HW Hot Topics Article 2018-10 The 2017 TCJA –

A Summary for Individuals

HW Hot Topics articles are brief summaries of a topic, for clients to gain a general understanding. We intend for the information to answer the "quick questions" and to advance the dialog when we provide further analysis and planning.

TCJA – 2017 Tax Cuts and Jobs Acts

The 2017 Tax Cuts and Jobs Act made significant changes to the US Federal Tax system. This brief article will summarize significant changes for individuals.

Income Tax Rates

Income tax rates have been cut, across the whole spectrum of income levels. The new brackets of taxable income and rates are available. To give a quick picture (not all brackets presented):

	Rate Was	New Rate	% Decrease	2018 Bracket Range (MFJ)
Low Income	15%	12%	20%	\$19,050 - \$77,400
Low/Middle	25%	22%	12%	77,400 – 165,000
Middle Income	28%	24%	14%	165,000 – 315,000
Upper Income	39.6%	37%	6.6%	Over \$600,000

[MFJ – married filing jointly]

Standard Deductions

Standard Deductions have been significantly increased. Some studies suggest that 90% of taxpayers will use the new standard deductions and only 10% will use their itemized deductions. For 2018, the standard deductions are:

Married filing joint return	\$24,000
Single person	12,000
Head of household	18,000

Child Tax Credit

The Child Tax Credit was doubled, from \$1,000 to \$2,000 per qualifying child. Of that, \$1,400 is the "refundable" portion, meaning it may result in a refund even if not used to offset tax otherwise incurred.

In addition, the "phaseout" range, where the credit begins to be reduced, is more than doubled, to the following levels of taxable income: MFJ \$400,000, Single Person \$200,000.

Changes to Itemized Deductions

The more significant changes to Itemized Deductions are:

a) SALT, state and local taxes, limited to $10,000 for the entire group of SALT deductions
b) Mortgage interest for acquisition indebtedness, limited to debt of $750,000 (Grandfathering $1 million of acquisition debt incurred before Dec. 15, 2017)
c) Home Equity interest deduction, eliminated (the prior allowance on $100,000 of debt)
d) Charitable contributions, increased the general limitation based on Adjusted Gross Income from 50% to 60%. Carryover rules still apply.
e) Miscellaneous Itemized, such as employee business expenses, investment fees, tax preparation fees, … eliminated.

Alimony

For a divorce or separation agreement executed after December, 31, 2018, alimony is not deductible by the payer and not taxable income to the recipient. For prior agreements, the old rules apply. For post-2018 modifications to prior agreements, the new rules apply.

Personal Exemptions

The personal exemptions as a reduction of taxable income are eliminated, as a partial trade-off for the increased standard deduction and child tax credits. However, the determination of dependency status continues to be very important in other tax computations.

Postcard Return

The postcard return did not happen. However, more taxpayers should be able to use the IRS “Free File” service and more taxpayers will use the Standard Deduction.