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## Tax Cuts & Jobs Act: Overview of Key Provisions Affecting Individual Taxpayers

*(Unless otherwise noted, the changes are effective for tax years beginning in 2018 through 2025)*

- **Tax Rates** – The new law imposes a new tax rate structure with seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The top rate was reduced from 39.6% to 37% and applies to taxable income above \$500,000 for single taxpayers, and \$600,000 for married couples filing jointly. The rates applicable to net capital gains and qualified dividends were not changed. The “kiddie tax” rules were simplified where the net unearned income of a child subject to the rules will now be taxed at the capital gain and ordinary income rates that apply to trusts and estates.
- **Standard Deduction** – The standard deduction is increased to \$24,000 for joint filers, \$18,000 for heads of household and \$12,000 for singles or married taxpayers filing separately. These figures will be indexed for inflation after 2018.
- **Exemptions** – Starting in 2018, taxpayers can no longer claim personal or dependency exemptions.
- **Child and Family Tax Credit** – The new law increases the credit for qualifying children to \$2,000 from \$1,000, and increases to \$1,400 the refundable portion of the credit. It also introduces a new (nonrefundable) \$500 credit for a taxpayer’s dependents who are not qualifying children. The adjusted gross income level at which the credits begin to be phased out has been increased to \$200,000 (\$400,000 for joint filers).
- **State and Local Taxes** – State and local income and property tax itemized deductions are limited to a total of \$10,000 starting in 2018.
- **Mortgage Interest** – Mortgage interest on a principle or second home is deductible on debt up to \$750,000, down from \$1 million starting with loans taken out in 2018. Home Equity Loan (HELOC) interest is no longer deductible after December 31, 2017, no matter when the debt was incurred.
- **Miscellaneous Itemized Deductions** – There is no longer a deduction for miscellaneous itemized deductions which were formerly deductible to the extent they exceeded 2 percent of adjusted gross income. This included such deductions as tax preparation costs, investment expenses, union dues and unreimbursed employee expenses.
- **Overall Limitation on Itemized Deductions** – The new law suspends the overall limitation on itemized deductions that formerly applied to taxpayers whose adjusted gross income exceeded specified thresholds.

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- **Moving Expense** – The deduction for job-related moving expenses has been eliminated, except for certain military personnel.
- **Medical Expenses** – Medical expenses are deductible after they exceed 7.5% of adjusted income (down from 10%) for 2017 and 2018.
- **Casualty and Theft Losses** – The itemized deduction for casualty and theft losses has been suspended except for losses incurred in a federally declared disaster.
- **Health Care “Individual Mandate”** – The Affordable Care Act (“Obamacare”) tax penalty for people who fail to purchase minimum essential health coverage is abolished starting in 2019.
- **Estate and Gift Tax Exemption** – The estate and gift tax exemption is increased to \$11.2 million (\$22.4 million for married couples) for 2018. These figures will be indexed annually for inflation.
- **Alimony** – Alimony payments are no longer deductible by the payer, nor includable by the recipient for divorce decrees issued after December 31, 2018.
- **Alternative Minimum Tax (AMT) Exemption** – The Alternative Minimum Tax is retained for individuals, but the exemption has been increased to \$109,400 for joint filers, \$54,700 for married couples filing separately and \$70,300 for unmarried taxpayers. The exemption is phased out for taxpayers with alternative minimum taxable income above \$1 million for joint filers, and over \$500,000 for everyone else.

#### CONTACT INFORMATION



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