



## TAX REFORM: TOP PROVISIONS IMPACTING INDIVIDUALS

The Tax Cuts and Jobs Act is bringing sweeping changes to many areas of the tax law. As your tax advisor, Anders is looking ahead to help you minimize your tax burden for 2018. To help you prepare for the impacts, below are the top provisions affecting individuals.

### INDIVIDUAL TAX BRACKETS

(Expire after December 31, 2025)

- **10%** for taxable incomes up to \$9,525 for individuals and \$19,050 for married couples
- **12%** for taxable incomes up to \$38,700 for individuals and \$77,400 for married couples
- **22%** for taxable incomes up to \$82,500 for individuals and \$165,000 for married couples
- **24%** for taxable incomes up to \$157,500 for individuals and \$315,000 for married couples
- **32%** for taxable incomes up to \$200,000 for individuals and \$400,000 for married couples
- **35%** for taxable incomes up to \$500,000 for individuals and \$600,000 for married couples
- **37%** for taxable incomes above the 35% threshold for both individuals and married couples

### BUSINESS TAX RATES

- Corporate tax rate reduced from 35% to **21%**
- Pass-through companies allowed a **20%** deduction on domestic qualifying business income not to exceed 50% of wage income for higher-income taxpayers, but not for specified service businesses, not including architects and engineers and smaller specified service businesses. Alternatively, for the higher income taxpayers, the deduction applies to **25%** of wage income plus 2.5% of the unadjusted cost of depreciable tangible assets.

### STANDARD DEDUCTION AND EXEMPTIONS

- Raises from \$6,350 to **\$12,000** for individuals
- Raises from \$12,700 to **\$24,000** for married couples
- Personal exemptions are eliminated

### ITEMIZED DEDUCTIONS

- Preserves medical expenses, but most others are repealed. Repeals all 2% floor itemized deductions. Casualty losses only allowed for presidentially declared disasters under section 401
- Mortgage interest deduction and charitable deduction is preserved, but with slight modifications. The limitation on overall itemized deductions allowable is eliminated. There are no longer any phase-outs
- The limitations on cash contributions to public charities and certain private foundations increased to **60%** of AGI from 50%

## MORTGAGE INTEREST DEDUCTION

- Cap on principal residence acquisition indebtedness eligible for the mortgage interest deduction lowered from \$1 million to **\$750,000**
- Interest on home equity loans may now be limited

## STATE AND LOCAL TAX DEDUCTIONS

- Aggregate state real property and income tax (or sales tax) expense deductions for purposes of itemizing will be allowed a cap of **\$10,000**
- State and Local income taxes paid in carrying on a trade or business continue to be fully deductible

## FAMILY AND CHILD TAX CREDITS

- A new credit for non-child dependents introduced at **\$500**
- Child Tax Credit increases to \$2,000, with \$1,400 of it now being refundable and phasing out at \$400,000 of income (MFJ)

## ALTERNATIVE MINIMUM TAX

Individual AMT remains on the books, but with a higher exemption and phase-out amount

## RETIREMENT ACCOUNT CHANGES

Re-characterization from a Roth to traditional IRA contribution is allowed. However, if you convert a traditional to a Roth, you cannot unwind this conversion under the new law

## OTHER INDIVIDUAL TAX CHANGES OF NOTE

- Alimony is no longer deductible by the payor and no longer income to the payee for divorce agreements entered into or modified in 2019 or after
- Moving expense deductions are eliminated
- Employee unreimbursed business deductions are eliminated
- Many employer-provided benefits to an employee are no longer excluded from income. These include fringe benefits such as employee achievement awards, transportation, commuting and qualified moving expenses

## ESTATE AND GIFT TAX

- No repeal
- Increases exemption for an individual from \$5.49 million to **\$11.18 million**, indexed for inflation after 2011. A married individual could effectively transfer **\$22.36 million** as both are allowed this exemption
- Step-up in basis for property passing to heirs at death remains in place

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*We will continue to communicate with our clients about how the new tax law will impact individuals and businesses going forward. Please contact your Anders advisor to discuss your specific situation.*

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