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Tax Comparison

2017	TAX CUTS & JOBS ACT (2018)
Exemptions	
$4,050	Suspended through 2025 (effectively repealed)
Standard Deductions	
Single: $6,350 Head of household: $9,350 Married filing joint: $12,700 Add'l Elderly & Blind Joint & Surviving Spouse: $1,250 Others: $1,550	Single: $12,000 Head of household: $18,000 Married filing joint: $ 24,000 Add'l Elderly & Blind Joint & Surviving Spouse: $1,300 Others: $1,600
Itemized Deductions	
Medical – Allowed in excess of 10% of AGI	Retained for 2017 and 2018 with an AGI threshold of 7.5% regardless of age. Threshold increases to 10% after 2018. 7.5% threshold also applies for AMT purposes for '17 and '18.
Taxes – Property taxes, and state and local income taxes are deductible. Taxpayers can elect to deduct sales tax in lieu of state income tax.	The deduction for taxes is retained but capped at $10,000 for the year
Home Mortgage Interest – Allows interest on $1M of acquisition debt on primary and second home and interest on $100K of home equity debt.	Allows interest on $750K of acquisition debt on primary and secondary home. Grandfathers interest on up to $1M of acquisition debt for loans prior to 12/15/2017. Repeals the deduction for home equity debt.
Charitable Contributions – Allows charitable contributions generally not exceeding 50% of a taxpayer's AGI.	Continues to allow charitable contributions and increases the 50% of AGI to 60%. Bans charitable deduction for payments made in exchange for college athletic event seating rights. Also repeals certain substantiation exceptions.
Personal Casualty & Theft Losses – Casualty and theft losses are allowed to the extent each loss exceeds $100 and the sum of all losses for the year exceeds 10% of the taxpayer's AGI.	Suspends personal casualty losses through 2025, except for casualty losses attributable to a disaster declared by the President under Sec 401 of the Robert T Stafford Disaster Relief and Emergency Assistance Act.
Tier 2 Miscellaneous – Includes deductions for employee business expenses, tax preparation fees, investment expenses and certain casualty losses.	Suspends all tier 2 (those subject to the 2% of AGI threshold) itemized deductions through 2025.
Phase-out of Itemized Deductions – Itemized deductions are phased out for higher income taxpayers.	The phase-out is suspended through 2025.

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Above-The-Line Deductions	
Moving Deduction & Reimbursements – Allows a deduction for moving expenses for a job related move where the commute is 50 miles further and the individual is employed for a certain length of time. Qualified moving expense reimbursements are excluded from the employee's gross income.	Deduction is suspended through 2025 except for military change of station. Employer (other than military) reimbursement would be included as taxable wages.
Alimony – Allows the payer of alimony to claim an above-the-line deduction for qualified payments; recipient reports the income.	For divorce agreements entered into after December 31, 2018 or existing agreements modified after that date that specifically include this amendment in the modification, alimony would no longer be deductible by the payer and would not be income to the recipient.
Employee Fringe Benefits	
Bicycle Commuting – Allows reimbursement of $20 per month as tax-free compensation	Suspended through 2025
Tax Rates	
There are seven tax brackets: 10, 15, 25, 28, 33, 35 and 39.6%.	There will continue to be seven tax brackets but at different rates and thresholds. The rates are: 10, 12, 22, 24, 32, 35 and 37%
Child Tax Credit	
Allows a credit of $1,000 per qualified child under the age of 17. The credit is reduced by $50 for each $1,000 the taxpayer's modified gross income exceeds $75K for single taxpayers, $110K for married taxpayers filing joint and $55K for married taxpayers filing separate. Taxpayers are eligible for a refundable credit equal to 15% of earned income in excess of $3,000. There is also a special refundable computation when there are 3 or more qualifying children.	Retains the "under age 17" requirement and increases the child tax credit to $2,000, with up to $1,400 being refundable per qualified child. The credit phases out for taxpayers with AGI over $200,000 ($400,000 if married joint). Thresholds are not inflation-indexed. Child must have a valid Social Security Number that is issued before the due date of the return to qualify for this credit.
Non-child Dependent Credit	
No such provision	Allows a $500 non-refundable credit for non-child dependents. Same phaseout rule as for Child Tax Credit.
Alternative Minimum Tax (AMT)	
Individuals – 2017 Exemption amounts are $84,500 for married taxpayers filing jointly, $42,250 for married filing separate, and $54,300 for single and head of household. The exemption phase-out thresholds are: $160,900 for married taxpayers filing jointly, $80,450 for married filing separate, and $120,700 for single and head of household.	Retained, but the exemption amounts are increased to: $109,400 for married taxpayers filing jointly, $54,700 for married filing separate, and $70,300 for single and head of household. The exemption phase-out thresholds are increased to: $1 Million for married taxpayers filing jointly and $500K for others.
Corporate-AMT	Repealed
Education	
Sec 529 Plans – These accounts allow non-deductible contribution and provide for tax-free accumulation if distributions are used for post-secondary education expenses.	Amended to allow tax-free distributions of up to $10K per year for grammar and high school education tuition and expenses.

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Discharge of Student Loan Indebtedness – Excludes from income the discharge of debt where the discharge was contingent on the student working a specific period of time in certain professions and for certain employers.	Modified to exclude income from the discharge of indebtedness due to death or permanent disability of the student.
Sec 529 – Able Account Rollovers	Distributions after 2017 from 529 plans would be allowed to be rolled over to an ABLE account without penalty, provided that the ABLE account is owned by the designated beneficiary of that 529 account, or a member of the designated beneficiary's family.
Roth Conversion Recharacterizations	
Permits, within certain time limits, a Traditional to Roth IRA conversion to be undone.	Once a traditional IRA is converted to a Roth IRA, it cannot be undone. However, recharacterization is still permitted with respect to other contributions. For example, before a return's due date a contribution for the year to a Roth IRA can be recharacterized as a contribution to a traditional IRA.
Estate & Gift Taxes	
$5.49 Million (2017) is exempt from gift and/or estate tax. This is in addition to the annual gift tax exclusion, which for 2017 is $14,000 per gift recipient.	The exclusion is increased to $10 Million adjusted for inflation since 2011, which is estimated to be approximately $11.2 Million. The annual gift tax exclusion is retained. The House Bill would have repealed the estate tax for decedents dying in 2025 or later, but the conference agreement did not include this provision.
Entertainment Expenses	
A taxpayer who can establish that entertainment expenses or meals are directly related to (or associated with) the active conduct of its trade or business, generally may deduct 50% of the expense.	No deduction is allowed for (1) an activity generally considered to be entertainment, amusement or recreation, (2) membership dues with respect to any club organized for business, pleasure, recreation or other social purposes, or (3) a facility or portion thereof used in connection with items (1) and (2). Also disallows a deduction for expenses associated with providing any qualified transportation fringe to the taxpayer's employees. Employers may still deduct 50% of the food and beverage expenses associated with operating their trade or business (e.g., meals consumed by employees on work travel).
Sec 1031 Exchange	
There is non-recognition of gain when taxpayers trade properties of like-kind that are used for business or investment.	For exchanges completed after December 31, 2017, only real property will qualify for Sec 1031 treatment.

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Net Operating Loss (NOL) Deduction	
Generally a NOL may be carried back 2 years and any remaining balance is then carried forward until used up or a maximum of 20 years unless the taxpayer elects to forego the carryback and carry the loss forward only.	The 2-year carryback provision is generally repealed after 2017 except for certain farm losses. Beginning after December 31, 2017, the NOL deduction is limited to 80% of taxable income (determined without regard to the NOL deduction) for losses arising in taxable years beginning after December 31, 2017.
Sec 179 Expensing	
A taxpayer can elect to expense up to $510,000 of tangible business property, off the shelf software and certain qualified real property (generally leasehold improvements). The annual limit is reduced by $1 for every $1 over a $2,030,000 investment limit. The Sec 179 deduction for certain sport utility vehicles is capped at $25,000.	For property placed in service after 2017: The annual expensing and investment threshold limits are increased to $1,000,000 and $2,500,000, respectively, with both subject to inflation indexing. SUV cap to be inflation-adjusted. Definition of Sec 179 property expanded to include certain depreciable tangible personal property – e.g., beds and other furniture, refrigerators, ranges, and other equipment used in the living quarters of a lodging facility such as an apartment house, dormitory, or any other facility (or part of a facility) used predominantly to furnish lodging or in connection with furnishing lodging. Expands the definition of qualified real property eligible for Sec 179 expensing to include any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service: roofs; heating, ventilation, and air-conditioning property; fire protection and alarm systems; and security systems.
Unlimited Expensing	
For 2017 current law allows 50% of the cost of eligible new property to be deducted with the balance of the cost depreciable. This is commonly termed "bonus" depreciation. The bonus rate is scheduled to decline to 40% for 2018, 30% for 2019 and 0% thereafter.	Allows 100% unlimited expensing of tangible business assets (except structures) acquired after September 27, 2017 and through 2022. Applies when a taxpayer first uses the asset (does not need to be new).
"Luxury Auto" Depreciation Limit	
Annual limits apply to passenger autos used for business on which depreciation is claimed. For vehicles placed in service in 2017 the limits are $3,160, $5,100, $3,050 and $1,875, respectively, for years 1, 2, 3, and 4 and later. If bonus depreciation is claimed, the first-year limitation is increased by an additional $8,000.	For passenger autos placed in service after 2017 the maximum amount of allowable depreciation is increased to the following amounts if bonus depreciation is not claimed: $10,000 for the placed-in-service year, $16,000 for the 2nd year, $9,600 for the 3rd year, and $5,760 for the 4th and later years. Amounts will be indexed for inflation after 2018.

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Listed Property	
To claim a business deduction for certain types of property, referred to as listed property, enhanced substantiation requirements must be followed and deductions are only allowed if business use of the property is more than 50%. Computers have been included in this category.	Computers and peripheral equipment placed in service after 2017 have been removed from the definition of listed property.
Deduction For Pass-Through Income	
No such provision.	Taxpayers with pass-through income will be able to deduct 20% of domestic qualified business income from a partnership, S corporation, or sole proprietorship. However, the deduction ratably phases out for joint filer income between $315,000 and $415,000 (between $157,500 and $207,500 for others). This provision provides an alternate limitation based on wages and capital. The limitation is the greater of 50% of the wages paid or 25% of the wages paid plus 2.5% of the unadjusted basis of the business' capital assets. The deduction isn't allowed for specified service trades or businesses such as those in the fields of law, accounting, health, etc., where the taxpayer's taxable income exceeds the threshold amount of $157,500 ($315,000 married joint). The deduction applies only to compute income tax, i.e., reduces taxable income but not adjusted gross income. Does not reduce income subject to SE tax.
Excess Business Losses For Individuals	
Losses, other than passive losses, were allowed, and if a net loss was the result, a NOL deduction was created and carried back 2 years and then forward 20 years until used up.	A taxpayer other than a C corporation would not be allowed an "excess business loss." Instead, the loss would be carried forward and treated as part of the taxpayer's net operating loss (NOL) carryforward in subsequent taxable years. Excess business loss for a taxable year is defined in the Act as the excess of the taxpayer's aggregate deductions attributable to the taxpayer's trades or businesses for that year, over the sum of the taxpayer's aggregate gross income or gain for the year plus a "threshold amount" of $500,000 for married individuals filing jointly, or $250,000 for other individuals. The provision will apply after taking into account the passive activity loss rules.

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Domestic Production Deduction (Sec 199)	
Sec 199 provides a deduction from taxable income (AGI in the case of an individual), equal to 9% of the lesser of the taxpayer's qualified domestic production activities income or taxable income (determined without regard to the section 199 deduction) for the taxable year. The deduction is further limited to 50% of the W-2 wages paid by the taxpayer that are allocable to domestic production gross receipts for the year.	Repealed, effective 2018
ACA Individual Insurance Mandate	
Anyone who does not meet one of the limited exemptions must have health insurance or pay a penalty. In the tax code this is referred to as the "shared responsibility payment." The penalty is the greater of an inflation adjusted flat dollar amount or 2.5% of the taxpayer's household income. For 2018 the flat dollar amount is $695 per adult and $347.50 per child but not more than $2,085 per family.	Repealed, effective 2019.