2018 Tax Law Changes

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Overview

- Tax Cuts & Jobs Act is the most significant reform of the U.S. tax code since 1986
- Applies to tax years beginning January 1, 2018
- Provisions are set to expire by the end of 2025
- Affects both individuals and corporations

Key Changes for Individuals

Lower Income Tax Rates and Adjusted Brackets

Bracket	Single	Married Filing Jointly and Qualifying Widower	Married Filing Separately
10%	$0 - $9,525	$0 - $19,050	$0 - $9,525
12%	$9,526 - $38,700	$19,051- $77,400	$9,526 - $38,700
22%	$38,701 - $82,500	$77,401 - $165,000	$38,701 - $82,500
24%	$82,501 -$157,500	$165,001 -$315,000	$82,501 -$157,500
32%	$157,501 - $200,000	$315,001 - $400,000	$157,501 - $200,000
35%	$200,001- $500,000	$400,001- $600,000	$200,001- $300,000
37%	$500,001 and above	$600,001 and above	$300,001 and above

Increase in Standard Deduction

Filing Status	Old Law	New Law
Single	$6,500	$12,000
Married Filing Separately	$6,500	$12,000
Head of Household	$9,350	$12,000
Married Filing Jointly	$13,000	$24,000

Additional deduction for blind, disabled or age 65 or older

- $1,600 for single taxpayers
- $1,300 each for married filing jointly

Elimination of Personal Exemptions

- No longer able to take a $4,050 personal exemption for yourself, your spouse or each dependent
- Large families are especially impacted by this provision

Expansion and Increase in Child Tax Credit

	Old Law	New Law
Maximum Credit per Child under Age 17	$1,000	$2,000

More people are eligible for the credit due to the increased thresholds based on income:

Filing Status	Old Law	New Law
Single or Head of Household	$75,000	$200,000
Married Filing Jointly	$110,000	$400,000

Credit for Non-Child Dependents

New $500 credit for eligible dependents in your household such as children over 17, adults with disabilities, or elderly parents.

Changes to Itemized Deductions

State and Local Tax Deduction is Capped at $10,000

Mortgage Interest Changes

- Ceiling on mortgage debt falls from $1,000,000 to $750,000
- ($375,000 for Couples Married Filing Separately)
- Applies to a home loan taken out after December 15, 2017
- The limits apply to the combined amount of loans used to buy, build or substantially improve the taxpayer's main home and second home
- Mortgage insurance premiums are still deductible for taxpayers with income below $110,000, subject to a phase-out.

Home Equity Loan Interest

- The deduction for interest paid on home equity loans and lines of credit, are no longer deductible unless they are used to buy, build or substantially improve the taxpayer's home that secures the loan
- This includes a home equity loan, home equity line of credit (HELOC) or second mortgage

Medical Expenses

For two years, the threshold for deducting medical expenses decreases from 10% to 7.5%

Charitable Deductions Changes

	Old Law	New Law
Adjusted Gross Income Limitation	50%	60%

Contributions to university or college enabling donor to buy sports tickets is no longer deductible

Many Miscellaneous Itemized Deductions Eliminated

- Moving expenses
- Casualty and theft losses (other than in a nationally declared disaster zone)
- Unreimbursed employee expenses (i.e. travel and mileage, cell phones, meals and entertainment, etc.)
- Tax preparation fees
- Investment fees and management expenses
- Home office deduction (for employees)

Estate Tax Exemption Doubles

	Old Law	New Law
Single	$5.49 million	$11.2 million
Married Couples	$10.98 million	$22.4 million

- Top tax rate remains at 40%
- Less than 1% of Americans will be subject to the federal estate tax.

Pass-through Entity Deduction

- Many sole proprietors, partners and shareholder of S-Corporations, LLCs and partnerships can deduct up to 20% of qualified business income
- Limitations are applied to certain professional service businesses with income above $157,500 for single taxpayers and $315,000 for joint filers
- Other limitations are applied based on wages paid and tangible depreciable property

Elimination of Individual Mandate Beginning in 2019

- Taxpayers without healthcare will no longer be subject to a penalty
- Estimated that 13 million fewer people will have coverage by 2027
- Estimated that premiums will go up by about 10% each year as a result

Corporate Tax Cut

- A flat 21% tax rate replaces the previous marginal structure that capped at 35%
- Corporations with earnings less than $50,000 will actually see an increase in tax as this income was previously only taxed at 15%

The information contained in this presentation is general in nature. Please contact your tax advisor regarding the application of these changes and strategies to your situation.