



CPAs AND BUSINESS ADVISORS

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INDIVIDUALS		
Rule	Present Law (2018 Rate Schedule)	New Law
Rates - Single Filers		
Number of brackets	7	7
Top Rate	39.60%	37%
Top Rate Starts at	\$426,700	\$500,000
Rates - Joint Filers		
Number of brackets	7	7
Top Rate	39.60%	37%
Top Rate Starts at	\$480,050	\$600,000
Alternative Minimum Tax	AMT imposed when minimum tax exceeds regular income tax. Taxes are not deductible for AMT	Exemption increased. With the higher exemption and the \$10,000 limit on the deduction for taxes, the alternative minimum tax will apply to fewer taxpayers
Standard Deduction	\$6,500 for individuals and \$13,000 for joint filers	\$12,000 for individuals and \$24,000 for joint filers
Personal Exemption	\$4,150 for each person, spouse, and dependents	Personal exemption eliminated
Estate Tax	\$5.6 million exemption amount, transfers in excess subject to 40% rate	\$11.2 million exemption amount
Child Tax Credit	\$1,050 per child	\$2,000 per child (\$1,400 refundable) and \$500 for non-child dependents
Medical	Can deduct medical expenses in excess of 10% of adjusted gross income	The 10% of adjusted gross income threshold is reduced to 7.5% for tax years 2017 and 2018 only
Mortgage Interest (MI) Deduction	MI deduction limited to acquisition debt of \$1 million and home equity debt of \$100K on a principal and second home	MI deduction limited to acquisition debt of \$750,000. Home equity loan interest no longer deductible. (Effective for purchases after 12.15.17)
State and Local Tax Deduction	State and local taxes are deductible as an itemized deduction	Deduction limited to \$10,000 for combination of state and local taxes, including property taxes (real estate and personal property taxes)
Individual Mandate	ACA requires individuals be covered by health insurance or pay "penalty" (tax)	Penalty reduced to zero starting in 2019
Moving Expense Deduction	Deduction for qualified moving expenses	Eliminated except for members for the military
Deduction for Employee Expenses and Investment Expenses	Employee business expenses and investment expenses may be claimed as an itemized deduction above certain thresholds	No deduction
Sale of Principal Residence	Exclude \$500,000 for joint filers, and \$250,000 for others if use as residence for 2 out of 5 years	No change
Education Savings (529) Plans	Can only be used for higher education	Will now also be available for private school tuition - grades K through 12 but not for home schooling expenses.
Overall Limit on Itemized Deductions	Phase-out beginning \$266,700/\$320,000 (singles, couples)	Temporarily repealed through 2025
Alimony	Deductible by the payer spouse and included in the income of the recipient spouse.	For any divorce or separation agreement executed after Dec. 31, 2018 alimony is not deductible by the payer spouse and is not included in the income of the recipient spouse.
BUSINESSES		
Rule	Present Law	New Law
Corporate Rates	Graduated corporate rate structure, top rate of 35%, personal service corporations taxed at 35%	Flat rate of 21%
Alternative Minimum Tax	Imposed to the extent a corporation's minimum tax exceeds its regular tax	Eliminated
Pass-Through	Income attributable to a pass-through (partnership, LLC, S corporation) generally taxed at the owner's individual rate	Can deduct 20% of their qualified business income (partnership, S corporation and sole proprietor). Complex limitations and phase out ranges with lower thresholds for service businesses
Business Interest Deduction	Deduction for business interest paid or accrued	Deduction capped at 30% of income excluding depreciation
Net Operating Loss Deduction	NOLs may be carried back 2 years and carried forward 20 years to offset taxable income	Deduction limited to 80% of taxable income
Section 179	Annual limit for 2018 \$520,000. Reduced when more than \$2,070,000 of eligible property placed in service	Limit increased to \$1 million for tax years beginning after 2017. "Qualified Real Property" would also be eligible for Section 179
Bonus Depreciation	40% for 2018	100% for property placed in service after 9/27/2017 through 12/31/2022. Phased down to 20% by 2027