

What to expect in 2018...

Tax Cuts and Jobs Act (HR 1) was signed into law on December 22, 2017. As a result there are substantial changes for 2018.

Tax Tables - for 2018 through 2025 change from 10% to 39.6% to 10% to 37%.

New Law	Prior Law
<p>Effective 2018.</p> <p>Single Taxable Income</p> <p>\$ 0 to 9,525 × 10.0% minus \$ 0.00 = Tax</p> <p>9,526 to 38,700 × 12.0% minus 190.50 = Tax</p> <p>38,701 to 82,500 × 22.0% minus 4,060.50 = Tax</p> <p>82,501 to 157,500 × 24.0% minus 5,710.50 = Tax</p> <p>157,501 to 200,000 × 32.0% minus 18,310.50 = Tax</p> <p>200,001 to 500,000 × 35.0% minus 24,310.50 = Tax</p> <p>500,001 and over × 37.0% minus 34,310.50 = Tax</p> <p>MFJ or QW Taxable Income</p> <p>\$ 0 to 19,050 × 10.0% minus \$ 0.00 = Tax</p> <p>19,051 to 77,400 × 12.0% minus 381.00 = Tax</p> <p>77,401 to 165,000 × 22.0% minus 8,121.00 = Tax</p> <p>165,001 to 315,000 × 24.0% minus 11,421.00 = Tax</p> <p>315,001 to 400,000 × 32.0% minus 36,621.00 = Tax</p> <p>400,001 to 600,000 × 35.0% minus 48,621.00 = Tax</p> <p>600,001 and over × 37.0% minus 60,621.00 = Tax</p> <p>MFS Taxable Income</p> <p>\$ 0 to 9,525 × 10.0% minus \$ 0.00 = Tax</p> <p>9,526 to 38,700 × 12.0% minus 190.50 = Tax</p> <p>38,701 to 82,500 × 22.0% minus 4,060.50 = Tax</p> <p>82,501 to 157,500 × 24.0% minus 5,710.50 = Tax</p> <p>157,501 to 200,000 × 32.0% minus 18,310.50 = Tax</p> <p>200,001 to 300,000 × 35.0% minus 24,310.50 = Tax</p> <p>300,001 and over × 37.0% minus 30,310.50 = Tax</p> <p>HOH Taxable Income</p> <p>\$ 0 to 13,600 × 10.0% minus \$ 0.00 = Tax</p> <p>13,601 to 51,800 × 12.0% minus 272.00 = Tax</p> <p>51,801 to 82,500 × 22.0% minus 5,452.00 = Tax</p> <p>82,501 to 157,500 × 24.0% minus 7,102.00 = Tax</p> <p>157,501 to 200,000 × 32.0% minus 19,702.00 = Tax</p> <p>200,001 to 500,000 × 35.0% minus 25,702.00 = Tax</p> <p>500,001 and over × 37.0% minus 35,702.00 = Tax</p> <p>These new tax rates expire after 2025.</p>	<p>Effective 2017.</p> <p>Single Taxable Income</p> <p>\$ 0 to 9,325 × 10.0% minus \$ 0.00 = Tax</p> <p>9,326 to 37,950 × 15.0% minus 466.25 = Tax</p> <p>37,951 to 91,900 × 25.0% minus 4,261.25 = Tax</p> <p>91,901 to 191,650 × 28.0% minus 7,018.25 = Tax</p> <p>191,651 to 416,700 × 33.0% minus 16,600.75 = Tax</p> <p>416,701 to 418,400 × 35.0% minus 24,934.75 = Tax</p> <p>418,401 and over × 39.6% minus 44,181.15 = Tax</p> <p>MFJ or QW Taxable Income</p> <p>\$ 0 to 18,650 × 10.0% minus \$ 0.00 = Tax</p> <p>18,651 to 75,900 × 15.0% minus 932.50 = Tax</p> <p>75,901 to 153,100 × 25.0% minus 8,522.50 = Tax</p> <p>153,101 to 233,350 × 28.0% minus 13,115.50 = Tax</p> <p>233,351 to 416,700 × 33.0% minus 24,783.00 = Tax</p> <p>416,701 to 470,700 × 35.0% minus 33,117.00 = Tax</p> <p>470,701 and over × 39.6% minus 54,769.20 = Tax</p> <p>MFS Taxable Income</p> <p>\$ 0 to 9,325 × 10.0% minus \$ 0.00 = Tax</p> <p>9,326 to 37,950 × 15.0% minus 466.25 = Tax</p> <p>37,951 to 76,550 × 25.0% minus 4,261.25 = Tax</p> <p>76,551 to 116,675 × 28.0% minus 6,557.75 = Tax</p> <p>116,676 to 208,350 × 33.0% minus 12,391.50 = Tax</p> <p>208,351 to 235,350 × 35.0% minus 16,558.50 = Tax</p> <p>235,351 and over × 39.6% minus 27,384.60 = Tax</p> <p>HOH Taxable Income</p> <p>\$ 0 to 13,350 × 10.0% minus \$ 0.00 = Tax</p> <p>13,351 to 50,800 × 15.0% minus 667.50 = Tax</p> <p>50,801 to 131,200 × 25.0% minus 5,747.50 = Tax</p> <p>131,201 to 212,500 × 28.0% minus 9,683.50 = Tax</p> <p>212,501 to 416,700 × 33.0% minus 20,308.50 = Tax</p> <p>416,701 to 444,550 × 35.0% minus 28,642.50 = Tax</p> <p>444,551 and over × 39.6% minus 49,091.80 = Tax</p>
<p>Effective 2018.</p> <p>\$ 0 to 2,550 × 10.0% minus \$ 0.00 = Tax</p> <p>2,551 to 9,150 × 24.0% minus 357.00 = Tax</p> <p>9,151 to 12,500 × 35.0% minus 1,363.50 = Tax</p> <p>12,501 and over × 37.0% minus 1,613.50 = Tax</p>	<p>Effective 2017.</p> <p>\$ 0 to 2,550 × 15.0% minus \$ 0 = Tax</p> <p>2,551 to 6,000 × 25.0% minus 255.00 = Tax</p> <p>6,001 to 9,150 × 28.0% minus 435.00 = Tax</p> <p>9,151 to 12,500 × 33.0% minus 892.50 = Tax</p> <p>12,501 and over × 39.6% minus 1,717.50 = Tax</p>

Capital Gain Rates - no longer follow the tax brackets for regular income tax purposes.

Effective 2018. The breakpoints no longer follow the tax brackets for regular income tax purposes. For 2018, the breakpoints are as follows:		
Single Taxable Income		
\$ 0 to 38,600	maximum rate =	0%
38,601 to 425,800	maximum rate =	15%
425,801 and over	maximum rate =	20%
MFJ or QW Taxable Income		
\$ 0 to 77,200	maximum rate =	0%
77,201 to 479,000	maximum rate =	15%
479,001 and over	maximum rate =	20%
MFS Taxable Income		
\$ 0 to 38,600	maximum rate =	0%
38,601 to 239,500	maximum rate =	15%
239,501 and over	maximum rate =	20%
HOH Taxable Income		
\$ 0 to 51,700	maximum rate =	0%
51,701 to 452,400	maximum rate =	15%
452,401 and over	maximum rate =	20%
Estates and Trusts Taxable Income		
\$ 0 to 2,600	maximum rate =	0%
2,601 to 12,700	maximum rate =	15%
12,701 and over	maximum rate =	20%
The breakpoints for the 25% maximum rate for unrecaptured section 1250 gain, and the 28% maximum rate for 28% rate gain follows prior law. Thus, the 25% and 28% maximum rates apply when taxable income exceeds the 24% tax bracket for regular income tax purposes.		

Standard Deduction for 2018 - expires 2025

Single or Married filing separately.....	\$12,000
Married filing joint or Qualified widow.....	\$24,000
Head of Household.....	\$18,000

For taxpayers over 65, or blind, per person, per event

Married filing joint, Qualified widow or Married filing separately.....	\$1,300
Single or Head of Household	\$1,600

Personal exemptions are suspended 2018 through 2025.

Medical Expenses - Effective only for 2017 and 2018

The threshold for deducting medical expenses is 7.5% of adjusted gross income.
Remember this deduction it take on a Schedule A.

Home Mortgage Interest Deduction for 2018 - expires 2025

Acquisition debt limit is reduced to \$750,000. The \$1 million debt limit still applied if a taxpayer has entered into a binding written contract before December 15, 2017 to close on purchase of principal residence before January 2, 2018.

Taxes paid for 2018 - 2025

The itemized deduction tops out at \$10,000.

An itemized deduction for foreign property taxes not connected with a trade or business is no longer allowed.

Charitable Contributions - effective 2017.

Taxpayers **MUST** obtain a contemporaneous written acknowledgment for any contribution of \$250 or more.

Miscellaneous Itemized Deductions subject to 2% of adjusted gross income are no longer deductible.

This includes: Hobby expenses, limited to Hobby income

Investment fees and expenses

Job expenses (uniforms and union dues)

Repayment of Social Security benefits

Tax Preparation Fees

Work-related education expenses

Form 2106 - Employee business expenses

Penalty for not having health insurance effective 2019 under ACA is zero.

Child Tax Credit and NEW family credit effective 2018-2025.

Child Tax Credit is increased \$2000 per qualifying child under the age of 17. The credit phases out when modified AGI exceeds \$400,000 MFJ and \$200,000 all other taxpayers.

A NEW non-refundable Family Credit of \$500 is allowed for each person that is not a qualifying child, but is a qualified dependent.

Net Operating Loss (NOL) effective 2018

Losses beginning 2018, the NOL is limited to 80% of taxable income for the year it is carried to.

Qualified Tuition Program - Section 529 - Effective 2018

Will allow distributions up to \$10,000 per student to pay tuition expenses for public, private, or religious elementary or secondary school.

Alimony - Effective 2019

Alimony is no longer deductible by the payor spouse and includible in income by the recipient spouse. This rule applies for divorce or separation instruments executed after December 31, 2018.

Moving Expenses effective 2018-2025

The expense is **only** allowed to Armed Forces, their spouses and dependents on active duty.

Entertainment Expenses effective 2018 - 2025.

No deduction will be allowed for an activity generally considered to be entertainment, amusement or recreation OR membership dues with respect to any club organized for business, pleasure, recreation or other social purposes, OR facility or portion thereof used in connection with any of the above items.

The new law also disallows a deduction for expenses associated with providing any qualified transportation fringe to employees of the taxpayer, except an necessary for ensuring the safety of the employee.