

Tax Minimizers of Oregon Inc.

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ClientAdvisor

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Everyday Advice

*An investment in knowledge
pays the best interest.*

– Benjamin Franklin

The marriage penalty lives on

The “marriage penalty” occurs when two individuals pay more tax as a married couple than they would as single individuals. The newly passed Tax Cuts and Jobs Act (TCJA) eliminates some of the marriage penalty, but then introduces it in another area of the tax code.

► Lowering the penalty of being married

Prior to the TCJA, the marriage penalty affected taxpayers in the mid to upper tax brackets. The brackets for married couples at those levels were not double the equivalent brackets for single individuals. The income tax brackets for married filers are now double those for single filers, except at the top 37 percent marginal rate.

Even though the marriage penalty has gone away for taxpayers in most tax brackets, more people are being subjected to a marriage penalty in another area: itemized deductions.

► The itemized deductions marriage penalty

The itemized deduction for state and local taxes (SALT) now has marriage penalty implications. Starting in 2018, taxpayers can deduct up to \$10,000 of SALT paid. That limit applies to the combined total of property taxes and either income taxes or sales taxes. This cap is the same for married couples and single filers, meaning that it’s effectively

halved as soon as you get married.

So while married couples claiming the standard deduction get to claim double the standard deduction of single filers, couples who itemize don’t receive double the SALT deduction.

► What this means for married taxpayers

Single taxpayers in states with high income or property taxes will likely continue to itemize deductions because a \$10,000 SALT deduction combined with mortgage interest and charitable contributions may easily surpass the value of the \$12,000 standard deduction. Married couples, however, may have a much harder time getting more value out of the SALT deduction plus other itemized deductions than they would taking the \$24,000 standard deduction.

► You can still find tax breaks

Despite the possible pitfalls created by the TCJA, there are still opportunities to find tax savings. Tax-loss harvesting, charitable contributions and tax-advantaged retirement contributions are just a few areas where you can unlock extra value with smart planning.

Changes to the tax code often create new opportunities. Give us a call for help understanding how you may be affected by the marriage penalty, and to consider tax benefits available to you. ♦

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