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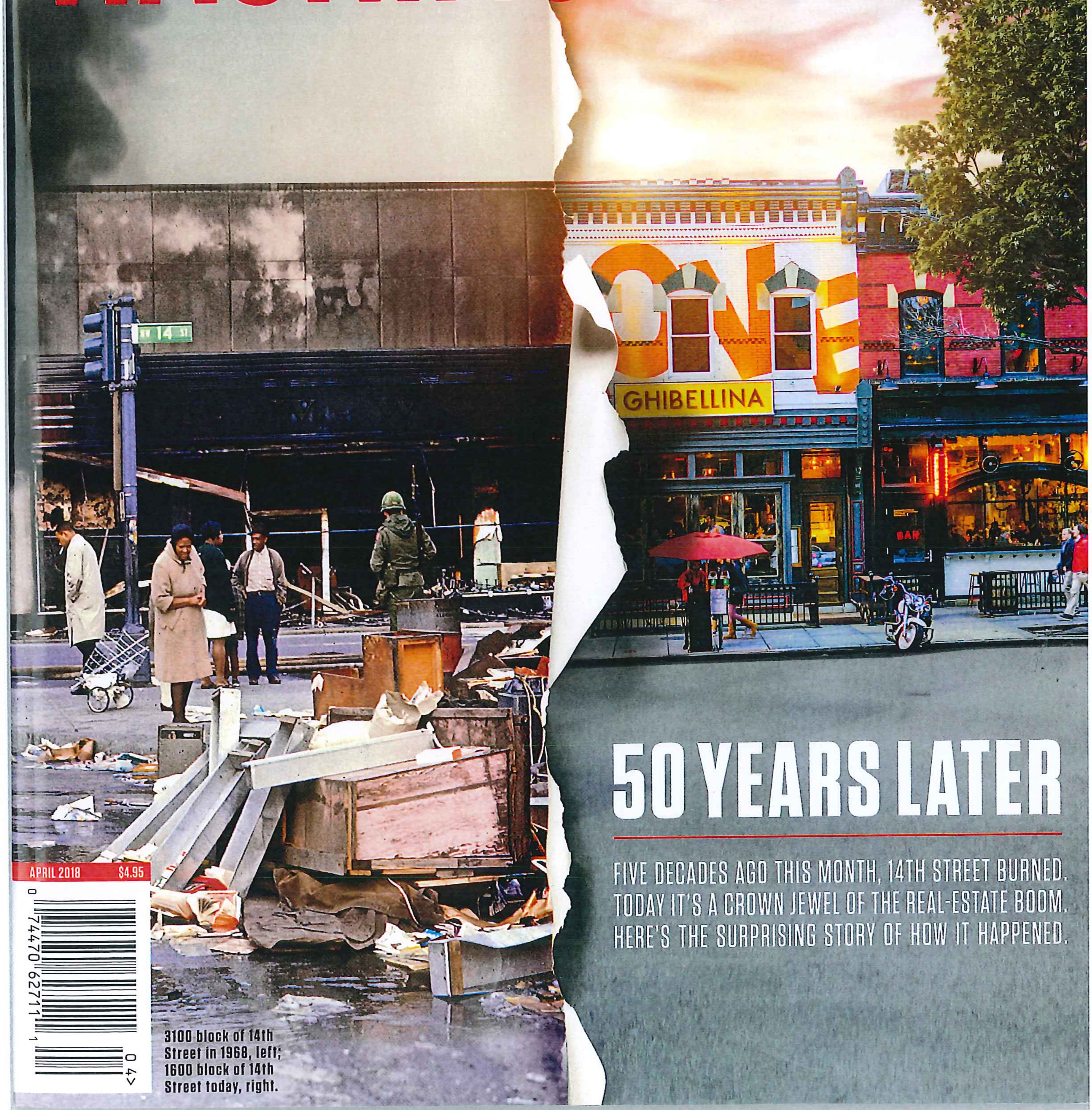

50 YEARS LATER

FIVE DECADES AGO THIS MONTH, 14TH STREET BURNED. TODAY IT'S A CROWN JEWEL OF THE REAL-ESTATE BOOM. HERE'S THE SURPRISING STORY OF HOW IT HAPPENED.

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3100 block of 14th Street in 1968, left; 1600 block of 14th Street today, right.

PHOTOGRAPH BY GETTY IMAGES

TAXING QUESTIONS

You've probably heard that the new tax code will affect what you can deduct. But there are other surprising changes. No more free Nats tickets?

By Bill Yingling

EMPLOYEES WHO OCCASIONALLY GET REDSKINS tickets from the boss may soon have to buy their seats. The federal government has scrapped a longstanding tax incentive for such perks.

"Clearly, the NFL didn't have a seat at the table," says Richard Morris, director of tax services at the accounting firm Councilor, Buchanan & Mitchell in Bethesda.

In reforming the federal tax code, Congress ended the deduction for business entertainment. Without it, some employers may stop buying sports tickets and offering them as tokens of appreciation to workers, vendors, and customers. The change could affect the Kennedy Center as well as the Capitals, Morris says. "None of that stuff is going to be deductible starting in '18."

Businesses also lost a deduction for subsidizing employee commuting costs, which helped pay for parking and transit passes. So those benefits also could disappear. "It's going to be a big thing," Morris adds.

Those are just a few of the ways—some surprising—that the new tax code will affect the average Washingtonian. Then there are the changes to an individual's or family's taxes. For some provisions, experts say, taxpayers won't see an impact until they file returns in 2019. For others, they can benefit by acting now. Here's what to know.

CHECK YOUR WITHHOLDING

Lawmakers decreased tax rates for most individuals, with the top rate dropping from 39.6 percent to 37 percent, so employers are withholding less.

"We've seen that people's paychecks are going up," says Dana Sippel, a certified public accountant and financial adviser at Glassman Wealth Services in Vienna.

But if taxpayers don't estimate their taxes and withholding correctly, they could face big tax bills—and penalties—next year.

"My concern is that there will be many taxpayers throughout the country getting surprises when they file their return, and they may not get the end result they thought they were getting after hearing about the tax cuts," says Philip Baker, managing partner in the Bethesda office of Citrin Cooperman.

The IRS website offers a calculator that can help determine withholding. You can print a W-4 form from the site, enter the data, and give it to your employer. The more allowances claimed, the less withheld from your paycheck.

A simple step is to review your pay stubs to estimate your earnings and taxes, says Sippel: "Check your checks to avoid a big surprise next April."

If your taxes are complicated, you might want to talk with an accountant.

"The entire tax structure has changed," says Walter Pennington, director at Dembo Jones in Rockville. "You can't assume that 2018 is going to look like 2017, either in total tax or how much of that tax is covered by withholding."

FORGET DEDUCTIONS

Although lawmakers eliminated personal exemptions and various deductions that itemizers have used to reduce taxable income, they nearly doubled the standard deduction for taxpayers who don't itemize.

For a single taxpayer, the standard deduction will increase from $6,350 for 2017 to $12,000 for 2018. For a married couple filing jointly, it will go from $12,700 for 2017 to $24,000 for 2018.

"It is essentially going to eliminate the need to itemize in 2018 for a good number of people," Sippel says. He expects the percentage of itemizers to drop from about 30 percent for 2017 to about 10 percent for 2018.

Congress also limited the deduction for state and local taxes to $10,000. This may be an issue in the Washington area, where such taxes are comparatively high.

There's not much wiggle room on this. "I don't see any planning strategies," Sippel says. "Most families are going to be capped out at $10,000."

BUNDLE CHARITABLE CONTRIBUTIONS

Doubling the standard deduction could be bad news for nonprofits because it removes a big incentive for charitable giving. "There's no question in my mind that charitable contributions are going to go down in 2018," Sippel says.

Donors may want to consider combining their charitable contributions from several years into one, he says. Instead of giving $5,000 in each of three years, for example, you could give $15,000 in one year to exceed the standard deduction. You'd itemize the deductions in the same year, take the standard deduction over the next two years, and explain to the charity that you won't be contributing again for a while.

"You're going to see this bunching of deductions," Sippel says.

To be more strategic, he adds, you can contribute to donor-advised funds. These are available at major financial-service companies such as Vanguard, Fidelity, and Schwab. The advantage is threefold, according to Sippel: Donors who contribute securities that have appreciated in value over time can escape the capital-gains tax. They can obtain a full-market-value tax deduction, and they can distribute their donations across several years.

KNOW MORTGAGE LIMITS

Congress reduced from $1 million to $750,000 the total mortgage indebtedness on which interest can be deducted. That could be an issue in this area, where home purchases of $1 million or more are common.

"There's some concern that it could affect property values," says Morris. "The school of thought is that it would negatively affect the value of houses because people would not want to put a mortgage of over $750,000 on a house because they're not able to deduct it."

Interest on home-equity loans will continue to be deductible if the proceeds are used to improve the property. However, the interest is no longer deductible to pay for cars, vacations, or education.

CONSIDER PRIVATE SCHOOL

Another change: Congress allowed for expanded use of 529 savings plans for education. Consumers have been able to use these plans to save for college. Under the new law, 529 plans also can be used for a private K-12 education.

"This is huge, and what you're going to see now is that more people are going to have an incentive to send their kids to private school," Sippel says.

In fact, says Baker, if a private-school student's 529 plan for college is over-funded, parents can take the excess out now to pay for tuition.

LOCK IN THAT ALIMONY

Starting in 2019, alimony payments will no longer count as a deduction or as income on federal taxes. Some experts believe this will drive some couples to settle in 2018.

"The spouse looking to collect alimony—the more financially dependent spouse—will end up in a more advantageous position to force the more financially endowed spouse to come to a settlement," says Baker. "I think there's going to be an awful lot of negotiation pressure as we come to the end of the year."

"The spouse looking to collect alimony will end up in a more advantageous position to force the more financially endowed spouse to come to a settlement."

Baker is advising many alimony payers to settle in 2018 in order to keep the tax deduction in the years ahead. He's also telling alimony recipients who settle in 2018 to negotiate for enough to cover future taxes: "You want to make sure you make yourself whole."

SAY GOODBYE TO AMT

For many Washington taxpayers, the alternative minimum tax, or AMT, will virtually disappear. The tax was intended for a small group of wealthy individuals who escaped taxation through special deductions.

Over the years, without adjustment for inflation, the tax crept into the lives of many more citizens. The recent reforms will exempt most taxpayers from the complex calculations, says Andrew Cooper, a partner at Lobel, Cooper & Associates in North Bethesda: "That's a good thing that's come out of the law. We've been waiting a long time for it."

REORGANIZE A SMALL BUSINESS

The Tax Cuts and Jobs Act of 2017 lowered the corporate tax rate from 35 to 21 percent, giving big business a windfall. Lawmakers also extended an opportunity for small business, creating a 20-percent deduction for business partnerships, S corporations, and sole proprietorships. The catch is that it's complicated and could require significant analysis and guidance from a financial professional.

"There are a number of factors that go into that 20-percent calculation, and it really does make it complex," Sippel says. "People may need to reorganize their business structure so they can capture this deduction.

"Business owners can win big or lose big," he adds. "There will be a huge reward for strategizing in 2018." W

Bill Yingling is a freelance journalist who has worked as a newspaper reporter and in corporate communications.