause unhappy moods, but until recently the reasons have been unclear. A growing body of evidence indicates that our gut microbes affect our mental health in significant ways, and the foods we eat can select for or reduce certain strains of bacteria. Eating a plant-based diet, low in sugar and processed foods, may help promote the body chemistry associated with happiness.

In addition, there is evidence that people who maintain a structured schedule are better at avoiding depression than their unstructured peers. A daily routine is in itself comforting when you're down or depressed, and the habits you form ensure that you will get out and be social (and maybe get exercise) even if you don't feel like it.

Speaking of social interaction, there is a body of research that suggests that regularly communing with other people may be the single best thing you can do for your mental health. When we get depressed, there is a tendency to isolate ourselves, but if we have a community to fall back on, people to talk to, a good marriage or life partner who will be there for us, it can have a powerful counter-effect on depression.

Finally, meditation seems to improve mental health. Studies have shown that eight weeks of meditation training seems to do a better job of reducing symptoms of depression and anxiety than antidepressants. Among other things, meditation reduces activity in the brain's default mode network (DMNN), which is active when our minds are wandering into negative or stressful thoughts.

The article also suggests that you be less self-critical, that you be easier on yourself and exhibit self-compassion. Anxiety and depression are triggered whenever we judge ourselves to be unworthy, ineffective or just not plain good enough. As the song goes, don't worry; be happy.

- Bob Veres

Source:

<https://www.forbes.com/sites/alicegwalton/2016/06/28/8-things-science-says-we-can-do-to-become-a-little-happier/#5f8cfa081ab3>

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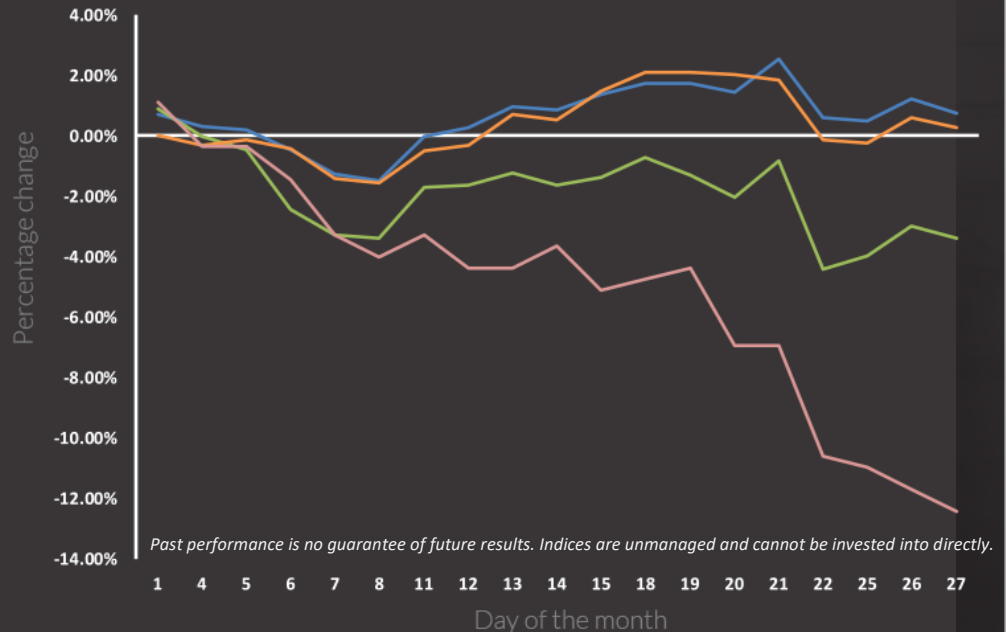
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The market at a glance

March

 U.S. Large Cap (S&P 500)	2,834.40 (1.79%) ▲
 U.S. Mid/Small (Russell 2000)	1,539.74 (-2.27%) ▼
 International Large (NYSE International 100)	5,413.65 (0.59%) ▲
 U.S. Treasuries (U.S. 10-year Treasury yield rate)	2.41 (-11.72%) ▼



The market in action

- Airline manufacturer Boeing lost more than \$25 billion in market value following recent concerns over its 737 Max 8 jet. In the last five months, the aircraft model was involved in two fatal crashes and was then grounded by the U.S. Federal Aviation Administration alongside more than 50 other countries.
- One day after its IPO debut, transportation network company Lyft has seen its price per share drop by more than 11 percent in response to underwhelming profits that were made public with respect to the filing. Just three days prior to the IPO, rival company Uber announced the acquisition of Middle Eastern ride-sharing service Careem for \$3.1 billion.
- Investment bank and financial services company JPMorgan Chase & Co announced it will no longer finance private prison and detention center operator CoreCivic. The decision comes after years of criticism by activists opposed to the private prison company borrowing nearly \$1.8 billion from banks including JPMorgan Chase and others.
- Shares of the membership-only warehouse retail company Costco rose five percent after beating analysts' estimates for quarterly profits. The company said it will soon raise starting wages to \$15 per hour in the U.S. and Canada in response to a tight labor market.