



Greetings and Happy New Year! As you have likely heard by now, Congress recently passed one of the largest tax reform bills in recent history. Through this newsletter supplement, we have summarized most of the major provisions of the recently passed bill below. Please call or email with specific questions as almost everyone's taxes were impacted by this tax bill in one way or another.

**(NOTE – THE MAJORITY OF THESE CHANGES WILL IMPACT 2018 TAX RETURNS AND NOT 2017 TAX RETURNS)**

**INDIVIDUAL AND ESTATE TAX REFORM**

**New Tax Rates and Brackets**

There are seven new tax rate brackets for individuals 10%, 12%, 22%, 24%, 32%, 35% and 37%....all of which have been expanded to include more income at lower rates.

The favorable capital gain rates remain unchanged.

**Standard Deduction Increase**

The standard deduction has been increased to \$24,000 for Married Filing Joint, \$18,000 for Head of Household and \$12,000 for Single taxpayers. Folks age 65 and up get \$1,250 more per person (\$1,550 if unmarried).

**Personal Exemptions Suspended**

The personal exemption deduction has been reduced to zero. However, there is a new \$500 credit for each dependent who is not a qualifying child (example: elderly parent). It's nonrefundable and phases out under the same thresholds as the child tax credit.

**Qualified Residential Mortgage Interest**

Interest is now deductible on new acquisition debt on a primary or second residence on mortgages up to \$750,000, down from \$1,000,000. The new limit generally applies to mortgage debt incurred after December 14, 2017. There is no longer a write-off for interest on home equity indebtedness after 2017.

## **Miscellaneous Itemized Deductions**

The following deductions have been eliminated: Moving expenses (except military), employee business expenses, brokerage and IRA fees, hobby expenses, tax preparation costs, theft losses, alimony for post-2018 divorce decrees, and personal casualty losses (unless in a presidentially declared disaster area).

## **Medical Expenses**

Medical expenses remain deductible and are now subject to a 7.5% threshold instead of 10% for 2018.

## **Child Tax Credit Increased**

The child tax credit is increased to \$2,000 and the income phase-out limits have been increased to \$400,000 for a married filing joint couple and \$200,000 for all other taxpayers.

## **Alternative Minimum Tax (AMT)**

The individual AMT survived but with higher exemption limits.

## **Health Insurance Mandate**

The mandate for paying a fine if you don't have qualified health insurance is repealed for years after 2018. The mandate continues to apply for 2018.

## **Estate Tax**

The lifetime estate and gift tax exemption has increased to \$11million. The annual gift exclusion for 2018 is up to \$15,000 per donee.

## **Section 529 College Savings Plans**

College savings plans have been enhanced to allow \$10,000 distribution per year to pay for elementary and secondary education.

## **BUSINESS TAX REFORM**

### **Corporate Income Tax Rates**

Regular ("C Corporations") will now pay a flat tax rate of 21%, much lower than the previous highest rate of 35%. There is no longer a corporate AMT.

## **Pass-through Deduction**

Sole proprietors, S Corporation shareholders and LLC members will now receive a 20% qualified business income deduction. The break does phase-out for folks in professional service fields such as law, consulting, accounting and healthcare on income in excess of \$315,000 for joint returns and \$157,500 for single returns.

## **Bonus Depreciation**

Bonus depreciation has been increased to 100% of the cost of the asset (in place of the previous 50%). This applies to assets purchased after 9/27/17 (impacts 2017 returns).

## **Section 179 Expense**

The final bill increases the amount of qualified property eligible for immediate expensing from \$500K to \$1 million per year. The bill also added the following items as eligible for this election: Roofs, heating, ventilation and air-conditioning property and security systems.

## **Business Deductions Eliminated**

The bill eliminated or reduced deductions for business entertainment, country club dues, the domestic production deduction and personal property like-kind exchanges.

**This is simply a broad-brush summary of the recent changes – please call or email with any questions in regards to the impact on your individual or business circumstances. We look forward to seeing you soon.**

Yours very truly,

All of us at Boal and Associates CPA's

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