**CHANGES FOR 2018 - 2025 FOR INDIVIDUALS**

**EXEMPTIONS**

REPEALED

There is no exemption deduction for any individual beginning in 2018.

**STANDARD DEDUCTION**

$24,000 MFJ and Qualifying Widow(er)

$18,000 HH

$12,000 SINGLE and Married Filing Separately

Additional standard deduction for taxpayers age 65 or over or blind, per person:

$1,300 MFJ, QW, MFS

$1,550 Single or HH

It appears that the standard deduction for a dependent remains as:

$1,050 or earned income plus $350

**MEDICAL DEDUCTION**

Changed to 7.5% of AGI for 2017 & 18 for everyone with no AMT addback

Becomes 10% of AGI beginning in 2019 for everyone with no AMT addback

**STATE & LOCAL INCOME TAXES & REAL ESTATE TAXES**

Limited to $10,000 for all

Continues to be larger of sales tax or state/local taxes paid

Cannot prepay 2018 taxes and get a deduction

Cannot deduct foreign real property taxes

Foreign tax not included in the limit

**MORTGAGE INTEREST**

Only personal residence and 2nd home with limit of interest on $750,000

The former $1,000,000 limit applies to any loan incurred before December 15, 2017

NO deduction for home equity indebtedness

If mixed loan, need to determine how much acquisition indebtedness is included – that portion of the loan would be included in the limit of interest on a maximum of $750,000

**CASUALTY LOSS**

Only presidentially declared disaster area losses are allowed

**CHARITABLE CONTRIBUTIONS**

RETAINED with the 50% limitation increasing to 60% and a contemporaneous written acknowledgement for ANY/ALL contribution/s of $250 or more

No charitable deduction for payments to higher educational institutions in exchange for the right to purchase tickets or seating at an athletic event

**ALL MISC. ITEMIZED DEDUCTIONS SUBJECTED TO THE 2% LIMITATION**

REPEALED including Form 2106, tax preparation, investment expenses and any business expenses of a W-2 employee

**MISCELLANEOUS ITEMIZED DEDUCTIONS NOT SUBJECT TO THE 2% FLOOR**

RETAINED

Gambling expenses include additional expenses like travel & investment papers limited to the income reported

**ITEMIZED DEDUCTIONS**

NO phase-out

**EDUCATOR EXPENSE**

RETAINED at $250

**ALTERNATIVE MINIMUM TAX**

Retained with the following increased exemptions:

$70,000 Single and HH

$109,400 MFJ and QW

$54,700 MFS

The AMT exemption amount is reduced by 25% of the amount by which the AMTI exceeds the beginning of the following phase-out ranges:

$500,000 - $781,200 Single and HH

$1,000,000 - $1,437,600 MFJ and QW

$500,000 - $718,800 MFS

All of these amounts are indexed for inflation each year

**CHILD TAX CREDIT**

INCREASED from $1,000 to $2,000 per qualifying child under the age of 17 Phase-out begins when MAGI at $400,000 MFJ/$200,000 for all others

**REFUNDABLE CHILD TAX CREDIT**

Refundable CTC is retained with a maximum of $1,400 per qualifying child

The earned income test for the refundable credit is $2,500

**FAMILY CREDIT**

$500 nonrefundable credit for each qualifying dependent who isn’t a qualifying child but is a qualifying dependent under the old dependency rules

No Social Security Number is required to receive this credit

**LONG TERM GAIN/QUALIFIED DIVIDEND RATES**

RETAINED but the breakpoints no longer follow the tax brackets for regular income tax purposes – see attached

The breakpoints for the 25% maximum rate for unrecaptured Section 1250 gain and the 28% maximum rate for 28% rate collectible gain follow prior law. They each apply when the taxable income exceeds the 24% tax bracket for regular income tax purposes.

**ADOPTION CREDIT**

RETAINED

**INVESTMENT INCOME TAX**

RETAINED

**CHILD CARE CREDIT**

RETAINED

**ALIMONY DEDUCTION**

RETAINED for 2017 & 2018

Beginning in 2019 is not taxable to the recipient or deductible to the payer

This new rule only applies to divorces executed after December 31, 2018 or those modified after December 31, 2018 to include these new provisions.

**STUDENT LOAN INTEREST**

RETAINED

Discharge of student loan debt because of death or disability is excluded from income

**EDUCATION CREDITS**

RETAINED Lifetime Learning Credit and American Opportunity Credit

**529 PLANS**

529 plans can be used to pay tuition expenses for public, private or religious elementary and secondary schools up to $10,000 per student per calendar year

Postsecondary educational institutions are unchanged

529 plans can be rolled to ABLE accounts

**ABLE ACCOUNTS**

Funds in a 529 plan can be rolled tax-free into an ABLE account

Beneficiary can contribute additional amounts above the gift tax amount and use the Saver’s Credit on this additional amount

**IRA CONTRIBUTIONS**

RETAINED at the same amounts but eliminated recharacterizing back from Roth conversion

**SECTION 179 EXPENSING**

INCREASED to $1,000,000, to be increased for inflation

Phase-out begins at 2,500,000

Sport Utility Vehicles continues at $25,000 to be increased for inflation

Will include depreciable tangible personal property used to furnish lodging in apartments, dormitories and other sleeping places. This includes beds and other furniture, refrigerators, ranges and other equipment used in the living area where sleeping accommodations are provided

Will include improvements to nonresidential real property for roofs, heating & air conditioning, fire, alarm and security systems

**DEPRECIATION**

Computers and peripherals no longer listed property

NEW (original use) Farm equipment will change to 5-year recovery property from 7-year

Farm equipment will become regular MACRS property (not 150%) for 3 to 10 year property. 15 & 20 year property remain at 150% declining method

**LUXURY AUTO DEPRECIATION**

The maximum depreciation is $10,000 the first year, $16,000 the 2nd year, $9,600 the 3rd year and $5,760 for the 4th and all following years

These amounts will be increased for inflation

**BONUS DEPRECIATON**

INCREASED to 100% beginning 09/28/2017

Includes used property as long as the taxpayer did not use the property prior to purchase

For 2017 a taxpayer can elect 50% allowance instead of 100% allowance

Beginning after 2022 there is a phase-down

For automobiles, the new law maintains the IRC 280F increased amount of $8,000 for passenger automobiles. The phase-down under prior law for autos placed in service after 2017 no longer applies

**LIKE-KIND EXCHANGE**

Only applies to real property

Exchanges of personal property will be treated as a “sale”

**ENTERTAINMENT**

REPEALED except allow 50% of food and beverage for business travel and if de Minimis and for the convenience of the employer

NO deduction for any activity considered to be entertainment, amusement or recreation; NO dues to any club organized for business, recreation or other social purposes or; any facility or portion thereof used in connection with any of the above items

**DPAD**

REPEALED after 2017

**COMMUTER REIMBURSEMENT**

Exclusion from gross income for qualified bicycle commuting reimbursement is suspended

DISALLOW any expenses associated with providing transportation between employee’s residence and place of employment, except as necessary for ensuring the safety of an employee

**NET OPERATING LOSSES**

Deduction limited to 80% of loss including current carryovers

Will carry forward loss except farmers carryback 2 years first

Loss may be carried forward indefinitely

**ESTATE and GIFT TAX EXEMPTION**

Doubled the exemption to $10 million adjusted for inflation occurring after 2011 = 11,200,000 for 2018

**121 EXCLUSION**

RETAINED at 2 out of 5 years

**GAMBLING LOSSES – Business of Gambling**

Losses are limited to the income including other expenses

**MANDATE OF MINIMUM ESSENTIAL COVERAGE (PENALTY)**

REPEALED beginning in 2019

**MOVING EXPENSES**

REPEALED except for United States military members for both the deduction and the exclusion from income

**KIDDIE TAX**

KEPT using rates from estates/trusts on unearned income and net long-term capital gain rates. Parent’s tax rate is no longer used.

**DUE DILIGENCE**

Added due diligence for Head of Household

**TAX RATE for C CORPORATIONS (1120)**

All taxable income of a C Corporation is taxed at a flat rate of 21%

The 70% dividends received deduction is reduced to 50%

The 80% dividends received deduction is reduced to 65%

**SPECIAL INCOME TAX RATE FOR SMALL BUSINESS PASS THROUGH**

Deduct 20% of qualified business income from 1065, 1120S or sole proprietorship. In the case of a 1065 or 1120S, the deduction applies at the partner or shareholder level

Deduction is taken after AGI

Does not reduce income subject to SE

Limited for some personal services

Limited to greater of 50% of wages or 25% plus 2.5% of unadjusted basis when taxable income exceeds $157,000 single ($315,000 MFJ)

A disallowance of the deduction with respect to specified service trades or businesses is phased-in when taxable income exceeds the threshold amounts. These limitations are phased-in if taxable income exceeds the threshold amount but is below $207,500 ($415,000 MFJ)

Deduction phases out

QUALIFIED BUSINESS INCOME means the net amount of qualified items of income, gain, deduction and loss with respect to a domestic qualified trade or business of the taxpayer.

QUALIFIED BUSINESS INCOME does NOT include specified investment-related items of income, deductions or loss (dividends, interest, long-term capital gains or losses, annuities).

QUALIFIED BUSINESS INCOME does NOT include any amount paid by an S Corporation that is treated as reasonable compensation of the taxpayer.

QUALIFIED BUSINESS INCOME does NOT include a reasonable amount of guaranteed payments for services rendered by a partner.

A specified service trade or business means any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, preforming arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners, or which involves the services that consist of investing and investment management trading, or dealing in securities, partnership interests or commodities. Specifically excluded are engineers and architects. This does not apply to taxpayers below the threshold amount.

If the year’s net income from qualified businesses is a loss, the loss is carried over to the next year as a loss from a qualified business.

This deduction is claimed as an additional standard deduction or as an itemized deduction, at the election of the taxpayer.

**SEXUAL HARRASSMENT or SEXUAL ABUSE SETTLEMENTS**

Effective 12/23/2017 no deduction is allowed for any settlement, payout or attorney fees related to sexual harassment or sexual abuse IF such payments are subject to a nondisclosure agreement

**DISASTER AREA RELIEF for 2016 DISASTERS**

Provision is made for any Federally Declared Disaster from 2016 which include:

* 10% early withdrawal penalty from retirement plans does not apply
* Rollover period for qualified 2016 disaster distributions is extended to 3 years
* Income from qualified 2016 disaster distributions is included in income over a 3-year period
* Casualty loss has a flat subtraction of $500 and the deduction can be added to the standard deduction if the taxpayer does not otherwise itemize.

2016 returns can be amended to take advantage of these provisions.