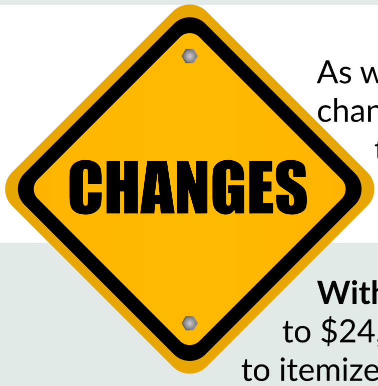
HartVida & Partners

2018 YEAR END TAX PLANNING



As we approach year end 2018, there are significant changes in the tax law enacted on December 22, 2017 that need to be considered in year end tax planning:

With the standard deduction increasing to $12,000 for single filers and to $24,000 for joint filers, the important tax planning question is whether to itemize or take the standard deduction.

The personal exemptions have been eliminated with the new tax law.

If buying a home and purchasing it with a mortgage,the new law comes with a cap on the mortgage interest deduction. Mortgage interest is deductible **only up to mortgages of $750,000.** There is no change to the interest deduction on mortgages that were in existence prior to 2018. The interest deduction is itemized on Schedule A. Home equity loan interest becomes non-deductible in 2018.

State and local income taxes (and real estate taxes) effective for 2018 **are limited to $10,000 as an itemized deduction**.

Charitable contributions and investment interest expense remain deductible under the new tax law. This is an important consideration whether to itemize or take the standard deduction.

Expenses previously deductible, such as estate tax planning legal fees, accounting/tax fees, investment related expenses, and unreimbursed employee expenses, **are no longer deductible under the new tax law on Schedule A.**

Beginning in 2018, **casualty losses are not tax deductible** unless they are incurred in a federally declared disaster area.

Moving expenses in connection with a new job are no longer deductible in 2018 except for active duty members of the Armed Forces.

For the 2018 tax year, **alimony** is deductible by the payor spouse and included in income by the receiving spouse. **For 2019, the deduction from the payor is eliminated** but so does the inclusion in income to the receiving spouse.

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. H V & Partners recommends that you consult professional tax, legal and accounting advisors before engaging in any tax, legal and accounting action or transaction.

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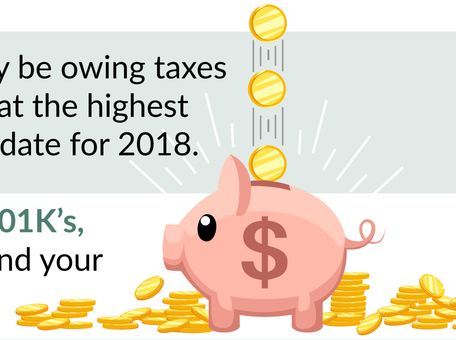
REMINDERS:

Check your year to date withholdings and if it appears you may be owing taxes and if you are receiving a bonus, have your employer withhold at the highest rate. January 15, 2019 is the last quarterly estimated payment date for 2018.



Contribute as much as possible to your retirement accounts **(401K's, IRA's, Roth IRA's, HSA's)**. Working with your financial advisor and your accountant are key in evaluating the best alternatives for you.

If your health insurance includes an HSA component, contribute the maximum each year ($3,450 for individuals and $6,900 for families). For 2019 these numbers will increase to $3,500 and $7,000 respectively. If you are 55 or older, you can add another $1,000 on top of that. And by the way, did you know that this is a great retirement vehicle? Most of us think of an HSA as a way to benefit from current medical expenses, however this can be used for future medical costs, which significantly increase as we get older. **This tax savings vehicle can grow over time and the withdrawals are tax free.**

Remember that gifting is a vehicle to reduce your estate if this is of importance to you. The annual gifting exclusion is $15,000 to an unlimited number of beneficiaries. The donee must deposit the check in 2018.

Maximize contributions to qualified higher education 529 programs to get the applicable state income tax deduction. Additionally, for parents or grandparents that want to contribute sizable amounts in a lump sum format, there is a special rule that permits a gift tax free contribution of up to five times the annual gift exclusion of $15,000 for a single donor or $30,000 for a couple. The benefit here is that earnings grow tax deferred and are tax free if withdrawn to pay for qualified higher education costs.

An early withdrawal from an IRA (prior to 59 ½ years of age) is not subject to the 10% early distribution penalty when the funds are withdrawn to pay for higher education cost of the taxpayer, spouse, child or grandchild. The funds however must be used for the higher education costs within 120 days to be penalty free.

Make contributions to a Roth IRA. They are not tax deductible however there are no Required Minimum Distributions (RMD) associated with them and any distributions are tax free.

Even-though the federal tax rates have been reduced, you may not see a benefit as a result of the many changes to the deductions. **Consult with your accountant or tax advisor for 2018 year end tax planning.**

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