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ACCOUNTING AND PAYROLL ■ INCOME TAX PREPARATION ■ FINANCIAL BUSINESS CONSULTING

Tax Reform Has Just Become A Reality!

This Is The First Significant Reform Of The U.S. Tax Code Since 1986

Changes included in the legislation have been made to both individual and corporate tax rates.

Individual provisions in the new legislation technically expire by the end of 2025, though a future Congress could extend them. Most of the corporate provisions are permanent. Some of the major changes are highlighted below. All of the new provisions of the new tax laws are not included.

None of this will affect your 2017 taxes; however, taxpayers may need to change their 2018 Federal withholding immediately. **The new laws will first be applied to 2018 taxes.**

✔ **Seven tax brackets for individuals continue, but the rates have changed.**

Taxpayers will continue to be placed in one of seven tax brackets based on their income. The rates for some of these brackets have been lowered. The new rates are: 10%, 12%, 22%, 24%, 32%, 35% and 37%.

✔ **The standard deduction has nearly doubled.**

For single filers, the standard deduction has increased from \$6,350 to \$12,000; for married couples filing jointly, it's increased from \$12,700 to \$24,000.

✔ **Personal exemptions are eliminated.**

Previously, you could claim a \$4,050 personal exemption for yourself, your spouse and each of your dependents.

✔ **There's a new tax credit for non-child dependents, like elderly parents.**

Taxpayers may now claim a \$500 temporary credit for non-child dependents. This can apply to a number of people adults support, such as children over age 17, elderly parents or adult children with a disability.

✔ **The state and local tax deduction is now capped.**

The state and local tax deduction (SALT) remains in place for those who itemize their taxes, but now there's a \$10,000 cap. Previously, filers could deduct an unlimited amount for state and local property taxes, plus income or sales taxes.

✔ **The child tax credit has been expanded.**

The child tax credit has doubled to \$2,000 for children under age 17. It's also now available, in full, to more people. The entire credit can be claimed by single parents who make up to \$200,000, and married couples who make up to \$400,000.

✔ **Fewer people will be subjected to the alternative minimum tax (AMT).**

The alternative minimum tax ensures people who receive a lot of tax breaks still pay some federal income taxes. It still remains for individuals; however, fewer people will have to worry about calculating their tax liability under the AMT because the exemption has been raised to \$70,300 for singles, and to \$109,400 for married couples.

✔ **The mortgage interest deduction has been lowered.**

Current homeowners are in the clear. Anyone buying a new home will only be able to deduct the first \$750,000 of their mortgage debt. The previous limit was \$1 million. Home equity interest deduction is eliminated.

✔ **Tuition waivers for grad students remain tax-free.**

Graduate students still won't have to pay income taxes on the tuition waiver they get from their schools. Such waivers are typically awarded to teaching and research assistants.

✔ **Student loan interest is still deductible.**

The deduction for student loan interest is still available up to a \$2,500 limit.

✔ **Teachers can still deduct classroom supplies.**

The deduction for teachers who spend their own money on school supplies has been unchanged. Educators can continue to deduct up to \$250 to offset for what they spend on classroom materials.

✔ **Home sellers who turn a profit keep their tax break.**

Homeowners who sell their house for a gain will still be able to exclude up to \$500,000 (or \$250,000 for single filers) from capital gains, so long as they're selling their primary home and have lived there for two of the past five years.

✔ **The tax deduction for alimony payments is history.**

Alimony payments are no longer deductible for the person making the payments. Likewise, recipients of alimony will not be required to claim those payments as income. This provision will apply to couples who sign divorce or separation paperwork after December 31, 2018.

✔ **The deduction for moving expenses is eliminated.**

There may be some exceptions for members of the military. But most people will no longer be able to deduct the cost of their work-related move.

✔ **Pass-through entities also get a break.**

The tax burden by owners, partners and shareholders of S-corporations, LLCs and partnerships, who pay their share of the business' taxes through their individual tax returns has been lowered via a 20% deduction.

✔ **Casualty Losses will be limited.**

Losses sustained due to a fire, storm or theft that aren't covered by insurance used to be deductible if they exceeded 10% of adjusted gross income. Now through 2025, taxpayers can only claim a deduction if they've been affected by an official national disaster.

✔ **Almost everyone is now exempt from estate tax.**

Before tax reform, few estates were subject to the estate tax, which applies to the transfer of property after someone dies. Now, even fewer people will be affected. The amount of money exempt from the tax -- previously set at \$5.6 million for individuals, and at \$11.2 million for married couples -- has been doubled.

✔ **The individual mandate on health insurance has dropped.**

The elimination of the Obamacare individual mandate, which penalizes people who do not have health care, goes into effect in 2019.

✔ **Corporate tax rates are coming down.**

The corporate tax rate has been cut to 21% starting next year. The alternative minimum tax for corporations is eliminated.

✔ **Executive pay at nonprofits.**

The legislation includes a new 21% excise tax on nonprofit employers for salaries they pay out above \$1 million.

For 2017, you can still deduct medical expenses and the threshold has been reduced.

The deduction for medical expenses wasn't cut. It will be expanded for two years. Taxpayers can deduct medical expenses that exceed more than 7.5% of their adjusted gross income. The threshold for taxpayers was 10% of adjusted gross income.

New Laws Will First Be Applied To 2018 Taxes

WE CAN DISCUSS THE TAX CHANGES AT YOUR 2017 TAX RETURN PREPARATION MEETING.