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CERTIFIED PUBLIC ACCOUNTANTS

Tax Reform Changes for Individuals

Tax Item	Current Law	Tax Cut & Jobs Act (As Passed by Congress on December 20, 2017)
Tax Brackets	7 tax brackets: 10% 15% 25% 28% 33% 35% 39.6%	See enclosed bracket.
Capital Gains	3 bracket system for capital gains: 0% 15% 20%	Retains prior law, but brackets will be adjusted with inflation. See enclosed bracket. Maintains additional Net Investment Income Tax of 3.8% on all investment earnings.
Standard Deduction	Married Filing Jointly: $12,700 Head of Household: $9,350 Single or Married Filing Separately: $6,350	Married Filing Jointly: $24,000 Head of Household: $18,000 All other single filers: $12,000
Personal Exemption	$4,050 per individual or dependent. The exemption benefit is then phased out at certain income levels.	No personal exemptions allowed. Suspended through 2025.
Alternative Minimum Tax (AMT)	Various adjustments are made to taxable income to determine a “minimum tax” payable by individual. The taxpayer then pays the higher of the regular tax or the alternative minimum tax. Individuals with large state income tax deductions were commonly subject to the AMT.	AMT remains as currently enacted, but with higher exemption amounts: Joint and Surviving Spouses - $86,200 Single Taxpayers - $55,400 Married Filing Separate - $43,100
Child & Dependent Benefits		
Child and Family Tax Credit	$1,000 refundable credit for each qualifying child under age 17. Phase Out: Credit is phased out $75,000 of income for single filers and $110,00 for joint filers.	$2,000 per qualifying child, with up to $1,400 of that being refundable per qualifying child. $500 nonrefundable credit for non-child dependents (such as retired parents). Credit is phased out beginning at $400,000 for joint filers and $200,000 for all other filers.
Kiddie Tax	Net unearned income of a child was taxed at the parents' tax rate, if parents' tax rates were higher than child's. Applied to a children who were (1) 18 and under throughout tax year, (2) had unearned income of $2,100 or more, and (3) did not file a joint return.	Child's earned income is taxed under rates for single individuals. Unearned income is taxed according to brackets applicable to trusts and estates.

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Education Benefits		
Simplified Credit	There are three different credits, all with their own separate rules and requirements: American Opportunity Tax Credit (AOTC) Hope Scholarship Credit (HSC) Lifetime Learning Credit (LLC)	No change in final bill.
529 Account Funds	Taxpayers could contribute to a tax-advantage savings plan called a "529 plan" for future college tuition. Under the plan, contributions would grow tax-deferred. There was no deduction up front, but the earnings and withdrawals would be tax-free as long as used to pay qualified higher education expenses.	The definition of qualified higher education expenses is expanded to include elementary or secondary public, private, or religious school, up to $10,000 per year.
Student Loan interest Deduction	Individuals may deduct up to $2,500 of student loan interest paid during a year. The deduction is completely phased out beginning for single filers between $65,000 and 80,000 and for joint filers between $130,000 and $160,000.	No change in final bill.
Itemized Deductions		
Mortgage Deductions	Interest on the first $1 MM from mortgages incurred in acquiring, constructing, or substantially improving a qualified residence of taxpayer is deductible. Interest on the first $100,000 of home equity loans, not used to acquire or improve property, is deductible.	Acquisition debt interest deductible up to first $750,000 of debt. Home equity loan interest is deductible up to the first $100,000 of debt. Exception: Lower limit will not apply to acquisition indebtedness incurred before 12/15/2017 or if binding contract was entered into before 12/15/2017 and the transaction closed before 12/31/2018.
State and Local Tax Deduction	Individuals can deduct all state and local property taxes. Individual can then elect to take a deduction for state and local sales taxes or a deduction for state and local income taxes. The deduction is not deductible for AMT purposes.	Individual may claim up to $10,000 (or $5,000 if married filing separate) of State and Local Property, Income, or Sales Taxes. Prepayment Provision - If 2018 or other future state and local income taxes are paid in 2017, then those taxes are only deductible in the year imposed. (i.e. no prepaying 2018 income taxes for 2017 deduction)

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Limitation on Itemized Deductions	Itemized deductions are reduced for lesser of 3% of AGI above threshold or 80% of amount of itemized deductions otherwise allowable for tax year. For 2017, the phase out began for single filers above $261,500 in gross income or for joint filers above $313,800 in gross income.	For tax years 2018 - 2025, no overall limitation.
Charitable Contributions	Charitable contributions of up to 50% of individuals AGI are deductible.	For tax years 2018 - 2025, the 50% AGI limitation is raised to 60%. (i.e. you may deduct donations equaling up to 60% of your income) For contributions made in 2018 and forward, no deduction will be allowed for payments to colleges or universities for the right to purchase tickets or seating at an athletic event.
Medical Expense Deduction	Qualified medical expenses are deductible, if they exceed 10% of the Taxpayer's adjusted gross income.	For the 2017 - 2018 tax years, Qualified medical expenses are deductible, if they exceed 7.5% of the Taxpayer's adjusted gross income.
Repealed Miscellaneous Itemized Deductions		The following are "suspended" for tax years 2018 - 2025: - Personal Casualty & Theft Loss (other than those losses incurred in a federally-declared disaster) - Tax Preparation Expenses - Moving expense deductions - All Miscellaneous itemized subject to 2% under current law, including: - unreimbursed employee expense - expenses for production or collection of income - Repayments of income received under claim of right - repayments of social security benefits - share of deductible investment expenses from pass-through entities

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Exclusions from Income		
Gain from Sale of Principal Residence	Up to $250,000 for single taxpayers or $500,000 for married filing jointly taxpayer of gain from sale of principal residence is excludable from income. Taxpayer would have to live in home for 3 of the last 5 years	No change in final bill.
Repealed exclusions:		The following are repealed: - Qualified bicycle commuting reimbursements - Qualified moving expense reimbursements
Estate Tax and Other Miscellaneous Items		
Gift and Estate Tax Exemption Amount	An individual may gift or bequest pp to $5.49 MM or property to non-spousal individuals. If married, then this exemption amount is transferable to the spouse and the surviving spouse may gift or bequest up to $10.98 MM over their lifetime.	Exemption is raised to $10 MM per individual or $20 MM per married couple, indexed for inflation from 2011. (For 2018, this is expected to be approximately $11.2 MM per individual, or $22.4 MM per married couple) Gift tax remains with doubled exemption above.
Alimony Deduction by Payor/Inclusion by Payee	Payors of alimony are able to deduct these payments from their taxable income, while payees are required to report the alimony received as income on their returns.	For any divorce or separation agreement entered into or modified after 12/31/2018, alimony payments are not deductible by payor spouse and are excluded from income of payee spouse.
ACA Individual Mandate	The Affordable Care Act individual mandate requires individuals to have health insurance which equates to minimum essential coverage or face a tax penalty.	For months beginning after 12/31/2018, the Individual shared responsibility payment reduced to $0, effectively repealing the individual mandate.
Sunset Provision	No Overall sunset provision.	Most changes Sunset in the year 2025, with a few sunsetting before or being permanent.