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Tax Deductions Gone in 2018

What standbys did tax reforms eliminate?

Provided by Brooke & Schafer, LLC

Are the days of itemizing over? Not quite, but now that H.R. 1 (popularly called the Tax Cuts & Jobs Act) is the law, all kinds of itemized federal tax deductions have vanished.

Early drafts of H.R. 1 left only two itemized deductions in the Internal Revenue Code – one for home loan interest, the other for charitable donations. The final bill left many more standing, but plenty of others fell. Here is a partial list of the itemized deductions unavailable this year.[1]

Moving expenses. Last year, you could deduct such costs if you made a job-related move that had you resettling at least 50 miles away from your previous address. You could even take this deduction without itemizing. Now, only military service members can take this deduction.[2,3]

Casualty, disaster, and theft losses. This deduction is not totally gone. If you incur such losses during 2018-25 due to a federally declared disaster (that is, the President declares your area a disaster area), you are still eligible to take a federal tax deduction for these personal losses.[4]

Home office use. Employee business expense deductions (such as this one) are now gone from the Internal Revenue Code, which is unfortunate for people who work remotely.[1]

Unreimbursed travel and mileage. Previously, unreimbursed travel expenses related to work started becoming deductible for a taxpayer once his or her total miscellaneous deductions surpassed 2% of adjusted gross income. No more.[1]

Miscellaneous unreimbursed job expenses. Continuing education costs, union dues, medical tests required by an employer, regulatory and license fees for which an employee was not compensated, out-of-pocket expenses paid by workers for tools, supplies, and uniforms – these were all expenses that were deductible once a taxpayer's total miscellaneous deductions exceeded 2% of his or her AGI. That does not apply now.[2,5]

Job search expenses. Unreimbursed expenses related to a job hunt are no longer deductible. That includes payments for classes and courses taken to improve career or professional knowledge or skills as well as and job search services (such as the premium service offered by LinkedIn).[5]

Subsidized employee parking and transit passes. Last year, there was a corporate deduction for this; a worker could receive as much as $255 monthly from an employer to help pay for bus or rail passes or parking fees linked to a commute. The subsidy did not count as employee income. The absence of the employer deduction could mean such subsidies will be much harder to come by for workers this year.[2]

Home equity loan interest. While the ceiling on the home mortgage interest deduction fell to $750,000 for mortgages taken out starting December 15, 2017, the deduction for home equity loan interest disappears entirely this year with no such grandfathering.[2]

Investment fees and expenses. This deduction has been repealed, and it should also be noted that the cost of investment newsletters and safe deposit boxes fees are no longer deductible. In some situations, investors may want to deduct these fees from their account balances (i.e., pre-tax savings) rather than pay them by check (after-tax dollars).[5]

Tax preparation fees. Individual taxpayers are now unable to deduct payments to CPAs, tax prep firms, and tax software companies.[3]

Legal fees. This is something of a gray area: while it appears hourly legal fees and contingent, attorney fees may no longer be deductible this year, other legal expenses may be deductible.[5]

Convenience fees for debit and credit card use for federal tax payments. Have you ever paid your federal taxes this way? If you do this in 2018, such fees cannot be deducted.[2]

An important note for business owners. All the vanished deductions for unreimbursed employee expenses noted above pertain to Schedule A. If you are a sole proprietor and routinely file a Schedule C with your 1040 form, your business-linked deductions are unaltered by the new tax reforms.[1]

An important note for teachers. One miscellaneous unreimbursed job expense deduction was retained amid the wave of reforms: classroom teachers who pay for school supplies out-of-pocket can still claim a deduction of up to $250 for such costs.[6]

The tax reforms aimed to simplify the federal tax code, among other objectives. In addition to eliminating many itemized deductions, the personal exemption is gone. The individual standard deduction, though, has climbed to $12,000. (It is $18,000 for heads of household and $24,000 for married couples filing jointly.) For some taxpayers used to filling out Schedule A, the larger standard deduction may make up for the absence of most itemized deductions.[1]

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