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12 TAX DEDUCTIONS THAT HAVE DISAPPEARED

The Trump tax cuts mean you won't be able to take advantage of these now-extinct deductions.

By: Maryalene LaPonsie - January 14, 2020

Last year, u.S. Taxpayers filed their first returns under the new tax law. The Tax Cuts and Jobs Act of 2017 was touted as the largest tax overhaul in 30 years, but the Trump tax cuts were a mixed bag for some households. While the standard deduction nearly doubled and the child tax credit increased, many other deductions and credits were eliminated.

"It was a little hard to see how it was all going to play (out)," says Bill Smith, managing director of accounting firm CBIZ MHM's National Tax Office. However, this year shouldn't have the same uncertainty, since most tax provisions will remain the same from 2018 to 2019.

While some crucial tax breaks might return after portions of the tax law expire in 2025, here are 12 tax deductions that disappeared and won't be available this spring:

- The standard $6,350 deduction.
- Personal exemptions.
- Unlimited state and local tax deductions.
- A $1 million mortgage interest deduction.
- An unrestricted deduction for home equity loan interest.
- Deductions for unreimbursed employee expenses.
- Miscellaneous itemized deductions.
- A deduction for moving expenses.
- Unrestricted casualty loss deduction.
- Alimony deduction.
- Deductions for certain school donations.
- Charitable donation deductions for some taxpayers.

1. The Standard $6,350 Deduction

Some of the best news from the tax reform law was an increase in the standard deduction. While single taxpayers were only eligible for a $6,350 standard deduction in 2017, that amount nearly doubled in the 2018 tax year to $12,000. For 2019 filings, the standard deduction for individuals is increasing even further to $12,200. Married couples will get a standard deduction of $24,400 when they file tax forms this spring, and head of household filers are entitled to deduct $18,350.

The new standard deductions mean fewer people are filing itemized deductions. "The hurdle to benefit from itemizing is much higher," says Justin D. Smith, financial advisor with advisory firm Savant Capital Management in Phoenix. Unless someone is a homeowner with significant mortgage interest, a standard deduction will likely result in greater tax savings compared to itemizing.

2. Personal Exemptions

The increased standard deduction was welcome news for many households, but there was a trade-off. "You lost your personal exemptions," Bill Smith says. While not technically a deduction, the exemption allowed taxpayers to subtract $4,050 from their taxable income for each dependent they claimed, so eliminating it is a significant loss for families. The increased standard deduction helps soften the blow of losing personal exemptions, but it might not make up for it entirely.

3. Unlimited State and Local Tax Deductions

State and local taxes have long been one of the largest write-offs for those who itemize deductions. Known by the acronym SALT, they can still be deducted but are capped at $10,000 per year. The limit is particularly detrimental to those living in states like California and New York, which both have above-average state income tax and property tax rates. Some states tried challenging the cap in court, but those cases have been unsuccessful as have other attempts by states to preserve an increased deduction for their residents. "The IRS has eliminated the attempts for workarounds," Bill Smith says.

High-income earners who saw their SALT deduction curtailed might still come out ahead under the Trump tax cuts though. "Many of them benefited from the new, lower tax brackets in 2018, so the impact to their total taxes was limited," says Will Heil, tax specialist at Klauenberg Retirement Solutions in Laurel, Maryland.

4. A $1 Million Mortgage Interest Deduction

Another change that disproportionately affects those living in states such as California and New York is the restriction on the amount of mortgage interest that can be deducted. In 2017, married taxpayers could deduct interest on a mortgage of up to $1 million. Starting with the 2018 tax year, only interest on mortgage values of up to $750,000 are deductible.

5. An Unrestricted Deduction for Home Equity Loan Interest

The new tax law also eliminates the unlimited interest deduction for both new and existing home equity loans. Homeowners used to be able to deduct interest for loans taken out for any purpose, such as debt consolidation or travel. Now, only interest on home equity loans used to make home improvements are eligible for a deduction. Plus, the combined total of the first mortgage and home equity loan can't exceed $750,000 for married couples filing jointly.

6. Deductions for Unreimbursed Employee Expenses

Workers who made unreimbursed purchases related to their job were able to deduct any amount that exceeded 2% of their adjusted gross income in 2017. However, taxpayers won't see that deduction available on their 2019 tax return. To compensate for the loss of the deduction, Heil recommends workers negotiate for reimbursement from their employers instead.

7. Miscellaneous Itemized Deductions

Unreimbursed work expenses is just one of several miscellaneous itemized deductions that have been disallowed under the new law. Other disappearing miscellaneous deductions include fees for financial services, costs related to tax preparation services, investment fees, professional dues and a long list of other previously approved items.

"The trend we're seeing is that people might see if they are eligible to be an independent contractor," says David Flores Wilson , a senior wealth advisor with New York City-based Watts Capital Partners and editor of Planning to Wealth, a financial website. Those who are independent contractors can deduct many of these items as business expenses on Schedule C. However, the IRS has specific rules about who qualifies as an independent contractor, and these workers also must pay self-employment taxes. Check with a tax professional for details and to determine what makes the most financial sense for your situation.

8. A Deduction for Moving Expenses

If you relocated for a new job last year, forget about deducting your moving expenses from your 2019 taxes. The deduction has been eliminated for virtually all workers. Only military members who are required to move for a new assignment qualify for the deduction now.

9. The Unrestricted Casualty Loss Deduction

Beginning in 2018, only those in presidentially designated disaster zones can deduct casualty losses on their tax forms. That means, for example, if your house burns down but insurance doesn't cover all your costs, you can't write off the loss from your federal taxes.

10. Alimony Deduction

In the past, couples could set up alimony agreements that would allow the person making payments to deduct that money from their federal taxes. While those with divorce agreements finalized before Dec. 31, 2018 can continue to deduct alimony payments, that won't be an option for anyone whose separation was completed after that date.

Under the new tax law, alimony is no longer considered taxable income by the recipient, so not only is it not deductible by the payee, but people can no longer deduct any legal fees related to setting up an alimony agreement. "It means, overall, divorce is more expensive for a household," Wilson says. Those who divorced in 2019 may want to look for another way to compensate a spouse, such as through the gift of an IRA, in order to avoid non-deductible alimony.

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