

# Golden Bullets

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## THE NEW TAX NUMBERS FOR 2019: THINGS TO CONSIDER

On December 22, 2017, the president signed into law the Tax Cuts and Jobs Act of 2017. This Act brought about big changes to our tax system. Here's a review of those changes, and what they mean for 2019:

1. The Act eliminated the personal exemption, and nearly doubled the standard deduction. **Joint filers** in 2019 will have a standard deduction of **\$24,400**, **single filers** standard deduction will be **\$12,200** and head of **household filers** will have a standard deduction amount of **\$18,350**.
2. There are still seven income tax brackets. The **top personal income tax bracket was reduced for 2018, and it is still 37 percent in 2019**.
3. Business income taxation has changed, with a potential deduction available to pass-through businesses, and the lowering of the top C corporation income tax rate.

In addition, a number of figures used in retirement planning have been updated for 2019. For example:

1. The **maximum contribution** that can be made to a **defined contribution plan** in 2019 under Section 415 is the lesser of **\$56,000** or 100 percent of compensation—increasing slightly from 2018.
2. The **limit** on employee **elective deferrals** to **Section 401K** and **Section 403b** plans has increased to **\$19,000** in 2019. The limit for **Section 457** plan salary reductions is likewise **\$19,000** in 2019.
3. The maximum elective deferral for a **SIMPLE** or **401 K SIMPLE** plan has increased slightly to **\$13,000** in 2019.
4. The limit on **IRA contributions** has increased to **\$6,000** for 2019. Those **50 and older** can still contribute an **extra \$1,000** under the age-based catch-up provision.

And here is some other 2019 information that may be important to you.

1. The **3.8 percent Medicare surtax** still applies to the investment income of high income taxpayers.
2. The maximum **capital gains** and **qualified dividend** rate of **15 percent** has been retained for most taxpayers, with the **20 percent rate** also constant for those with high income levels.
3. The **federal estate tax exemption** has been increased to **\$11.4 million** for 2019, as has the **lifetime gift tax exemption**.
4. The **annual gift tax exclusion** remained the same at **\$15,000**.
5. The **modified adjusted gross income (MAGI)** level at which Roth IRA contributions start to be phased out in 2019 are at **\$122,000 for single taxpayers** and **\$193,000 for married taxpayers filing jointly**.
6. The **personal income tax exemption** amount has been completely eliminated.
7. The ability for those **older than 70 ½ to transfer up to \$100,000 directly from an IRA to charity** is still available.

These changes may affect your planning around income taxes, retirement and wealth transfer at death. I recommend you take time to review your existing plans in light of the 2019 numbers.

***AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.***

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