



The Tax Cuts and Jobs Act

The most sweeping tax reform bill to be enacted since 1986, The Tax Cuts and Jobs Act, was passed by Congress on 12/20/17 and signed into law by President Trump on 12/22/17. Its provisions are generally effective on 1/1/18 through December 31, 2025 following which its individual taxpayer provisions revert back to existing tax law. Its corporate tax provisions remain permanent. Below, we've attempted to offer a high level summary of the provisions most applicable to you our clients, investors and individual taxpayers.

Individual Income Tax

- **Individual income tax rates**

Maximum marginal tax rate reduced to 37% from 39.6% and begins on taxable income over \$600K (Married) and \$500K (Single) filers.

7 tax brackets retained with modest marginal rate reductions across the spectrum. See taxable income rate chart below.

- **Alternative minimum tax (AMT)**

Exemption amounts increased to \$109,400 (M) & \$70,300 (S).

Exemption phase-out begins at \$1 million (M) & \$500K (S).

- **Individual standard deduction /personal exemptions**

Standard deduction nearly doubles to \$24K (M) and \$12K (S).

Personal exemptions repealed at all income levels.

- **Itemized deduction**

Deductions for state and local taxes (property, income and sales taxes) are limited in the aggregate to \$10K (M) & (S) filers and \$5K married filing separately.

Most miscellaneous deductions that were subject to the 2% of Adjusted Gross Income (AGI) floor will no longer be allowed.

- **Capital gain / qualified dividend rate**

Max tax on long-term gains and qualified dividends (before the 3.8% net investment income tax) is unchanged at 20%.

- **Mortgage interest deduction**

Itemized deduction for interest paid on principal and second residence mortgages allowed up to a combined mortgage of \$750K. Current mortgages and purchase contract mortgages that predate 12/16/17 may be grandfathered.

Interest on home equity lines of credit are no longer deductible.

- **Pass-through deduction**

A 20% deduction for "qualified business income" from a partnership, S-Corp or sole proprietorship is now available on pass-through income before it is taxed as ordinary income on the individual's tax return.

- **Medical expense deduction**

The 10% floor is reduced to 7.5% of AGI for tax years 2017 & 2018.

- **Capital gain exclusion for primary residence**

\$500K capital gain exclusion for sale of primary residence is continued. Taxpayer must own and use the home as primary residence for 2 out of 5 years and the exemption can be used only once every two years.



• **Child tax credit**

Increased to \$2K/qualified child with \$1,400 being refundable. Credit phases out at \$200K (S) and \$400K for (M).

• **Health insurance**

Individual Mandate Repealed.

• **Section 529 plans**

Plans continue to be allowed with liberalized distribution definitions. In addition to expenses for higher (post-secondary) education, up to \$10k/ year per student for enrollment tuition or attendance expenses at an elementary or secondary public, private or religious school is now allowed.

• **Charitable deductions**

Deductibility of Cash gifts to public charities is increased to 60% of taxpayers AGI, 80% deduction for University athletic seating rights is repealed.

Gift/Estate/Generation Skipping Transfer (GST) Tax Exemption

Doubles the gift, estate and GST exemptions to \$11.2 million per US domiciliary while retaining spousal portability. The increased exemptions sunset after 2025 reverting back to the 2017 law with inflation adjustments.

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Rate	Single (no children)	Head of Household	Married Filing Separately	Married Filing Jointly
10%	\$0 - \$9,525	\$0 - \$13,600	\$0 - \$9,525	\$0 - \$19,050
12%	\$9,525 - \$38,700	\$13,600 - \$51,800	\$9,525 - \$38,700	\$19,050 - \$77,400
22%	\$38,700 - \$82,500	\$51,800 - \$82,500	\$38,700 - \$82,500	\$77,400 - \$165,000
24%	\$82,500 - \$157,500	\$82,500 - \$157,500	\$82,500 - \$157,500	\$165,000 - \$315,000
32%	\$157,500 - \$200,000	\$157,500 - \$200,000	\$157,500 - \$200,000	\$315,000 - \$400,000
35%	\$200,000 - \$500,000	\$200,000 - \$500,000	\$200,000 - \$300,000	\$400,000 - \$600,000
37%	\$500,000+	\$500,000+	\$300,000+	\$600,000+

Tax brackets are scheduled to sunset at the end of 2025 and revert back to current law in 2026.

Disclaimer - This material is provided for informational purposes only and is not intended to be a full or exhaustive explanation of the Tax Act. For clarification of any provision you should seek professional tax counsel.