

## Delap Member Interviewed by Yahoo Finance – Dealing with New State, Local Deduction Caps

### How Taxpayers Can Deal with New State, Local Deduction Caps

**AP**

TINA OREM [Associated Press](#)



FILE- This July 24, 2018, file photo shows a portion of the 1040 U.S. Individual Income Tax Return form for 2018 in New York. A new rule caps the state and local taxes you can deduct on your federal tax return. That could make more of your income taxable this year, but finding out if the cap affects you, pouncing on other tax breaks, bunching your charitable contributions and planning for a new tax world could help. (AP Photo/Mark Lennihan, File)

If you paid a lot of state and local taxes in 2018, buckle up this tax season — new laws cap how much of those payments you can deduct on your federal tax return. That means more of your income could be taxable this year. But before you worry too much, here are a few suggestions from tax pros on how to cope with the changes.

#### 1. FIND OUT IF THE CAP MIGHT AFFECT YOU

Generally, property taxes and either sales taxes or state and local income taxes are deductible on federal returns. But this year, there's a cap on how much you can deduct — \$10,000 (\$5,000 for a married taxpayer filing a separate return). That could make more of your income taxable.

Buddy Newton, a certified public accountant and senior tax manager at Stockman, Kast, Ryan and Co. in Colorado Springs, Colorado, offers a quick way to check whether the cap could affect you: Pull out your 2017 tax return and find Schedule A. If the amount on line 9 was greater than \$10,000, you might not be able to deduct as much state and local tax this year as you did last year.

Newton estimated that as many as 75 percent of his firm's individual clients will hit this new cap on state and local taxes. It's often referred to as "the SALT cap."

"A lot of our clients are paying more than \$10,000 a year just alone in state income tax," he says.

#### 2. POUNCE ON OTHER TAX BREAKS

If the SALT cap affects you this year, more of your income could be taxable. However, the federal tax brackets also changed this year, meaning your income might be subject to a lower tax rate than last year.

That could offset some of your loss, notes Joe Seifert, a CPA at the Delap accounting firm in Lake Oswego, Oregon.

Other new rules this year might help, too. Parents may qualify for the larger child tax credit, which rose from \$1,000 to \$2,000 per child, for example, or small-business owners may be able to take the new 20 percent pass-through deduction, Seifert says.

"There's give and take in this thing for most taxpayers. People need to focus on maybe what was given to you in other areas, instead of being so concerned about what was taken away," he says.

### 3. THINK ABOUT BUNCHING YOUR CHARITABLE CONTRIBUTIONS

The standard deduction has nearly doubled to \$12,000 for single filers, \$18,000 for heads of household and \$24,000 for joint filers. That could drive many taxpayers to abandon itemizing altogether this year. A married couple filing jointly would need to cobble together more than \$24,000 in deductions, for example, to make itemizing pay off. Because the deduction for state and local taxes is now capped at \$10,000, a couple filing jointly would need to drum up at least another \$14,000 of deductions to make itemizing financially worthwhile.

One way to get over that bigger hump is by "bunching" charitable contributions, Seifert says. For example, a couple who gives \$5,000 to charity every year might be better off giving \$15,000 once every three years instead.

"There are many planning opportunities that have presented themselves related to a taxpayer's itemized deductions. There is still time in the year to make some moves," he says.

### 4. PLAN FOR A NEW TAX LIFE

"I think the biggest thing is, just make sure that you reach out to your CPA early enough to do your year-end planning and think about the solutions that are on the table," Newton says.

There's also the possibility of moving to a place with lower taxes. It's not the easiest thing to do, "but it's an idea," he says.

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