

*Editor's note: The tax reform changes below reflect only those changes discussed in the [Tax Reduction Letter](#) from January 1, 2018, through December 31, 2018.

Topic	Code Section	Prior Law	New Law	Bradford Tax Institute Article (click article title for live link)
199A Deduction	199A	Deduction did not exist.	Sole proprietorships, partnerships, and S corporations may be eligible for some or all of the new 20 percent deduction of qualified business income.	1. Tax Reform: Wow, New 20 Percent Deduction for Business Income
				2. Tax Reform Sticks It to Doctors, Lawyers, Athletes, Traders, and Others
				3. Tax Reform: Will Section 199A Phase In or Phase Out Your 20 Percent Deduction?
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Alimony Payments	215	Alimony payments were deductible for the payor spouse and taxable income to the payee spouse.	For divorce agreements executed or modified after December 31, 2018, alimony is tax-free to the recipient and no longer deductible for the payor.	Divorce? Alimony? Tax Reform Says Get Divorced Now—Don't Wait
Charity Golf Tournaments	274(n)(2)(c); 274(l)(1)(B)	Expenses related to charity golf tournaments were 100 percent tax-deductible if you discussed business before, during, or after the event.	Expenses are now deductible only as charitable deductions, providing a far smaller deduction than before.	Tax Reform Cuts Business Tax Deductions for Charity Golf Outings
Client and Prospect Business Meals	274(a); 274(n)(1)	Business meals (with clients and prospects) directly related to a trade or business were 50 percent deductible.	Lawmakers changed the Code language that allowed meals to be deducted, but they seemingly did so without this intent. The IRS has issued guidance that business meals with clients and prospects continue to be deductible.	1. Tax Reform Update on Strategy for Business Meals with Clients and Prospects
				2. IRS Says TCJA Allows Client and Prospect Business Meal Deductions

Employee Meals	274(n)	Employee meals were 100 percent deductible.	Employee meals are now 50 percent deductible.	<ol style="list-style-type: none"> 1. Tax Reform Cuts Deductions for Employee Meals to 50 Percent 2. What Did the TCJA Do to Your Tax-Free Supper Money?
Entertainment	274(a); 274(e)	Entertainment directly related to a trade or business was 50 percent deductible.	Entertainment is no longer deductible.	<ol style="list-style-type: none"> 1. Tax Reform Wipes Out 50 Percent Business Entertainment Deductions 2. Tax Reform: Entertainment Deductions That Survived
Gambling Losses	165(d)	Gambling losses to the extent of gambling income were deductible as itemized deductions. Professional gamblers could deduct their business expenses and, if those expenses produced a loss, they could claim the loss.	The business expenses of professional gamblers are no longer deductible, and there is no longer any allowance for business expenses creating a tax loss.	Tax Reform Makes Professional Gamblers Who Lose Money Suffer More
Hobby Deductions	183	Hobby expenses could be deducted as miscellaneous itemized deductions subject to the 2 percent-of-AGI threshold.	Hobby expenses that don't qualify as cost of sales are not deductible.	<ol style="list-style-type: none"> 1. Tax Reform Puts Screws to Hobbies 2. Q&A: Loophole to Deduct Hobby Expenses after Tax Reform 3. Do Your Business Losses Make You an IRS Target? If So, Do This
Home Mortgage Interest	163(h)	You could deduct interest payments on up to \$1 million in acquisition indebtedness and up to \$100,000 of home equity interest.	<p>For tax years 2018 through 2025:</p> <ol style="list-style-type: none"> 1. You can deduct interest payments on up to \$750,000 in acquisition indebtedness for homes purchased after December 14, 2017. 2. You can deduct up to \$100,000 of home equity interest, but only if the funds are used to buy, build, or substantially improve the home. 	Tax Reform Attacks Home Mortgage Interest Deductions
Itemized Miscellaneous Deductions	67(g)	Itemized miscellaneous deductions that exceeded 2 percent of AGI were deductible.	Itemized miscellaneous deductions are no longer deductible.	Tax Reform Punishes W-2 Employees—Get Even!

IRA Recharacterizations	408A(d)	You were able to recharacterize a Roth IRA conversion back to a traditional IRA status if done by October 15 of the year in which the tax return was filed.	You may no longer recharacterize a Roth IRA conversion back to traditional IRA status.	Be Alert to the TCJA Tax Reform Attack on IRA Recharacterizations
Qualified Improvement Property	168(e)	Improvements were deducted over 15 years and eligible for bonus depreciation.	In what is an “oops,” lawmakers failed in making bonus depreciation available for qualified improvement property but did enable Section 179 expensing for such property.	Q&A: Qualified Improvement Property Snafu?
Section 179 Expensing	179	The maximum deduction for qualifying property was \$510,000. Dollar-for-dollar phaseout of the deduction began at \$2.03 million.	The maximum deduction for qualifying property is \$1 million. The dollar-for-dollar phaseout begins at \$2.5 million. Qualifying Section 179 property includes new and used assets, as in prior years.	Tax Reform (TCJA) Expands Your Section 179 Deduction Privilege
State Tax Deduction	164(b)(6)	State tax deductions on Schedule A were unlimited.	State tax deductions on Schedule A are capped at \$10,000.	How to Beat Some of the New TCJA Limits on State Tax Deductions
Transportation Fringe Benefits	274(a)(4)	The benefit was tax-free to employees and tax-deductible to employers.	The benefit is tax-free to employees, but employers no longer receive a deduction.	Tax Reform Imposes a Penalty Tax on Transportation Fringe Benefits
Vehicle Deductions	280F(a)(1)	Luxury auto limits began at \$11,160. (A \$40,000 vehicle would take 19 years to depreciate.)	Luxury auto limits don't begin until \$50,000. (A \$40,000 vehicle takes only six years to depreciate.)	Tax Reform Allows Bigger, Faster Business Car Deductions
	168(k)(6)(A)(i)	Bonus depreciation was 50 percent.	Bonus depreciation is 100 percent.	TCJA: Convert Personal Vehicle to Business and Deduct up to 100 percent
Vehicle Trade-In	1031(a)	1031 exchanges were allowed for personal property, such as business vehicles, airplanes, equipment, and collectibles as well as real property.	1031 exchanges are allowed only for real property.	Tax Reform Eliminates Tax Benefits of Business Vehicle Trade-Ins

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