

**TAX CUTS AND JOBS ACT OF 2017 ("TCJA")
EFFECTIVE 1/1/2018**

INDIVIDUAL TAXPAYERS - IRS FORM 1040

TAX CHANGES TAKE EFFECT 1/1/2018 AND EXTEND THROUGH 12/31/2025

* ALL BELOW TAX CHANGES ARE TEMPORARY AND WILL EXPIRE AFTER 2025

BIGGEST CHANGES

- Only IRS Form 1040 now, no longer offering 1040 EZ or 1040A
- Government Withholding Tables were adjusted lower to anticipate lower taxes which may not be the case
If taxpayer withholding is reduced too much, taxpayer now may owe taxes versus getting a refund
- No personal exemptions which had previously been based upon number of people / dependents in the household
Personal exemptions were \$4,050 per person or dependent. This will be a big loss for large families.
- Almost double of the standard deduction amount which will eliminate many households from itemizing deductions, such as medical expenses, mortgage interest, property taxes and contributions. Estimate is 94% will now claim standard deduction up from typical 70%.

Standard Deduction	Married Filing Jointly		Single		Head of Household		Married / Separate	
	From	To	From	To	From	To	From	To
	\$13,000	\$24,000	\$6,500	\$12,000	\$9,350	\$18,000	\$6,500	\$12,000

Combination of Exempt & Deduct.	Married Filing Jointly		Single		Head of Household		Married / Separate	
	From	To	From	To	From	To	From	To
2 Person Family	\$21,100	\$24,000	\$10,550	\$12,000	\$17,450	\$18,000	\$10,550	\$12,000
6 Person Family	\$37,300	\$24,000	\$10,550	\$12,000	\$33,650	\$18,000	\$10,550	\$12,000

- Over 65 and blind taxpayers have increase in standard deduction of \$1,300
- Child Tax Credit - With elimination of exemptions, Child Tax Credit is doubled from \$1,000 to \$2,000
For children under 17 years of age in which lived with taxpayer makes greater than 50% support
Only \$1,400 per child is refundable as actual refund to taxpayer
For children older than 17 years of age and other dependents, \$500 may be available as tax credit
Phase-out of Child Tax Credit has increased

	From	To
Married Filing Jo	\$110,000	\$400,000
Individuals	\$75,000	\$200,000
- Itemized Deductions
 - Medical expense threshold for deduction is now 7.5% of Adjusted Gross Income, down from 10%
 - Taxpayers who have itemized deductions over Standard Deduction no longer have Phase out rules (affects only higher income tax payers)
 - State and local taxes limited to \$10,000
 - Mortgage Interest deduction limited to debt capped at \$750,000, down from \$1,000,000
 - Restriction of deducting Home Equity loan interest
 - Contributions limited to greater than 60% of Adjusted Gross Income; up from 50%
 - Charitable donations to colleges for rights to athletic tickets is now non-deductible
 - Elimination of Miscellaneous deductions such as CPA fees
 - Elimination of Employee unreimbursed expenses - such as Teachers supplies, vocational training
 - Elimination of all moving expense deductions but for military
 - Elimination of casualty and theft losses (except for federally declared disaster areas - Hurricane Harvey)
- New Pass Through Deduction - (Section 199A Deduction) Pertains to Schedule C Business Income and income reported on K-1s
For sole proprietorships (IRS Form 1040 Schedule C & E & F), LLCs, LPs, and S corporations
Includes rental real estate partnerships and LLCs
Now able to reduce "Reportable Net Income" by 20%, not Gross Income - Qualified Business Income ("QBI")
No impact if reportable loss after depreciation
Cannot be considered and Employee
Phase-out limits for "Professional Services" such as lawyers, doctors, and consultants
Phase-out limit for Professional Services is \$315,000 for MFJ and \$157,500 for Singles
Real Estate Brokers are not being considered Professional Services subject to Phase-out limit
Include REIT dividends from private and public REITs

- Business deductions for sports events, suites, entertainment, recreation events are now eliminated
- Dependents claimed by parent can have standard deduction up to \$12,000; being greater of \$1,050 or earned income plus \$350
- New small pass through business deduction of 20% of reported profit (cannot make a bigger loss)
- Individual mandate to have health insurance coverage (still in effect for 2018 - but not beyond 2018)
- Elimination of Marriage Penalty (old tax rates penalized two income taxpayers filing Married & Jointly)

Change in Rates		* Marginal Income - Tax Rate Thresholds Have Risen Under 2018 Tax Changes								
		Married Filing Jointly		Single		Head of Household		Married / Separate		
Marginal Tax Rates	From	To	From	To	From	To	From	To	From	To
Individual tax rates	39.60%	37%	\$600,000	Greater	\$500,000	Greater	\$500,000	Greater	\$300,000	Greater
	35%	35%	\$400,000	\$600,000	\$200,000	\$500,000	\$200,000	\$500,000	\$200,000	\$300,000
	33%	32%	\$315,000	\$400,000	\$157,500	\$200,000	\$157,500	\$200,000	\$157,500	\$200,000
	28%	24%	\$165,000	\$315,000	\$82,500	\$157,500	\$82,500	\$157,500	\$82,500	\$157,500
	25%	22%	\$77,400	\$165,000	\$38,700	\$82,500	\$51,800	\$82,500	\$38,700	\$82,500
	15%	12%	\$19,050	\$77,400	\$9,525	\$38,700	\$13,600	\$51,800	\$9,525	\$38,700
	10%	10%	\$0	\$19,050	\$0	\$9,525	\$0	\$13,600	\$0	\$9,525

- Section 529 College Savings Plans have expanded to include private tuition for all schools
Previous use limited to only colleges
- Alternative Minimum Tax - For High Income taxpayers designed to collect a minimal tax
Now indexed to inflation and resets minimal threshold to a higher indexed figure

	Married Filing Jointly		Single		Head of Household		Married / Separate	
	From	To	From	To	From	To	From	To
AMT Exemption	\$84,500	\$109,400	\$54,300	\$70,300	\$54,300	\$70,300	\$42,250	\$54,700

SMALLER CHANGES

- Changes to Limits on itemized deductions
 - No more deduction of unreimbursed employee expenses
 - Medical Expenses only included greater than 7.5% of Adjusted Gross Income
 - Long-term care premiums included in medical expense but limited
- Auto expenses based upon miles driven
 - Business mileage rate increases from \$0.535 to \$0.545 per mile
 - Charitable mileage rate stays the same at \$0.14 per mile
 - Medical mileage rate increases from \$0.17 to \$0.18 per mile
- Alternative minimum tax remains but effective thresholds significantly increased
 - Married filing jointly now \$1,000,000 in income
 - Single / Trusts / Estates now \$500,000 in income
- Capital Gains - Reduced Tax Rate
 - 20% Capital Gains Rate for taxable income greater than
 - Married Filing Jointly - \$479,000
 - Single - \$425,800
 - 15% Capital Gains Rate for taxable income greater than
 - Married Filing Jointly - \$77,201 to \$479,000
 - Single - \$38,601 to \$425,800
 - 0% Capital Gains Rate for taxable income greater than
 - Married Filing Jointly - Less than \$77,201
 - Single - Less than \$38,601

NO CHANGES

- Net Investment Income surtax remains at 3.8% of aggregate dividend and interest income
- Child & Dependent Care Tax Credit - Remains
 - For qualified child care expenses for children under 13 years of age
 - Maximum of \$1,050 for one child and \$2,100 for two or more children
- Lifetime Learning Credit remains for children that are students
- Student Loan Interest Deduction remains but subject to itemized expense limits

**TAX CHANGES TAKE EFFECT 1/1/2018 AND ARE PERMANENT UNTIL RESCINDED
BIGGEST CHANGES**

- Corporate tax rate changes to flat 21% of Net Profits
Previous corporate tax rates ranged from 15% to 39%
Global average tax rate is approximately 25% so this change
Aim is to make US corporation smore globally competitive
Allow expatriation of overseas cash back to the US at reduced 15.5% tax rate
- Corporate Alternative Minimum Tax of 20% has been repealed
- Business deductions for sports events, suites, entertainment events are now eliminated
- Business interest deduction is now limited to 30% (down from 50%) of business adjusted income
- Section 1031 Like Kind Exchanges are now limited to certain exchanges of real property
- No business deductions for certain payments made in sexual harassment or sexual abuse cases
- No business deduction for legislative lobbying
- Depreciation and accelerated write-off of business property
Allows 100% write-off of business property acquired after 9/27/2017 and before 1/1/2023
Allows 80% write-off of business property acquired in 2023
Allows 60% write-off of business property acquired in 2024
Allows 40% write-off of business property acquired in 2025
Allows 20% write-off of business property acquired in 2026
- Section 179 Property
Increases annual limit of 100% write-off from \$500,000 to \$1,000,000
Modifies the definition of qualifying property
- Depreciation of cars, trucks, and vans
Increases annual limits of depreciation on business vehicles
- Qualified leasehold improvements, restaurant and retail property now depreciated over 15 years
- Employee Fringe Benefits
Bicycle commuting reimbursements to employees will now be included in Gross Wages
Reimbursed moving expenses will now be included in employees Gross Wages
Employers will now include in employee's Gross Wages all awards, gifts, tickets, vacations
- Small business taxpayers with average annual gross receipts under \$25 million may us cash basis accounting
- Historic structure rehabilitation. 20% credit must be spread over 5 years

ESTATES & TRUSTS

BIGGEST CHANGES

Estates are valued and offered an estate tax exemption before being taxes at 40%
Estate exemption is doubled from \$5.59 million to \$11.18 million per individual
Estate exemption is doubled from \$11.18 million to \$12.4 million per married couple