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Common questions about new tax law



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This week, we'll tackle some questions that have come up regarding the Tax Cuts and Jobs Act of 2017.

Can I deduct investment fees I pay this year?

No. The Schedule A write-off for these costs, IRA custodial fees paid directly by the account owner, and the rest of the popular miscellaneous deductions subject to the 2 percent of adjusted gross income threshold are now gone.

My employer paid for my cross-country move. Is the amount taxable to me?

Generally, yes. It used to be that when you relocated for a new job, you could deduct moving costs or if your employer reimbursed you, the payment was tax-free. Well, not anymore, except for active-duty military personnel who move pursuant to military orders.

Is the new opportunity zone program up and running yet?

In part. This program,

which is included in the new tax law, lets taxpayers defer capital gains from the sale or exchange of business or personal property, including stocks, by investing the proceeds in opportunity funds to help low-income communities. Those who opt to take advantage of this break have 180 days from the date of the sale to invest all or part of the gain on proceeds in a so-called qualified opportunity fund. The Internal Revenue Service is set to release proposed regulations on how this tax break will work.

Is Schedule E rental income eligible for the 20 percent pass-through deduction?

It depends on whether the activity rises to the level of a trade or business. The new tax break applies to qualified business income from a trade or business. In proposed rules, the IRS refers to the standard under federal tax code Section 162, the statute that generally governs the deductibility of trade or business expenses.

Unfortunately, this standard is unclear in the context of a rental activity. That is because it is based on facts and circumstances that are specific to each

taxpayer, and the issue has not been resolved by case law. Some aspects that are considered important: type of property that is leased, extent of day-to-day involvement by the lessor or the lessor's agents, number of properties rented and specific terms of the lease. Tax pros and others are pleading with the Internal Revenue Service to address this in final regulations. If the agency does not, then it will be up to the courts to resolve it later.

Will Congress make permanent the individual tax provisions in the new law?

Not this year. Most of the changes affecting individuals and small businesses expire after 2025. House Republicans will act on a bill to make the changes permanent. But the effort will die in the Senate.

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