2018 TAX LAW CHANGES

The 2017 Tax Cuts and Jobs Act has modified some of the tax laws. Below is a general description of <u>some</u> of the changes which may impact your <u>2018</u> tax return. If you would like a tax projection based on your 2017 tax return, please contact the office. For more specific questions as to how the changes will impact your return or for a detailed tax projection please contact the office and schedule an appointment for after May 1st – there will be additional fees for this service.

<u>Tax Brackets and Rates:</u>

Tax Rate	Single	Married Filing Jointly	Married Filing Separate	Head of Household
10%	Up to $9,525	Up to $19,050	Up to $9,525	Up to $13,600
12%	$9,526 to $38,700	$19,051 to $77,400	$9,526 to $38,700	$13,601 to $51,800
22%	$38,701 to $82,500	$77,401 to $165,000	$38,701 to $82,500	$51,801 to $82,500
24%	$82,501 to $157,500	$165,001 to $315,000	$82,501 to $157,500	$82,501 to 157,500
32%	$157,501 to $200,000	$315,001 to $400,000	$157,501 to $200,000	$157,501 to $200,000
35%	$200,001 to $500,000	$400,001 to $600,000	$200,001 to $300,000	$200,001 to $500,000
37%	$500,001 +	$600,001 +	$300,001 +	$500,001 +

<u>Standard Deduction</u>: The standard deduction is increased to $24,000 for married individuals filing a joint return, $18,000 for head of household filers, and $12,000 for all other taxpayers. The additional standard deduction for the elderly and blind remains intact with the 2018 amounts being $1,600 for single filers and $1,300 for married individuals filing a joint return.

<u>Personal Exemptions</u>: The deduction for personal exemptions is eliminated.

<u>Child and Family Credits</u>: The child tax credit for dependents age 16 or under is increased to $2,000 per child with the credit not phasing out until income of $400,000 married taxpayers filing jointly and income of $200,000 for all other taxpayers. In addition, a new $500 nonrefundable credit is provided for certain non-child dependents (i.e. children age 17 or 18 and full-time students ages 19 to 23)

<u>Kiddie Tax</u>: The taxable income of a child attributable to earned income is taxed under the single rates and the taxable income attributable to net unearned income is taxed according to the rates and brackets of estate and trusts.

<u>Capital Gains Provisions</u>: The Act generally retains present-law maximum rates on net capital gains and qualified dividends.

<u>State and Local Tax Deduction</u>: The itemized deduction for Income (or sales tax, if higher) and property taxes are still deductible, but are limited to $10,000 total deduction per year. Foreign real property taxes are not deductible.

<u>Mortgage Interest Deduction</u>: The itemized deduction for mortgage interest is limited to the interest on $750,000 of home acquisition loans on two homes (in total) for loans after December 15, 2017. For loans before December 15, 2017, this limitation is $1,000,000. No interest deduction will be allowed for interest on home equity loans (unless the loan is used to improve your home). If a taxpayer refinances a home loan it is important to keep track of the use of the funds.

<u>Miscellaneous Itemized Deductions</u>: The itemized deduction for miscellaneous deductions that are subject to the 2% of adjusted gross income floor is suspended. This would include tax preparation fees, unreimbursed employee business expenses and investment fees.

<u>Itemized Deduction Income Limitation</u>: For taxpayers with higher adjusted gross income the limitation on itemized deductions has been eliminated.

<u>Alternative Minimum Tax (AMT)</u>: The AMT exemption amount is increased to $109,400 for married filing joint returns (up from $84,500) and $70,300 for all other taxpayers (up from $54,300). [For married filing separately the limit is increased from $42,250 to $54,700]. The phase-out thresholds are increased to $1 million for married taxpayers filing a joint return and $500,000 for all other taxpayers. The exemption and threshold amounts will be indexed for inflation.

<u>Estate and Gift Taxes</u>: A federal lifetime exemption of $11,200,000 and a 40% gift tax rate on taxable gifts is available to all decedents dying after December 31, 2017 and for gifts made after December 31, 2017. If an individual or couple makes gifts of more than the limit, gift tax is incurred. Remember: A gift tax return is still required to be filed if the gift is greater than the annual exclusion - $15,000 for 2018.