Tax Cuts and Jobs Act

We will do our best to keep you apprised but please note that this is a major overhaul of the tax code. Here is a short overview of a few items. This in no way is an exhaustive list of changes.

Unless mentioned specifically, the following items are effective for tax years beginning **after December 31, 2017**. There is a sunset provision with this Act which means unless mentioned specifically, these changes expire as of December 31, 2025, and the tax laws revert back to prior law.

Individual Income Tax Rates

Effective with tax years beginning after December 31, 2017, the rates and brackets are:

Individual Income Tax Rates

Single
- 10% up to $9,525
- 12% up to $38,700
- 22% up to $82,500
- 24% up to $157,500
- 32% up to $200,000
- 35% up to $500,000
- 37% over $500,000

Head of Household
- 10% up to $13,600
- 12% up to $51,800
- 22% up to $82,500
- 24% up to $157,500
- 32% up to $200,000
- 35% up to $500,000
- 37% over $500,000

Married Filing Jointly
- 10% up to $19,050
- 12% up to $77,400
- 22% up to $165,000
- 24% up to $315,000
- 32% up to $400,000
- 35% up to $600,000
- 37% over $600,000

Married Filing Separately
- 10% up to $9,525
- 12% up to $38,700
- 22% up to $82,500
- 24% up to $157,500
- 32% up to $200,000
- 35% up to $300,000
- 37% over $300,000

Capital Gains & Qualified Dividends Rates

Single
- 0% up to $38,600
- 15% up to $425,800
- 20% over $425,800

Head of Household
- 0% up to $51,700
- 15% up to $452,400
- 20% over $452,400

Married Filing Jointly
- 0% up to $77,200
- 15% up to $479,000
- 20% over $479,000

Married Filing Separately
- 0% up to $38,600
- 15% up to $234,500
- 20% over $234,500

Personal exemptions

No longer exist.

Standard deductions for 2018

- Married Filing Joint $24,000
- $18,000 for Head of Household
- $12,000 for Single & Married Filing Separate.
- The extra standard deductions for taxpayer who are blind or age 65 or older continue as under current law.

Itemized Deductions

- State and local taxes will be limited to $10,000 ($5,000 for MFS) per year. Any amount of state and local INCOME taxes paid in a taxable year beginning before January 1, 2018, for a taxable year beginning after December 31, 2017, shall be treated as paid on the last day of the of the taxable year for which such tax is so imposed. In other words, prepaying the 2018 calendar year income tax returns in 2017 does NOT give a deduction on the 2017 income tax return.
  - This includes the sum of:
    - State and local income taxes,
    - State and local real estate taxes, and
    - State and local personal property taxes.
- Foreign taxes are still deductible and are NOT part of this $10,000 limit.
- Medical expenses – The 7.5% of AGI base is restored for tax years beginning in calendar years beginning in 2017 & 2018. The 10% of AGI base is effective again starting with tax years beginning after December 31, 2018.
- Charitable contributions – The 50% of AGI test is increased to 60%.
- Mortgage interest on Schedule A
  - Interest on Equity Indebtedness will no longer be deductible
  - The maximum amount of Acquisition Indebtedness on the first and second home will be reduced to $750,000 ($375,000 for MFS). This lower Acquisition Indebtedness limit is effective for tax years beginning after December 31, 2017.
  - The former $1,000,000 ($500,000 for MFS) Acquisition Indebtedness limit will continue to apply for future years for any loans incurred before December 15, 2017.
- Casualty losses will no longer be deductible except for casualty losses attributed to a federally declared disaster.
- The 2% Miscellaneous Itemized Deductions will no longer be deductible. These include tax return preparation fees, Form 2106 expenses, investment expenses, etc.
- Phase-out of itemized deductions will no longer exist.

Child Tax Credit

- The child tax credit is doubled from $1,000 to $2,000 per child. The new larger credit begins to phase out for married filers with incomes of more than $400,000. The new larger credit offsets the repeal of the personal exemption for dependents.
- The new larger child tax credit is up to 70% refundable for taxpayers with no federal income tax liability.
- A new non-refundable credit of $500 is added for non-child dependent care like care for adult family members with disabilities or elderly parents.

529 College Savings Accounts

Expanded to allow parents to save for K–12 and homeschooling expenses. The reform increases the ability of parents to pay for education options outside the public school system.

Individual Mandate Repealed

Effective for tax years **AFTER 12/31/2018** the Affordable Care Acts individual mandate tax to buy health insurance is repealed.

Alternative Minimum Tax

For individuals is changed by increasing the exemption amount to $70,300 ($109,400 for MFJ). The phase out of the exemption amount starts at $500,000 AGI ($1,000,000 for MFJ).

Depreciation

- Section 179 expensing increases to a maximum of $1,000,000, with a phase-out level beginning at $2,500,000.
- Qualified leasehold improvement property, qualified restaurant property, and qualified retail establishment property are replaced with "qualified improvement property" for purposes of Section 179 and the 15-year depreciable life
- Bonus depreciation is increased to 100% effective for purchases after September 27, 2017, and before January 1, 2023. This 100% rate is reduced by 20% points each year starting in 2023, so the rate in 2023 is 80%, 2024 is 60%, etc.
- Bonus depreciation will be available for used property as long as the taxpayer did not use the property before the taxpayer acquired the property.

ROTH IRA

- The ability to recharacterize a contribution to a Roth IRA as a contribution to a traditional IRA will be repealed.

Like-Kind Exchange

- Rules now **ONLY** apply to real estate.

Alimony paid

No longer deductible and alimony received no longer be taxable, effective for instruments executed AFTER December 31, 2018.