



# Tax Cuts and Jobs Act

## Individuals

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The Tax Cuts and Jobs Act is the biggest federal tax law change in over 30 years. Below are some significant changes affecting individuals. **Note:** Except where noted, the changes are effective for tax years 2018–2025.

### Tax Rates

**Income tax rates.** Most individual income tax rates have been lowered, including the top marginal tax rate from 39.6% to 37%. The 2018 individual income tax brackets are:

Single	MFJ or QW
\$0 to \$9,525 ..... 10%	\$0 to \$19,050 ..... 10%
\$9,526 to \$38,700 ..... 12%	\$19,051 to \$77,400 ..... 12%
\$38,701 to \$82,500 ..... 22%	\$77,401 to \$165,000 ..... 22%
\$82,501 to \$157,500 ..... 24%	\$165,001 to \$315,000 ..... 24%
\$157,501 to \$200,000 ..... 32%	\$315,001 to \$400,000 ..... 32%
\$200,001 to \$500,000 ..... 35%	\$400,001 to \$600,000 ..... 35%
\$500,001 and over ..... 37%	\$600,001 and over ..... 37%
HOH	MFS
\$0 to \$13,600 ..... 10%	\$0 to \$9,525 ..... 10%
\$13,601 to \$51,800 ..... 12%	\$9,526 to \$38,700 ..... 12%
\$51,801 to \$82,500 ..... 22%	\$38,701 to \$82,500 ..... 22%
\$82,501 to \$157,500 ..... 24%	\$82,501 to \$157,500 ..... 24%
\$157,501 to \$200,000 ..... 32%	\$157,501 to \$200,000 ..... 32%
\$200,001 to \$500,000 ..... 35%	\$200,001 to \$300,000 ..... 35%
\$500,001 and over ..... 37%	\$300,001 and over ..... 37%

**Kiddie Tax.** Generally, the Kiddie Tax applies to certain children with unearned (investment) income that exceeds \$2,100. The new law simplifies the Kiddie Tax by applying ordinary and capital gain tax rates applicable to trusts and estates to the net unearned income of a child instead of using the parent's rate.

### Adjustments to Income

**Moving expenses.** The moving expense deduction and the exclusion from gross income and wages for qualified

moving expense reimbursements have been suspended and are not available for most taxpayers.

**Exception:** Qualified active duty servicemembers of the Armed Forces (and their spouses and dependents) can claim the moving expense deduction and receive excludable moving expense reimbursements.

**Alimony.** Effective for instruments executed after December 31, 2018, alimony and separate maintenance payments are not deductible by the payor spouse and not included in income by the recipient spouse.

### Personal and Dependency Exemptions Deduction

The deduction for personal and dependency exemptions is suspended for tax years 2018 through 2025, however, the dollar amount (\$4,150 for 2018) is still applicable when applying the rules for determining a qualifying child or qualifying relative for other tax benefits.

### Standard Deduction

The standard deduction amounts have almost doubled for 2018: \$12,000 Single or MFS, \$24,000 MFJ or QW, \$18,000 HOH.

**Age 65 and/or blind.** The additional standard deduction amounts apply for age 65 or older, and/or blind, per person, per event: \$1,300 MFJ, QW, or MFS, \$1,600 Single or HOH.

**Dependent.** The standard deduction in 2018 for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of \$1,050, or earned income plus \$350.



## Tax Cuts and Jobs Act Individuals

### Itemized Deductions

Several changes were made to itemized deductions:

- **Medical and dental expenses.** Qualified medical and dental expenses are deductible as itemized deductions to the extent they exceed 7.5% of adjusted gross income (AGI). For example, for an individual with an AGI of \$50,000, only those expenses that exceed \$3,750 (7.5% of \$50,000) are deductible.
- **Taxes paid.** Deductible state and local income, property, and sales taxes are limited to a total amount of \$10,000 (\$5,000 MFS). No deduction is allowed for foreign real property taxes.
- **Interest paid.** Deductible home mortgage interest is limited to total acquisition debt incurred on or after December 15, 2017 on a main and second home combined to \$750,000 (\$375,000 Married Filing Separately). Acquisition debt incurred before December 15, 2017, remains limited to \$1 million (\$500,000 for Married Filing Separately). Interest on home equity debt not used to improve the home is not deductible.
- **Charitable contributions.** An individual's deductible charitable cash contributions are limited to 60% of AGI (up from 50%). No charitable deduction is allowed for payments to higher education institutions in exchange for the right to purchase tickets or seating at an athletic event.
- **Casualty and theft losses.** A personal casualty or theft loss is deductible (subject to limitations) only if such loss is attributable to a federally-declared disaster.
- **Miscellaneous deductions.** Miscellaneous itemized deductions subject to the 2% AGI limit are no longer allowed. Examples include investment expenses, unreimbursed employee business expenses, and tax preparation fees.
- **Phaseout.** The phaseout of the itemized deductions based on AGI is suspended, which means itemized deductions are not limited.

### Child Tax Credit

The Child Tax Credit maximum amount has doubled (from \$1,000) to \$2,000 per qualifying child under the age of 17. The credit is phased out when modified AGI

exceeds \$200,000 (\$400,000 for MFJ), and is not indexed for inflation.

**Additional Child Tax Credit.** The portion of the Child Tax Credit that exceeds regular tax liability may be refundable up to \$1,400 (increased from \$1,000) per qualifying child, adjusted annually for inflation. The earned income threshold for figuring the refundable portion has decreased (from \$3,000) to \$2,500.

**Note:** In order to claim either the nonrefundable or refundable portion of the Child Tax Credit, the qualifying child must have an SSN by the due date of the return.

### Family Tax Credit

A new non-refundable Family Tax Credit up to \$500 is allowed for dependent who does not qualify for the Child Tax Credit and who is a qualifying relative that is a U.S. citizen, national, or resident of the United States. Thus, a dependent over age 16 that no longer qualifies for the \$2,000 Child Tax Credit may qualify for a \$500 Family Credit, assuming the other dependency rules are met.

### Alternative Minimum Tax (AMT)

The 2018 AMT exemption and phaseouts have increased significantly.

	AMT Exemption Amount	Phaseout Ranges
Single or HOH	\$70,300	\$500,000 to \$781,200
MFJ or QW	\$109,400	\$1,000,000 to \$1,437,600
MFS	\$54,700	\$500,000 to \$718,800

### Individual Health Insurance Mandate

For 2018, the requirement to maintain health insurance coverage is still applicable. Effective for 2019, the shared responsibility payment (penalty) under the Affordable Care Act for not maintaining minimum essential health insurance coverage for you or your dependent is zero.

### Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

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