

TAX CUTS AND JOBS ACT

Topic	Previous Tax Law	New Tax Law
Reduction & Simplification of Individual Income Tax Rates		
Individual rates on ordinary income	Seven brackets with top rate of 39.6 percent	Seven brackets with top rate of 37 percent
Unearned income of children	Unearned income exceeding \$2,100 taxed at parents' rates; remaining income up to \$2,100, less child's standard deduction, taxed at child's rate	Unearned income exceeding \$2,100 taxed at rates applicable to estates & trusts; remaining income up to \$2,100, less child's standard deduction, taxed at child's rate
Capital gains rate	Top rate of 20 percent	The Same as before
Standard deduction	\$6,500 for single filers, \$9,550 head of household & \$13,000 MFJ	\$12,000 for single filers, \$18,000 head of household & \$24,000 MFJ
Personal exemption	\$4,150	0
Simplification & Reform of Family & Individual Tax Credits		
Child tax credit	\$1,000; phaseout at \$75,000 for single filers (\$110,000 MFJ)	\$2,000 (\$1,400 refundable); phaseout beginning at \$200,000 for single filers (\$400,000 MFJ)
Family tax credit	Not addressed	\$500 nonrefundable credit for dependents other than qualifying children; phaseout at \$200,000 for single filers (\$400,000 MFJ)
Education tax credits	Three higher education tax credits provided: American Opportunity Tax Credit (AOTC), Hope Scholarship Credit & Lifetime Learning Credit	No change
Education savings rules	Qualified education expenses restricted to qualified higher education	Elementary & secondary school expenses, up to \$10,000, treated as qualified expenses for 529 plans
Student loan forgiveness	Generally included in taxable income unless certain exceptions apply	Income from discharge of student loan debt on account of death or total & permanent disability of student excluded from taxable income
Student loan interest	Deduction for qualified student loan interest paid during year for nondependent taxpayers with adjusted gross income (AGI) less than \$80,000 single (\$160,000 MFJ)	No change
Tuition & related expenses	Deduction for qualified tuition & fees paid during year	No change

Qualified tuition program rollovers to qualified ABLE programs	Tax-free rollovers to qualified ABLE accounts under §529A are not permitted	Permits rollover of amounts from qualified tuition programs to ABLE accounts without penalty; effective for distributions made after December 22, 2017 ⁽²⁾
Itemized deductions limitation	Total amount of otherwise allowable itemized deductions reduced by 3 percent of the amount by which the	None
Simplification & Reform of Deductions & Exclusions		
Home mortgage interest	Deduction for mortgage interest paid or incurred on up to \$1 million of acquisition indebtedness & \$100,000 of home equity indebtedness	Deduction for mortgage interest paid or incurred on up to \$750,000 of acquisition indebtedness; deduction for interest paid on home equity loans eliminated ⁽²⁾⁽⁵⁾
State & local taxes paid or accrued not in connection with a trade or business	Deduction for: (1) state, local & foreign real property taxes, (2) state & local personal property taxes & (3) state & local income taxes (or state & local sales tax paid, if higher)	Deduction limited to \$10,000 for the aggregate of: (1) state & local real & personal property taxes & (2) state & local income tax (or state & local sales tax paid, if higher)
Personal casualty & theft losses	Deduction for casualty & theft losses incurred	Eliminated except for losses incurred within a major disaster area under the <i>Robert T. Stafford Disaster Relief and Emergency Assistance Act</i> (as amended 2016)
Wagering losses	Deduction allowed to extent of wagering gains	Clarifies that “wagering losses” include any otherwise allowable deduction incurred in connection with wagering transactions
Gifts to charity	Deduction for charitable contributions made during year; deduction for cash contributions limited to 50 percent of AGI	Deduction for cash contributions modified to increase AGI limitation to 60 percent
Miscellaneous itemized deductions	Deduction for tax preparation fees, unreimbursed employee expenses & other miscellaneous items paid during year to extent they exceed 2 percent of AGI	None
Medical & dental expenses	Deduction for out-of-pocket expenses paid or incurred during year to extent expenses exceed 10 percent of AGI	For 2017 & 2018, deduction for out-of-pocket expenses paid or incurred during year to extent expenses exceed 7.5 percent of AGI; threshold raises to 10 percent of AGI beginning in 2019

Alimony paid	Deduction for qualifying amounts paid under a divorce or separation instrument	Repealed (both deduction & income inclusion); effective for divorce decrees executed after December 31, 2018
Moving expenses	Deduction & income exclusion for qualified expenses paid for moving at least 50 miles in connection with a job or business	Deduction & income exclusion eliminated except for active-duty members of the armed forces ⁽²⁾
Educator expenses	Deduction up to \$250 (\$500 MFJ) for qualified expenses paid by eligible educators	No change
Bicycle commuting reimbursement	Reimbursements up to \$20 per month excludible from employees' gross income	None
Gain on sale of principal residence	Exclusion up to \$250,000 for single filers (\$500,000 MFJ) of gain from sale of principal residence where home used as principal residence for at least two of previous five years	No change
Simplification & Reform of Savings, Pensions & Retirement		
Recharacterization of certain IRA & Roth IRA contributions	Contributions to a traditional IRA permitted to be recharacterized as contributions to a Roth IRA or vice versa; permits recharacterization of conversions	Recharacterization can't be used to unwind Roth IRA conversions
Extended rollover period for the rollover of plan loan offset amounts in certain cases	An employee who receives a plan loan distribution has 60 days to contribute the distribution to an eligible retirement plan to avoid additional tax	The 60-day rollover period is extended to the due date for filing the employee's tax return for that year (including extensions)
Elimination of Shared Responsibility Payment for Individuals Failing to Maintain Minimal Essential Coverage		
Affordable Care Act individual mandate	Individuals not covered by health plan that provides at least minimum essential coverage must pay individual shared responsibility payment	Individual shared responsibility payment reduced to zero for months beginning after 12/31/2018
Treatment of Business Income of Individuals, Trusts & Estates		
Noncorporate losses	Deductibility subject to passive loss and basis limitation rules	Deductibility subject to passive loss and basis limitation rules; limited to \$250,000 (\$500,000 MFJ); excess loss treated as NOL & carried forward
Pass-through tax rate	Individual rate on ordinary income	Deduction of 20 percent of domestic qualified business income (QBI); subject to limitation; expires after 12/31/2025