

## DEPRECIATION/AMORTIZATION

- 3 - Year Assets** (200% DB) Dies, molds, small tools
- 3 - Year Assets** (Straight-line) Computer software (if separately stated from hardware)
- 5 - Year Assets** (200% DB) Autos, light-/heavy-duty trucks, computers, typewriters, copiers, medical equipment, construction equipment, wholesale/retail equipment, private aircraft, some manufacturing equipment
- 7 - Year Assets** (200% DB) Most manufacturing equipment, office furniture, printing equipment
- 15 - Year Assets** (Straight-line) Intangible assets including goodwill, going concern value and covenants not to compete
- 27.5 - Year Assets** (Straight-line) Rental houses, apartments, low-income housing
- 39 - Year Assets** (Straight-line) Commercial and industrial buildings, office buildings, shopping centers, warehouses, manufacturing facilities

### ANNUAL RECOVERY

Percent of Original Depreciable Basis Under 200% DB Method

| Recovery Year | 1     | 2     | 3     | 4     | 5     | 6    | 7    | 8    |
|---------------|-------|-------|-------|-------|-------|------|------|------|
| 3 year Class  | 33.33 | 44.45 | 14.81 | 7.41  |       |      |      |      |
| 5 year Class  | 20.00 | 32.00 | 19.20 | 11.52 | 11.52 | 5.76 |      |      |
| 7 year Class  | 14.29 | 24.49 | 17.49 | 12.49 | 8.93  | 8.92 | 8.93 | 4.46 |

### SECTION 179 EXPENSE DEDUCTION

Small Business taxpayers may elect to expense \$1 million of certain new or used qualifying depreciable property placed in service in tax year 2018. Deduction is phased-out if the cost of qualifying property placed in service during the year exceeds \$2.5 million.

### SPECIAL (BONUS) DEPRECIATION ALLOWANCE

- Bonus depreciation allowance can be claimed for qualified property placed in service:
- 100% for 2018 through 2022
  - 80% for 2023
  - 60% for 2024

### 2018 STANDARD MILEAGE DEDUCTIONS

|                     |                  |
|---------------------|------------------|
| Use - Business..... | \$0.545 per mile |
| Charitable.....     | \$0.14 per mile  |
| Medical.....        | \$0.18 per mile  |
| Moving.....         | \$0.18 per mile  |

## RETIREMENT PLAN LIMITS

### INDIVIDUAL LIMITATIONS

|                                | Under Age 50 | Age 50 & Up |
|--------------------------------|--------------|-------------|
| IRA                            | \$5,500 (a)  | \$6,500 (a) |
| Roth IRA                       | \$5,500 (b)  | \$6,500 (b) |
| 401(k)/SARSEP Salary Deferrals | \$18,500     | \$24,500    |
| SIMPLE Plans                   | \$12,500     | \$15,500    |

### PROFIT SHARING PLANS

- Corporate.....100% up to \$55,000 (c)
- SEP – self-employed.....20% up to \$55,000 (d)
- SEP – employee.....25% up to \$55,000
- (a) Phaseout for deducting IRA contributions (qualified plan participants):
- Joint:.....\$101,000 - \$121,000 AGI
- Single or HOH:.....\$63,000 - \$73,000 AGI
- (b) Phaseout of Roth contribution eligibility:
- Joint:.....\$189,000 - \$199,000 AGI
- Single or HOH:.....\$120,000 - \$135,000 AGI
- (c) Overall plan is limited to 25% of total compensation of all eligible employees.
- (d) Of net self-employed income after 1/2 self-employment tax deduction.

## SOCIAL SECURITY BENEFITS

Maximum earned income limit:

|   | Annual   | Monthly  |
|---|----------|----------|
| Ages 62-65 years                        | \$17,040 | \$1,420  |
| Months before individual reaches age 66 | \$45,360 | \$3,780  |
| Months after age 66                     | No Limit | No Limit |

## TAXABLE SOCIAL SECURITY

Social Security received is taxable if AGI, plus tax-exempt interest, plus one-half of Social Security received, exceeds these base amounts:

**The taxable amount is the lesser of:**

- a. Percent of the excess over the base amount, or
- b. 85% of benefit received

| Base Amount For           | 50% Over Base       | 85% Over Base |
|---------------------------|---------------------|---------------|
| Married Filing Jointly    | \$32,001 - \$44,000 | \$44,001+     |
| Single/Head of Household  | \$25,001 - \$34,000 | \$34,001+     |
| Married Filing Separately | \$0                 | \$0           |

## The Difference Is Planning<sup>SM</sup>

### WE PROVIDE:

- Accounting Services
- Audit Services
- Business Intermediary Services
- Cloud Accounting Services
- Estate Planning
- Financial Consulting
- Investment & Retirement Planning
- Marketing Consulting
- Tax Services
- Technology Services

## HANDY TAX GUIDE 2018



## Dugan & Lopatka

A Professional Corporation

104 E. Roosevelt Road  
Wheaton, IL 60187

(630) 665-4440

Fax (630) 665-5030

[www.duganlopatka.com](http://www.duganlopatka.com)

[info@duganlopatka.com](mailto:info@duganlopatka.com)



This publication reflects tax laws in effect as of 1/1/18  
© 2018 by DUGAN & LOPATKA, CPAs, PC.

## Dugan & Lopatka

## INDIVIDUAL INCOME TAX RATES

### 2018 REGULAR TAX

#### MARRIED TAXPAYERS FILING JOINTLY OR SURVIVING SPOUSES

| Taxable Income Over | But Not Over | Is Taxed At |
|---------------------|--------------|-------------|
| \$ 0                | \$ 19,050    | 10%         |
| \$ 19,050           | \$ 77,400    | 12%         |
| \$ 77,400           | \$ 165,000   | 22%         |
| \$ 165,000          | \$ 315,000   | 24%         |
| \$ 315,000          | \$ 400,000   | 32%         |
| \$ 400,000          | \$ 600,000   | 35%         |
| \$ 600,000          |              | 37%         |

#### SINGLE TAXPAYERS

| Taxable Income Over | But Not Over | Is Taxed At |
|---------------------|--------------|-------------|
| \$0                 | \$9,525      | 10%         |
| \$9,525             | \$38,700     | 12%         |
| \$38,700            | \$82,500     | 22%         |
| \$82,500            | \$157,500    | 24%         |
| \$157,500           | \$200,000    | 32%         |
| \$200,000           | \$500,000    | 35%         |
| \$500,000           |              | 37%         |

#### HEADS OF HOUSEHOLD

| Taxable Income Over | But Not Over | Is Taxed At |
|---------------------|--------------|-------------|
| \$0                 | \$13,600     | 10%         |
| \$13,600            | \$51,800     | 12%         |
| \$51,800            | \$82,500     | 22%         |
| \$82,500            | \$157,000    | 24%         |
| \$157,500           | \$200,000    | 32%         |
| \$200,000           | \$500,000    | 35%         |
| \$500,000           |              | 37%         |

#### ESTATES & TRUSTS

| Taxable Income Over | But Not Over | Is Taxed At |
|---------------------|--------------|-------------|
| \$0                 | \$2,550      | 10%         |
| \$2,550             | \$9,150      | 24%         |
| \$9,150             | \$12,500     | 35%         |
| \$12,500            |              | 37%         |

## INDIVIDUAL INCOME TAX RATES

### ALTERNATIVE MINIMUM TAX (AMT)

|                  |           |           |
|------------------|-----------|-----------|
| Tax Rate on AMTI | 26% up to | \$191,500 |
|                  | 28% over  | \$191,500 |

|                           | Exemption Amt. | Phase-Out Threshold |
|---------------------------|----------------|---------------------|
| Married Filing Jointly    | \$109,400      | \$1 Million         |
| Married Filing Separately | \$54,700       | \$500,000           |
| All Individual Taxpayers  | \$70,300       | \$500,000           |

### DEDUCTIONS & EXEMPTIONS

|                           | Standard Deduction* | Elderly or Blind** |
|---------------------------|---------------------|--------------------|
| Married Filing Jointly    | \$24,000            | \$1,250            |
| Single                    | \$12,000            | \$1,500            |
| Head of Household         | \$18,000            | \$1,500            |
| Married Filing Separately | \$12,000            | \$1,250            |
| Dependent of Another      | \$1,050             |                    |

\*You are allowed to deduct the greater of your standard deduction or your itemized deductions.

\*\*Before 2018 inflation adjustment which is not yet known.

### PERSONAL EXEMPTIONS - REPEALED

#### DEDUCTION LIMITATIONS

**Section 199A Qualified Business Income Deduction:** 20% of domestic qualified business income (multiple limitations apply).

**Medical & Dental Expenses:** Excess over 7.5% AGI.

**State & Local Taxes:** \$10,000 maximum deduction.

**Mortgage Interest Deduction:** Limited to \$750,000 of principal for post 12/15/17 acquisition indebtedness.

#### DEDUCTIONS REPEALED

- Miscellaneous itemized deductions.
- Interest on home equity indebtedness.
- Moving expenses.

#### CREDITS

Tax credits of \$2,000 per child and \$500 per non-child dependent begin to phase out for taxpayers with modified adjusted gross income exceeding \$400,000 for joint and \$200,000 for single filers.

## ESTIMATED TAX PAYMENTS

To avoid possible underpayment penalties, you are generally required to pay in through withholding or estimated tax payments the lesser of:

1. One hundred percent of prior-year tax liability, (110% if AGI >\$150,000) or,
2. Ninety percent of current-year tax liability.

**2018 ESTIMATED TAX PAYMENTS FOR INDIVIDUALS ARE DUE BY:**  
**April 17 • September 17 • June 15 • January 15, 2019**

### NET INVESTMENT INCOME MEDICARE SURTAX

The net investment income surtax on individuals equals 3.8% of the lesser of:

- Net investment income\*, or
- The excess, if any, of
- The individual's modified adjusted gross income, over the threshold amount.

| Filing Status             | Threshold Amount |
|---------------------------|------------------|
| Married Filing Jointly    | \$250,000        |
| Married Filing Separately | \$125,000        |
| Single, Head of Household | \$200,000        |

\*Common types of "net investment income" include interest, dividends, annuities, royalties, rents, net capital gain on investments, passive activities.

### CAPITAL GAIN & QUALIFIED DIVIDEND TAX RATES FOR NONCORPORATE TAXPAYERS

| Single Taxpayer        | Married Filing Jointly | Capital Gain Tax Rate* | Net Investment Income Medicare Surtax** | Combined Tax Rate |
|------------------------|------------------------|------------------------|---|-------------------|
| \$0 to \$38,599        | \$0 to \$77,199        | 0%                     | 0%                                      | 0%                |
| \$38,600 to \$200,000  | \$77,200 to \$250,000  | 15%                    | 0%                                      | 15%               |
| \$200,001 to \$425,799 | \$250,001 to \$478,999 | 15%                    | 3.8%                                    | 18.8%             |
| \$425,800              | \$479,000              | 20%                    | 3.8%                                    | 23.8%             |

\* Short-term capital gains (held less than 12 months) are taxed at the same rate as ordinary income, gains on collectibles (including metals) are taxed at 28%, recapture gains on real estate are taxed at 25%.

\*\* The 3.8% Net Investment Income Medicare surtax only applies to "net investment income" as defined in IRC 1411.

## ESTATE TAX RATES

The estate tax and gift tax exemption for 2018 is \$11.2 million. The estate and gift tax rate on amounts in excess of \$11.2 million is 40%. The estate tax exemption is portable between spouses resulting in a \$22.4 million exemption per couple regardless of ownership of assets.

### ANNUAL GIFT TAX EXCLUSION

Gifts per person.....\$15,000  
 Joint gifts by spouses.....\$30,000

## BUSINESS PROVISIONS

- Corporate income taxed at a flat rate of 21%.
- Corporate Alternative Minimum Tax repealed.
- Personal Service Corporation Tax Rate of 35% repealed

### DEDUCTIONS REPEALED

- Section 199 Domestic Production Deduction.
- Business Entertainment Expenses.
- Net operating loss carryback – may be carried forward indefinitely.

## EMPLOYMENT TAX RATES

| Employer        | Tax Rate | Wage Base   |
|-----------------|----------|-------------|
| Social Security | 6.20%    | \$128,400   |
| Medicare        | +1.45%   | No limit    |
|                 | =7.65%   |             |
| Employee        | Tax Rate | Wage Base   |
| Social Security | 6.20%    | \$128,400   |
| Medicare        | +1.45%   | No limit    |
|                 | =7.65%   |             |
| Self Employed   | Tax Rate | Income Base |
| Social Security | 12.40%   | \$128,400   |
| Medicare        | +2.90%   | No limit    |
|                 | =15.30%  |             |

\*Additional 0.9% Medicare tax is imposed on individuals who receive wages or self-employment income in excess of \$200,000 (\$250,000 for joint return, \$125,000 for married filing separate).

Dugan & Lopatka

The Difference  
Is Planning<sup>SM</sup>

www.duganlopatka.com