

## The Tax Cuts and Jobs Act

### Individual Taxes

Topic	Pre-Act Tax Law	Tax Cuts & Jobs Act*
<b>Individual Rates &amp; Brackets</b>	7 brackets - 10%, 15%, 25%, 28%, 33%, 35%, & 39.6%	7 brackets - 10%, 12%, 22%, 24%, 32%, 35%, & 37%
<b>Standard Deduction</b>	\$6,500 – Single & MFS † \$9,550 - HOH † \$13,000 – MFJ & Surviving Spouses	\$12,000 – Single & MFS † \$18,00 - HOH † \$24,000 – MFJ & Surviving Spouses
<b>Personal Exemptions</b>	\$4,150 per person (subject to phase-out)	No personal exemptions
<b>Kiddie Tax</b>	If (1) under age 19 by tax year end, or full-time student under age 24, and having at least one living parent; & (2) unearned income exceeded \$2,100 (for 2018); & (3) child did not file a joint return, then unearned income of child taxed at parents' tax rate if parents' tax rate is higher than tax rate of child. Remainder of child's taxable income (i.e., earned income, plus unearned income up to \$2,100 (for 2018), less the child's standard deduction) taxed at child's rate.	Child's taxable earned income taxed under rates for single individuals, and taxable unearned income taxed according to brackets applicable to trusts and estates. This rule applies to child's ordinary income.
<b>Capital Gains</b>	0% Capital Gain Rate if Regular Rate below 25% Regular Rate between 25% - 39.6% 20% if Regular Rate above 39.6%	15% <b>Breakpoint</b> - \$77,200 for MFJ & Surviving Spouses † \$38,600 for MFS & Single † \$51,700 for HOH † \$2,600 for Trusts & Estates. 20% <b>Breakpoint</b> - \$479,000 for MFJ & Surviving Spouses † \$239,500 for MFS † \$452,400 for HOH † \$12,700 for Trusts & Estates † \$425,800 for Other Unmarried Individuals.
<b>AMT (Alternative Minimum Tax)</b>	Applicable when minimum tax is greater than regular income tax. Subject to exemptions and phase-outs.	Exemption amounts increased: MFJ & Surviving Spouses - \$109,400 † Single - \$70,300 † MFS \$54,700. Phase-out amounts increased.
<b>Individual Mandate - ACA/MEC</b>	Shared Responsibility Payment calculated when no exemption exists.	Repealed for months beginning after December 31, 2018. Both the 3.8% Net Investment Income Tax and 0.9% Additional Medicare Tax, enacted by Obamacare, remain.
<b>Itemized Deductions - Medical</b>	Deductible when Medical Expenses exceed 10% of Adjusted Gross Income (AGI).	Deductible when Medical Expenses exceed 7.5% of AGI. Applicable to 2017 and 2018 tax years.
<b>Itemized Deductions - Mortgage Interest</b>	Mortgage interest deduction limitation is \$1,000,000 (\$500,000 for MFS) of acquisition indebtedness, plus \$100,000 of home equity indebtedness on principle residence & one secondary residence.	Mortgage interest deduction limitation is \$750,000 (\$375,000 for MFS) of home acquisition indebtedness. Does not apply to acquisitions or refinancing agreements prior to December 15, 2017. Eliminates deductibility of home equity indebtedness.
<b>Itemized Deductions - SALT</b>	Allows an itemized deduction for state & local taxes assessed & paid during the tax year. Subject to phase-out.	Limits the state and local tax deduction to \$10,000 (\$5,000 for MFS).
<b>Itemized Deductions - Charitable Contributions</b>	Deduction limited to 50% of AGI.	50% limitation increased to 60%. Excess Contributions carried forward for five years. No deduction allowed for college athletic seating rights.
<b>Alimony Deduction/Inclusion</b>	Alimony payments deductible by payor spouse and includible in income by recipient spouse.	No longer deductible by payor or included in income by recipient.
<b>Itemized Deductions-Phase-Outs</b>	\$261,500 – Single † \$313,800 – MFJ † \$156,900 – MFS † \$287,650 – HOH	Itemized deduction phase-outs repealed.
<b>Itemized Deductions - Other Miscellaneous Deductions</b>	Deductible after sum of qualifying Miscellaneous Deductions exceeds 2% of AGI.	<b>No deduction allowed for: Moving Expenses; Personal Casualty &amp; Theft Losses</b> (except in disaster areas); certain Job Costs such as <b>License &amp; Regulatory Fees</b> , required <b>Medical Tests</b> , <b>Unreimbursed Continuing Education</b> ; <b>Subsided Parking &amp; Transit</b> ; <b>Tax Preparation Fees</b> ; <b>Investment Fees/Expenses</b> ; separately paid <b>Trustee Fees for an IRA</b> . Gambling Losses AND Expenses incurred in carrying out wagering transactions are limited to the extent of gambling winnings.
<b>Moving Expense Reimbursements</b>	Qualified moving expense reimbursements excludable from gross income/wages for employment tax purposes, and deductible as moving expenses when paid directly by the employee.	Exclusion from gross income is suspended except for members of the Armed Forces on active duty, plus their spouses & dependents, who move pursuant to a military order and permanent change of station.
<b>Student Loan Discharged on Death/Disability</b>	Gross income includes the discharge of indebtedness of the taxpayer.	Certain student loans that are discharged due to death or total/permanent disability are excluded from gross income.
<b>Child Tax Credit</b>	\$1,000 per child under age 17 at year end; Phase-Outs at \$75,000 (Single), \$110,000 (MFJ), and \$55,000 (MFS).	\$2,000 per child under age 17 at year end. \$1,400 of \$2,000 credit is refundable. Phase-outs at \$400,000 (MFJ) and \$200,000 for all other taxpayers.
<b>Excess Business Losses for Non-Corporate Taxpayers</b>	Subject to passive loss rules for non-material participants. Limitations applied to excess farm loss.	Excess farm loss limitation no longer apply. Business losses in excess of \$500,000 for MFJ (\$250,000 for others) treated as an NOL carryover. Limitations applied to pass-through allocations for Partnerships & S-Corps.
<b>Expanded Use of 529 Accounts</b>	Funds only to be used for qualified higher education expenses at eligible postsecondary institutions. Funds withdrawn for other purposes treated as containing a pro-rata portion of taxable earnings and principal.	"Qualified higher education expenses" expanded to include tuition at an elementary or secondary public, private, or religious school, up to \$10,000 per tax year.
<b>Holding Period for "Carried Interest"</b>	Carried interest taxed in the hands of the taxpayer (i.e., the fund manager) at favorable capital gain rates instead of as ordinary income.	3-year holding period requirement imposed for certain partnership interests received in connection with performance of services to be taxed as long-term capital gain. If 3-year holding period is not met, taxpayer's gain treated and taxed as ordinary short-term gain.
<b>Estate Tax</b>	\$5 million Basic Combined Exclusion from <b>Estate &amp; Gift Taxes</b> , indexed for inflation to \$5.6 million in 2018 † \$5 million exclusion from <b>Generation Skipping Transfer (GST)</b> Tax, indexed for inflation to \$5.6 million in 2018	<b>Basic Exclusion amount increased to \$10 million</b> , with indexing for inflation. Total exclusion from Estate & Gift Tax will be \$11.2 million (\$22.4 million for married couples). Although not mentioned, the GST tax exemption amount is also expected to increase.
<b>Business Income of Individuals</b>	Business income passed through to partners or shareholders of S-Corporations and taxed at ordinary income rates.	<b>20% deduction if \$315,000 or less of pass-through income</b> . If pass-through income greater than \$315,000, limitations apply to excess: Lesser of 20% of Qualified Business Income (QBI), or - Greater of 50% of wages paid by business OR 25% of wages plus 2.5% of allocable portion of unadjusted basis of property.
<i>*Effective for tax years beginning after December 31, 2017 and before January 1, 2026 unless otherwise noted.</i>		

# The Tax Cuts and Jobs Act

## Business Taxes

Topic	Pre-Act Tax Law	Tax Cuts and Jobs Act*
<b>Corporate Tax Rates</b>	Corporate tax rate graduated from 15% - 35%, based on taxable income. Personal Service Corporation flat tax rate of 35%.	Corporate flat tax rate of <b>21%</b> .
<b>Dividends-Received Deduction</b>	If Corporation owns at least 20% of stock of another corporation, an <b>80% dividends received deduction</b> is allowed. Otherwise, a <b>70% deduction</b> is allowed.	If Corporation owns at least 20% of stock of another corporation, a <b>65% dividends received deduction</b> is allowed. Otherwise, a <b>50% deduction</b> is allowed.
<b>Alternative Minimum Tax</b>	Corporate Alternative Minimum Tax (AMT) rate is 20% with an exemption of \$40,000. Corporations are exempt from AMT if average gross receipts of less than \$7.5 million for the preceding 3 tax years. Exemption is phased-out at \$150,000 of AMTI.	<b>No Corporate AMT.</b> For 2018-2021, the AMT Credit Carryforward is <b>refundable at 50%</b> (100% for tax years beginning in 2021).
<b>Section 179 Expensing</b>	Code Section 179 expensing up to \$500,000	<b>Code Section 179 expensing up to \$1,000,000.</b>
<b>Bonus Depreciation</b>	50% additional first-year bonus depreciation. Available for certain fruit-bearing or nut trees planted or grafted after 2015 and before 2020. Film productions not eligible for bonus depreciation. Subject to phase-downs.	"Original Use" rule eliminated. Bonus Depreciation now applies to both newly acquired assets and used property acquired after September 27, 2017. For property acquired before September 28, 2017, current bonus rules apply. <b>After 9-28-2017, bonus rates are 100% through 2022.</b>
<b>Luxury Automobile Depreciation Limits</b>	Maximum amount of allowable depreciation deduction is: \$3,160 for Year 1; \$5,100 for Year 2; \$3,050 for Year 3; \$1,875 for 4th Year and later. If eligible for Bonus Depreciation allowance in 2017, Year 1 limitation is increased by an additional \$8,000. Subject to phase-down.	If Bonus Depreciation is not claimed, the maximum amount of depreciation is: \$10,000 for Year 1; \$16,000 for Year 2; \$9,600 for Year 3; \$5,760 for 4th Year and later. With Bonus Depreciation, maximum 1st year depreciation allowance is \$8,000. Computers and peripheral equipment are no longer considered listed property.
<b>Business Interest Expense Deduction</b>	Generally, interest paid or accrued by a business is deductible subject to limitations.	Deduction for net business interest is limited to 30% of adjusted taxable income, with indefinite carryover. The business interest limitation doesn't apply to a taxpayer that meets the \$25 million gross receipts test for any tax year. The test is met if the taxpayer's average annual gross receipts for the 3-tax-year period ending with the prior tax year don't exceed \$25 million.
<b>NOL Deductions</b>	Most NOLs may be carried back two years and carried forward twenty years to offset taxable income.	Most business NOL carrybacks are eliminated. Current year NOL deduction is limited to 80% of current year taxable income, with indefinite carryforward.
<b>Like-Kind Exchanges</b>	Allows deferral of gain for like-kind property exchanges.	Deferral of gain limited to real property exchanges.
<b>Section 199 Domestic Production Activities Deduction (DPAD)</b>	Allows deduction equal to 9% of qualified income, for specified industries.	Section 199 (DPAD) is repealed.
<b>Research &amp; Experimental (R&amp;E) Expenses</b>	R&E expenses can be deducted currently or amortized over a period not to exceed 60 months.	Starting in 2022, R&E expenses must be capitalized and amortized over a 5-year period.
<b>Entertainment &amp; Other Expenses</b>	50% limitation of eligible meals and entertainment expenses, including certain fringe benefits; 100% deductibility for meals provided for employer convenience.	Employer provided meals ( <i>de minimis fringe rules</i> ) are subject to a 50% limitation. All expenses related to employee meals are subject to a 100% limitation starting in 2026.
<b>Accounting for Inventories</b>	Accrual method of accounting required for businesses carrying inventory.	Taxpayers meeting the \$25 million gross receipts test may use an accounting method for inventories that either (1) treats inventories as non-incidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories.
<b>Cash Method of Accounting</b>	Cash method allowed if gross receipts test is met.	Cash method allowed if \$25 million gross receipts test is met, regardless of whether the purchase, production, or sale of merchandise is an income-producing factor. Exceptions maintained for Personal Service Corporations and taxpayers other than C corporations required to use the accrual method.
<b>Accounting for Long-term Contracts</b>	Exception from requirement to use the percentage-of-completion method (PCM) for long-term contracts for construction companies with average annual gross receipts of \$10 million or less in the preceding three years.	Exception for small construction contracts from the requirement to use the PCM is expanded to apply to contracts for the construction or improvement of real property if the contract: (1) is expected to be completed within two years of commencement of the contract and (2) is performed by a taxpayer that meets the \$25 million gross receipts test.
<b>Employer Credit For Paid Family &amp; Medical Leave</b>	No credit available.	General business credit available equal to 12.5% of wages paid to FMLA recipients if rate of payment is 50% of the employee's normal wages. Subject to increases.

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