

# TAX CUTS AND JOBS ACT COMPARISON

**LEVERAGE**  
YOUR RETIREMENT



Individual Tax Reform				
	2017	Tax Cuts and Jobs Act	Effective Date	Additional Comments/ Considerations
Individual Tax Rates	10%, 15%, 25%, 28%, 33%, 35%, 39.6% Indexed for inflation	10%, 12%, 22%, 24%, 32%, 35%, 37% Indexed for inflation	2018-2025	Most taxpayers will experience an increase in take home pay, at least through the pre-sunset period.
Consumer Price Index for Inflation Adjustments	CPI-U CPI for All Urban Consumers.	C-CPI-U Chained CPI for All Urban Consumers.	Made permanent effective 1/1/2018	The chained CPI is expected to result in lower inflationary adjustments as it measures the substitutions consumers make when prices rise. Could result in bracket creep.
Estates and Trusts Tax Rates	15%, 25%, 28%, 33%, 39.6%	10%, 25%, 35%, 37%	2018-2025	Highest trust tax rate remains at income above \$12,500.
Alternative Minimum Tax (AMT)	<ul style="list-style-type: none"> <li>Exemption amount \$54,300 (SS/HOH)) and \$84,500 (MFJ)</li> <li>Phaseout Thresholds \$120,700 (S) and \$160,900 (MFJ)</li> </ul>	<ul style="list-style-type: none"> <li>Exemption amount \$70,300 (S/HOH) and \$109,400 (MFJ)</li> <li>Exemption credit phaseouts \$500,000 (S/HOH) and \$1,000,000 (MFJ)</li> </ul>	2018-2025	Much higher income phaseouts results in very few taxpayers having to be concerned about AMT through 2025.
Kiddie Tax	Unearned income above a modest threshold (\$2,100) taxed at parents' highest marginal tax rate.	Unearned income over \$2,100 threshold will be taxed using trust tax rates.	2018-2025	Applies to children under age 19 or college-aged students under age 24.
Standard Deduction	<ul style="list-style-type: none"> <li>\$6,350 (single/MFS), \$12,700 (MFJ)</li> <li>\$9,350 (head of household)</li> <li><b>Blind or 65 or older - \$1,250 additional deduction</b></li> </ul>	<ul style="list-style-type: none"> <li>\$12,000 (Single /MFS), \$24,000 (MFJ)</li> <li>\$18,000 (Head of Household)</li> <li><b>Blind or 65 or older \$1300 will remain</b></li> </ul>	2018-2025	Most consumers likely to take standard deduction going forward.
Personal Exemption	<ul style="list-style-type: none"> <li>\$4,050 per eligible dependent</li> <li>Phase outs begin at \$261,500 (S) or \$313,800 (joint returns)</li> </ul>	Repealed.	2018-2025	The repeal of the PE will likely impact larger families the most. But, for many, the increase in the child tax credit and more liberal income phaseouts will offset the loss of the PE. See child tax credit.
Child Tax Credit	<ul style="list-style-type: none"> <li>\$1,000 per qualifying child under age 17</li> <li>Phase out beginning at \$55,000 (MFS)</li> <li>\$75,000 (single/HOH) and \$110,000 (MFJ)</li> <li>Partially refundable if income &gt; \$3,000</li> </ul>	<ul style="list-style-type: none"> <li>\$2,000 per qualifying child under age 17</li> <li>Phase out beginning at \$200,000 (Single, MFS, and HOH) and \$400,000 (MFJ); refundable up to \$1,400</li> <li>\$500 non-refundable credit for certain other dependents</li> </ul>	2018-2025	The child tax credit offers a dollar for dollar reduction to taxes owed while the personal exemption lowers taxable income (having less of an impact on taxed owed) which will help offset the loss of the PE for large families.
State and Local and Income Tax Deduction (SALT)	No limit but can deduct state income or sales tax, but not both and property taxes.	Capped at combined \$10,000 (\$5,000 MFS) which also includes property taxes.	2018-2025	Taxpayers in high tax states on the West Coast and the Northeast will likely feel the effect of this change most.
Limitation on Mortgage Interest Deduction	Capped at \$1,000,000 of debt principal.	<ul style="list-style-type: none"> <li>Capped at \$750,000 of debt principal</li> <li>Grandfathered: debt acquisition prior to 12/15/17 or Binding contract by 12/15/17 and purchased by 4/1/18</li> </ul>	2018-2025	Grandfathered mortgages that are refinanced will maintain the \$1 million dollar principal limit on existing loan amount only.

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## Individual Tax Reform (continued)

2017		Tax Cuts and Jobs Act	Effective Date	Additional Comments/ Considerations
Home Equity Interest Deduction	Deductible up to \$100,000 in equity principal \$50,000 (S or MFS).	<ul style="list-style-type: none"> <li>Suspended</li> <li>No grandfather provision</li> </ul>	2018-2025	No grandfathering permitted for existing home equity loans.
Moving Expense Deduction	Deductible if relocation is necessary due to a new job or transfer with the same employer.	<ul style="list-style-type: none"> <li>Suspended</li> <li>Exception: Active duty military</li> </ul>	2018-2025	Moving expenses reimbursed by employer will be taxable to the employee.
Alimony Expense Deduction	<ul style="list-style-type: none"> <li>Deductible by the payer</li> <li>Includable as income to payee</li> </ul>	<ul style="list-style-type: none"> <li>Repealed</li> <li>No deduction by payer nor inclusion of income by payee</li> </ul>	Divorce or separation agreement executed after 12/31/18	Alimony agreements in force prior to 12/31/18 are grandfathered into the pre-TCJA rules
Personal Casualty Loss Deduction	Deductible if not reimbursed by insurance and in excess of 10% of AGI.	Deductible only if attributable to a nationally declared disaster.	2018-2025	Losses will only be deductible to the extent that they fall under the specific confines of a federally declared disaster.
Miscellaneous Itemized Deductions	Deductible in excess of 2% of AGI.	Suspended (ex. Investment advisory fees, tax prep fees, unreimbursed employee expenses).	2018-2025	Employee deductions for unreimbursed travel, meals, professional society dues, etc. no longer deductible.
Charitable Cash Contributions Deduction	<ul style="list-style-type: none"> <li>Deductible up to 50% of AGI</li> <li>Excess carryover: 5 years</li> </ul>	<ul style="list-style-type: none"> <li>Deductible up to 60% of AGI</li> <li>Excess carryover: 5 years</li> </ul>	2018-2025	Increase in deductibility may help individuals who have carryover of contributions from previous years.
Medical Expense Deduction	Deductible in excess of 7.5% of AGI if 65 or older in excess of 10% of AGI if < 65.	All taxpayers eligible if expenses exceed 7.5% of AGI regardless of age.	Retroactively to 1/1/17 thru 12/31/18	This is the only change that could potentially affect a taxpayer's 2017 return.
Individual Mandate Shared Responsibility Payment	<ul style="list-style-type: none"> <li>\$695 per non-covered adult</li> <li>\$347.50 per non-covered child</li> </ul>	Repealed.	Made permanent effective 2019	The individual mandate remains in effect through 12/31/18.
Estate and Gift Tax Unified Credit	<ul style="list-style-type: none"> <li>\$5.49 million for single taxpayers</li> <li>\$10.98 million for married taxpayers</li> <li>Portability of unused exemption permitted</li> </ul>	<ul style="list-style-type: none"> <li>\$11.2 million for single taxpayers</li> <li>\$22.4 million for married taxpayers</li> <li>Portability remains</li> </ul>	2018-2025	Uncertain as to what credit will look like after 2025. To lock in higher unified credit under TCJA, consider gifting during lifetime.

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Other Areas of Reform				
2017	Tax Cuts and Jobs Act		Effective Date	Additional Comments/ Considerations
529 Qualified Higher Education Expenses	Limited to post-secondary higher education expenses.	<ul style="list-style-type: none"> <li>Extended to include K-12</li> <li>Up to \$10,000 per year per beneficiary</li> </ul>	Made permanent effective 2018	K-12 Homeschooling expenses specifically excluded from the revised definition of qualified expenses.
Recharacterization of Roth Conversions	May recharacterize from Roth IRA back to Traditional IRA by October 15 following the year of the conversion.	Repealed.	Made permanent effective 2018	Individuals should consider smaller conversions over several years and converting toward year end when a clearer estimate of tax liability is known.
Extended Rollover Period for Plan Loan Offset Amounts	Must be rolled within 60 days to avoid taxation of outstanding loan balance.	Tax-free rollover extended to employee's tax filing deadline (including extensions).	Made permanent effective 2018	Allows more leeway in restoring the outstanding loan balance to avoid taxation and potential premature distribution penalty tax.

Business Related Reform				
2017	Tax Cuts and Jobs Act		Effective Date	Additional Comments/ Considerations
<b>*NEW*</b> Qualified Business Income Deduction of Pass-Through Entities	Business income passed through to sole proprietors, partnerships, LLCs or S-Corporations and taxed as ordinary income.	<ul style="list-style-type: none"> <li>20% deduction from qualified business income for pass-through entities</li> <li>For certain taxpayers whose taxable income exceeds \$157,000 (single) or \$315,000 (married) the QBI deduction is further limited to the lesser of 20% of QBI or the greater of:               <ol style="list-style-type: none"> <li>50% of the W-2 wages, or</li> <li>25% of the W-2 wages plus 2.5% of unadjusted basis of depreciable property</li> </ol> </li> </ul>	Made permanent effective 2018	Small businesses with QBI under the income thresholds may opt to take advantage of the 20% deduction as a pass-through entity while larger businesses may opt to become a C-Corp or "check the box" to be taxed as one.
<b>*NEW*</b> QBI Deduction for Specified Service Businesses (ex: health, law, accounting, financial services)	Business income passed through to sole proprietors, partnerships, LLCs or S-Corporations and taxed as ordinary income.	QBI deduction only permissible for service businesses if taxable income does not exceed \$157,000 (single) or \$315,000 (married). Deduction completely phased out over the next 50K/100K of taxable income.	Made permanent effective 2018	Specified service businesses may consider whether maintaining pass-through status makes sense going forward, particularly if level of taxable income eliminates or reduces the deduction.
Corporate Tax Rates	4 rates: 15%, 25%, 34%, and 35%.	One tax rate: 21%.		With the max corporate rate dropping from 35% down to 21% it is a good time for business owners to work with their tax professional to determine the best tax structure for their businesses.
Corporate Alternative Minimum Tax (AMT)	Small corporation exemption under 7.5 million. All others, AMT calculation required.	Repealed	Made permanent effective 2018	Any AMT credit carryovers may still be used through 2021.

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Sources:

Any reference comparing 2017 numbers to those under the new tax legislation may be found by referencing IRS Revenue Procedure 2016-55.

H.R. 1, 115<sup>th</sup> Congress Enrolled Bill, 12/22/17.