

# HIGHLIGHTS OF TAX REFORM

Some of the major provisions of the Tax Cuts and Jobs Act:

▶ **A new corporate rate.** Congress settled on a corporate tax rate of 21 percent that will take effect in 2018.

▶ **New individual brackets and rates.** The highest individual tax rate will drop from 39.6 percent down to 37 percent; there will still be seven brackets, but with new rates for individual and joint filers.

▶ **A higher standard deduction, but no personal exemption.** The act doubles the standard deduction, from \$6,350 and \$12,700 for individual and married couples, currently, to \$12,000 and \$24,000. At the same time, it eliminates the personal exemption, which is currently set at \$4,150, through 2025.

▶ **A diminished state and local tax deduction.** Taxpayers can deduct \$10,000 of all sorts of state and local taxes, including property, income and sales tax.

▶ **A new mortgage interest deduction cap.** Per the final legislation, on new loans, mortgage interest can only be deducted on loans up to \$750,000.

▶ **Resolution on pass-throughs.** Owners of pass-through entities like S corps and LLCs will be able to apply a 20 percent deduction to their business income, with limits starting at around

\$157,000 for single taxpayers and \$315,000 for married couples.

▶ **More on businesses.** Besides lowering the corporate tax rate, the act also lets businesses immediately write off the cost of new equipment, and moves the U.S. to a "territorial" tax system.

▶ **Changes to AMTs.** The act rescinds the corporate Alternative Minimum Tax; it preserves the individual AMT, but it will apply to even fewer people than before.

▶ **The estate tax.** The act doubles the exclusion threshold to roughly \$11 million, so it will apply to fewer estates. That doubling, however, will sunset in 2026.

▶ **The child tax credit.** The act increases the child tax credit from \$1,000 to \$2,000 for each child, and raises the phase-out amount from \$110,000 to \$500,000. In addition, the amount of the credit that is refundable was raised from \$1,100 to \$1,400.

▶ **The medical expense deduction.** For 2017 and 2018, the tax reform act expands the deduction for expenses exceeding 7.5 percent of adjusted gross income, rising to 10 percent beginning after that.

▶ **No more individual mandate.** The act rescinds the individual insurance mandate of the Affordable Care Act.