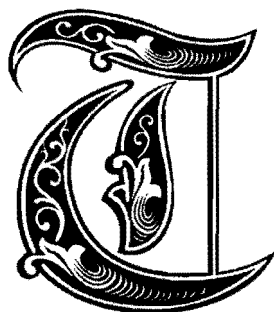
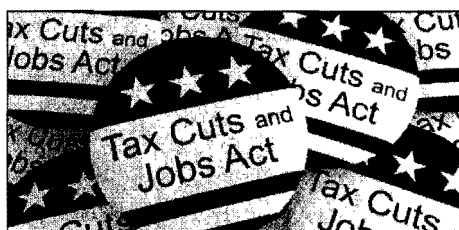


New Tax Law



The new tax law, commonly called the "Tax Cuts and Jobs Act," is the biggest federal tax law change in over 30 years. Below are some significant changes affecting individuals and businesses. **Note:** Except where noted, the changes are effective for tax years beginning after December 31, 2017.

Individuals

Tax provisions that were eliminated:

- Personal exemption deductions are suspended.
- Phase-out of itemized deductions based on adjusted gross income (AGI) is suspended.
- Itemized deduction for home equity interest is no longer allowed.
- Itemized deduction for miscellaneous itemized deductions subject to the 2% floor are no longer allowed. Examples include investment expenses, unreimbursed employee business expenses, and tax preparation fees.
- Personal casualty loss and theft deductions are eliminated unless the loss is incurred in a federally declared disaster area.
- The moving expense deduction and income exclusion is allowed only to members of the Armed Forces (or their spouses or dependents).
- No charitable contribution deduction is allowed for a payment to a higher educational institution in exchange for the right to purchase tickets or seating at an athletic event.
- Effective January 1, 2019, alimony is no longer deductible by the payer nor includible in income by the recipient.
- Effective for 2019, the shared responsibility payment under the Affordable Care Act for not have minimum essential health insurance coverage is zero.

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Tax provisions that were reduced:

- The 2018 individual income tax rates are:

Single	MFJ or QW
\$0 to \$9,525 10%	\$0 to \$19,050 10%
\$9,526 to \$38,700 12%	\$19,051 to \$77,400 12%
\$38,701 to \$82,500 22%	\$77,401 to \$165,000 22%
\$82,501 to \$157,500 24%	\$165,001 to \$315,000 24%
\$157,501 to \$200,000 32%	\$315,001 to \$400,000 32%
\$200,001 to \$500,000 35%	\$400,001 to \$600,000 35%
\$500,001 and over 37%	\$600,001 and over 37%
HOH	MFS
\$0 to \$13,600 10%	\$0 to \$9,525 10%
\$13,601 to \$51,800 12%	\$9,526 to \$38,700 12%
\$51,801 to \$82,500 22%	\$38,701 to \$82,500 22%
\$82,501 to \$157,500 24%	\$82,501 to \$157,500 24%
\$157,501 to \$200,000 32%	\$157,501 to \$200,000 32%
\$200,001 to \$500,000 35%	\$200,001 to \$300,000 35%
\$500,001 and over 37%	\$300,001 and over 37%

- The 2018 estate and trust income tax rates are:

\$0 to \$2,550 10%	\$9,151 to \$12,500 35%
\$2,551 to \$9,150 24%	\$12,501 and over 37%

- The threshold for deducting medical expenses is 7.5% of AGI for all taxpayers for 2017 and 2018.
- The home mortgage interest deduction debt limit is reduced to \$750,000 (\$375,000 MFS) with certain exceptions.
- The itemized deduction for state and local taxes is limited to \$10,000 (\$5,000 MFS). (This limit includes both state and local income taxes and real property taxes.)

Tax provisions that were increased:

- The 2018 standard deduction is:

Single or Married Filing Separate \$12,000
Married Filing Joint or Qualified Widow(er) \$24,000
Head of Household \$18,000

continued on next page



New Tax Law

The following additional standard deduction applies for a taxpayer 65 or older or blind, per person, per event:

MFJ, QW, or MFS.....	\$1,300
Single or HOH.....	\$1,600

- The Child Tax Credit increased to \$2,000 per qualifying child and the phase-out threshold increased.
- There is a new Family Tax Credit of up to \$500 for dependents who are not a qualifying child for purposes of the Child Tax Credit.
- The 2018 alternative minimum tax (AMT) exemption and phase-out ranges are:

Exemption Amount	Phase-Out Range
Single or HOH..... \$70,300	Single or HOH..... \$500,000 to \$781,200
MFJ or QW..... \$109,400	MFJ or QW..... \$1,000,000 to \$1,437,600
MFS..... \$54,700	MFS..... \$500,000 to \$718,800

- For the charitable contribution deduction, the percentage of AGI limitation for cash to public charities and certain other organizations increased from 50% to 60%.
- The estate and gift tax exemption amount doubled to \$10 million, before any adjustment for inflation.

Tax provisions that were changed:

- The long-term capital gain and qualified dividend income maximum tax brackets no longer follow the tax brackets for regular income tax purposes. The 2018 breakpoints are:

Taxable Income	Maximum Rate	Taxable Income	Maximum Rate
Single		MFJ or QW	
\$0 to \$38,600.....	0%	\$0 to \$77,200.....	0%
\$38,601 to \$425,800.....	15%	\$77,201 to \$479,000.....	15%
\$425,801 and over.....	20%	\$479,001 and over.....	20%
HOH		MFS	
\$0 to \$51,700.....	0%	\$0 to \$38,600.....	0%
\$51,701 to \$452,400.....	15%	\$38,601 to \$239,500.....	15%
\$452,401 and over.....	20%	\$239,501 and over.....	20%
Estates and Trusts			
\$0 to \$2,600.....	0%		
\$2,601 to \$12,700.....	15%		
\$12,701 and over.....	20%		

- The parent's rate is no longer used to calculate the kiddie tax. Instead, taxable income attributable to net unearned income is taxed at the estates and trusts tax rates for both ordinary income and net capital gains.

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Businesses

Tax provisions that were eliminated:

- There is no longer a separate tax rate for personal service corporation's (PSCs).
- The two-year carryback provision for net operating losses (NOLs) has been eliminated except for certain losses.
- There is no meals and entertainment deduction for membership dues or activities generally considered to be entertainment, amusement or recreation.
- AMT for C corporations has been repealed.

Tax provisions that were reduced:

- 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%.
- The net operating loss deduction (NOL) is limited to 80% of taxable income.

Tax provisions that were increased:

- An individual taxpayer generally may deduct 20% of qualified business income from a partnership, S corporation, or sole proprietorship. In the case of a partnership or S corporation, the deduction applies at the partner or shareholder level. The deduction is disallowed for specified service trades or businesses when taxable income exceeds the threshold amount.
- Special (bonus) depreciation is increased to 100% of property acquired and placed in service after September 27, 2017, with a new phase-down schedule for years after 2022. The new law allows special depreciation for both new and used property.
- The Section 179 deduction is increased to \$1,000,000 and the phase-out threshold amount increased to \$2,500,000.
- The new law expanded the definition of Section 179 property to include certain property used predominantly to furnish lodging.
- The depreciation limitations for luxury automobiles have been increased.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.