

TAX CUTS AND JOBS ACT OF 2017



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Comparing 2017 Tax Law with 2018 Tax Law - Individuals

Provision	2017 Tax Law	2018 Tax Law
Individual Tax Rates	7 Brackets: 10%, 15%, 25%, 28%, 33%, 35% and 39.6%	7 Brackets: 10%, 12%, 22%, 24%, 32%, 35% and 37%
Standard Deduction	Single: \$6,350 Married: \$12,700	Single: \$12,000 Married: \$24,000
Itemized Deductions, except charitable contributions	Deductions for medical, mortgage interest, real estate taxes, casualty losses, and state and local income taxes	All eliminated except medical, state and local income and sales taxes and property taxes up to \$10,000 and mortgage interest on debt up to \$750,000

Comparing the 2017 Tax Law and 2018 Tax Law - Individuals (continued)

Provision	2017 Tax Law	2018 Tax Law
Charitable Contributions	Limited to 50% of AGI for cash contributions	Increase AGI limitation to 60% for cash contributions; charitable deduction for amounts paid for college athletic seating rights eliminated
Capital Gains and Qualified Dividends	0%, 15% and 20%	Rates same as 2017 tax law, including using the same breakpoints as 2017 tax law
Individual Alternative Minimum Tax	Rates of 26% and 28%; AMT exemption amounts of \$84,500 (married)/\$54,300 (single) and phaseout thresholds of \$160,900 (married)/\$120,700 (single)	Same rates; Increases AMT exemption amounts to \$109,400 (married)/\$70,300 (single) and phaseout thresholds to \$1 million (married)/\$500,000 (single)

Comparing the 2017 Tax Law and 2018 Tax Law - Individuals (continued)

Provision	2017 Tax Law	2018 Tax Law
<p>“Pass-through” Tax Treatment (Code Section 199A Deduction)</p>	<p>“Pass-through” income taxed at personal income tax rates</p>	<p>Deduction of 20% of “pass-through” income; can’t exceed the greater of 50% of wages paid by the entity or 25% of wages paid plus 2.5% of unadjusted basis of property if taxable income > \$315,000 (married)/\$157,500 (single); expires 12/31/25; deduction not allowed for certain service trades or businesses; Deducted from taxable income</p>
<p>Obamacare Taxes</p>	<p>3.8% net investment income tax; Individual mandate tax penalty; 0.9% Medicare payroll tax</p>	<p>Repealed Individual mandate; retains 3.8% net investment income tax and 0.9% Medicare tax</p>

Comparing the 2017 Tax Law and 2018 Tax Law - Individuals (continued)

Provision	2017 Tax Law	2018 Tax Law
Excess Business Losses	Passive losses are limited to the extent of passive income, any disallowed passive activity loss is carried forward until passive income is available; no limit on the deductibility of business losses	Net business losses in excess of \$500,000 (married)/\$250,000 (single) are not allowed; any excess business loss is disallowed and is treated as NOL carryover to the following year; passive activity loss rules apply first
Net Operating Losses (NOLs)	NOLs can be carried back 2 years and forward 20 years and can offset 100% of regular taxable income	NOLs may no longer be carried back, but may be carried forward indefinitely and may only offset 80% of taxable income

Comparing the 2017 Tax Law and 2018 Tax Law - Individuals (continued)

Provision	2017 Tax Law	2018 Tax Law
Estate, Gift and GST Taxes	40% tax on the value of net assets in excess of \$5.49 million (\$11.0 million, if married) and 40% gift tax rate	Increases exemption amount to \$10 million per person (before inflation adjustment) until 2025; no repeal of estate tax

Comparing the 2017 Tax Law and 2018 Tax Law - Businesses

Provision	2017 Tax Law	2018 Tax Law
Corporate Tax Rate	Graduated corporate rate structure with the top Federal corporate tax rate of 35%	Eliminated graduated rate structure; 21% flat corporate tax rate beginning in 2018
Section 179	Limited to \$510,000 with phase-out threshold of \$2.03 million for 2017	Limit permanently increased to \$1 million with phaseout threshold of \$2.5 million; both amounts are adjusted for inflation; qualified improvement property and certain improvements to nonresidential real property are now eligible; exclusion for property used in lodging repealed

Comparing the 2017 Tax Law and 2018 Tax Law - Businesses (continued)

Provision	2017 Tax Law	2018 Tax Law
Bonus Depreciation	Additional first year depreciation of 40% of cost for 2018; new property only	Additional first year depreciation of 100% of cost from 9/27/2017 to 12/31/2022; reducing by 20% each year until 2027; includes used property but excludes qualified improvement property
Interest expense	Unlimited deduction for business interest expense	Deduction limited to 30% of adjusted taxable income, indefinite carryover; exempt if gross receipts < \$25 million; Any excess business interest for a partnership or S corporation is allocated to each partner or shareholder

Comparing the 2017 Tax Law and 2018 Tax Law - Businesses (continued)

Provision	2017 Tax Law	2018 Tax Law
Section 199 manufacturers deduction (DPAD)	Deduction up to 9% of domestic production activities	Repealed after 12/31/2017
R&D Credit	13% of qualified R&D spending	Retained
Entertainment expenses	50% deductible	No deduction for entertainment, amusement or recreation activities in all circumstances