

# Tax Talk

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**NEW TAX LAWS** – The last six months have seen one of the biggest tax law changes since 1986. We are still digesting a lot of the changes, especially on the business side, but there are several changes that spell good news for individual taxpayers, including reduced rates. My newsletters this year will try to highlight different portions of the new law, so stay tuned.

**Oklahoma Reaction** – Thus far, the Oklahoma legislation has not indicated any changes will be made and Oklahoma will continue to use the federal adjusted gross income as a starting point for calculating Oklahoma taxes. The election year means they will either NOT address it or a session could be called

around the holidays if the budget impact is negative. I will continue to follow that closely.

**OKLAHOMA W-4** Years ago when I started doing tax returns, the federal and Oklahoma taxable income were closely aligned. However, as the federal tax laws were adjusted for inflation and new federal credits appeared, the gap grew bigger and bigger. Many Oklahomans found that while they got a nice federal refund, they always owed state taxes. While they could submit a new W-4 to the employer, it made no difference because it was used for federal taxes. Oklahoma has now issued it's own form and you can ask your employer for it to help close the gap on Oklahoma taxes due.

Abigail Adams, wife of President John Adams, said, "A patriot without religion in my estimation is as great a paradox as an honest man without the fear of God."

## **OUT OF STATE COMPANIES** –

Governor Fallin signed a bill two months ago that now requires online retailers to collect Oklahoma sales and use tax. This has been a huge battle across the country as companies like Amazon have taken sales from the local brick and mortar stores. The individual states are determined to protect their tax collection processes and have passed laws, conducted audits and filed lawsuits. As an individual, you can expect to pay more for online purchases. If your business has an online presence in other

states, you should be aware that you may need to begin collecting and remitting sales taxes to those other states.

John Quincy Adams, 6<sup>th</sup> President, stated "The first and almost the only Book deserving of universal attention is the Bible."

**TRUMP TAX CUTS – Exemptions** – The exemption has been eliminated, so we no longer need to count every person in the household that is a tax dependent. If you have a family of four, this means your taxable income will increase by about \$16,000 compared to the 2017 tax return.

**Itemized Deductions** – I estimated that about 2/3 of my clients itemized for 2017, but only about 1/3 will do so for 2018. The standard deduction (automatic with no paperwork) has been nearly doubled to \$12,000 for singles and \$24,000 for married filing jointly. This means you no longer have to worry about medical

receipts, mortgage interest, contributions or employee expenses unless you exceed these limits. Most taxpayers will not exceed these limits.

**Employee expenses** have been eliminated completely so you may wish to discuss this with your employer to see if your compensation package can be adjusted with your employer absorbing some of these expenses.

**Gambling Income and Losses** – The increased standard deduction also means that while your gambling income will still appear as taxable income, your gambling losses may be absorbed in the bigger standard deduction. You may need to review this provision with us to see how it impacts you.

**CHILD CREDIT** – The child tax credit has been doubled from \$1,000 to \$2,000 for children under age 17. The phase out limits have been significantly increased so more

taxpayers should receive this credit.

**ALIMONY** – This has been eliminated. Those paying alimony can no longer deduct it and those receiving alimony will no longer include it in taxable income although there may be some exceptions to this.

**Moving Expenses** – Moving expenses when required by an employer or for a new job are no longer deductible.

**Obamacare Penalty** – The penalty which has been imposed on those without health insurance has been repealed for the 2018 tax year. While I would still strongly recommend you get health insurance, you will no longer have to pay if you have no coverage.

Hans Christian Anderson of fairy tale fame wrote: "Depressed in spirit, I took up my Bible, which lay before me...and read: "O Israel, thou hast destroyed thyself; but in Me is thine help." Yes, Father, I am weak, but Thou lookest into my heart and wilt be my help."