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2018 Tax Reform Law Under President Donald Trump's Administration:

"The new year Stands before us, like a chapter in a book, waiting to be written. We can help write that story by setting goals."

As the new year has already began, we wish you a healthy, wealthy and prosperous new year.

What The 2018 Tax Brackets, Standard Deductions and More Look Like Under New Tax Reform

Individual Tax Changes

2018 Income Tax Brackets

Rate	Individuals	Married Filing Jointly
10%	Up to $9,525	Up to $19,050
12%	$9,526 to $38,700	$19,051 to $77,400
22%	38,701 to $82,500	$77,401 to $165,000
24%	$82,501 to $157,500	$165,001 to $315,000
32%	$157,501 to $200,000	$315,001 to $400,000
35%	$200,001 to $500,000	$400,001 to $600,000
37%	over $500,000	over $600,000

The number of brackets remained the same at seven. Rates overall, however, have come down. For individuals, these lower rates are scheduled to expire in 2025 unless Congress extends them.

The top rate will fall from 39.6% to 37%. The bottom rate remains at 10%, but it covers twice the amount of income compared to the previous brackets.

2018 Standard Deduction and Exemptions

The new tax rules also make big changes to the standard deduction and exemptions.

The standard deduction in 2018 as the law currently exists is $13,000 for a couple filing jointly. That number will jump to $24,000. For single filers it jumps from $6,500 to $12,000.

The personal exemption, currently at $4,150 for 2018, would be repealed. That's the bad news. The good news the child tax credit gets a big boost.

It currently sits at $1,000 and starts to phase out at $110,000 in income for couples and $75,000 in income for everybody else. Under the new law, the credit doubles to $2,000, $1,400 of which is a refundable tax credit. Further, it doesn't start to phase out until $400,000 in income for couples and $200,000 for singles.

2018 Itemized Deductions:

Several key changes are coming for itemized deductions. State and local taxes can still be itemized, but they are now capped at $10,000. This concession attempts to address the uproar from states that levy big taxes on their citizens.

Interest on mortgages for primary and secondary residences is still deductible. The limit, however, has come down from loans up to $1 million to loans up to $750,000.

Medical expenses in 2017 and 2018 are deductible to the extent the exceed 7.5% of income (down from 10%).

2018 Personal exemptions:

Personal exemptions, including exemptions available for qualified for dependent children and relatives, are repealed. Accordingly, the personal exemption phases out (PEP) rule also goes away.

2018 Alternative minimum tax:

The alternative minimum tax (AMT) system is retained, but exemption amounts, as well as the thresholds for phasing out exemptions, are significantly increased. In addition, these figures will be indexed for inflation in future years.

2018 Child tax credit:

The child tax credit (CTC) is doubled from $1,000 per qualified child to $2,000, subject to a phase-out for high-income taxpayers. Under a late amendment, $1,400 of this credit is refundable. In addition, the new law creates a $500 nonrefundable credit for non-child dependents.

2018 State and local taxes:

In a controversial provision, the TCJA limits the deduction for state and local income taxes (SALT) to $10,000 annually for any combination of state and local property taxes or (2) state and local income taxes or sales taxes.

2018 Mortgage interest:

Although deductions for prior debt is grandfathered, the new law limits the mortgage interest deduction to interest paid on the first $750,000 of acquisition debt, down from $1 million. It also eliminates deductions for interest paid on home equity debt.

2018 Medical expenses:

While other itemized deductions are eliminated or scaled back, the deduction for medical expenses is temporarily improved. For 2017 and 2018 the threshold for deducting medical expenses reverts to 7.5% of AGI, the threshold in effect prior the law prior to the Affordable Care Act (ACA).

2018 Casualty and theft losses:

This itemized deduction is eliminated, but it is preserved, with certain modifications, for losses incurred in federal disaster areas.

2018 Section 529 plans:

The list of qualified expenses for Section 529 plans is expanded to include tuition at an elementary or secondary public, private or religious school, plus home schooling expenses, for up to $10,000 per year.

2018 Roth IRAs:

The rule permitting taxpayers to recharacterize a Roth IRA back into a traditional IRA after a conversion is repealed.

2018 Health insurance:

The new law repeals the health insurance mandate for individuals established by the ACA. This change doesn’t take effect until 2019.

2018 Estate tax:

The federal estate tax exemption is doubled, resulting in an inflation-indexed exemption of $11.2 million in 2018.

2018 Business Tax Provisions

Unlike the individual tax provisions in the new law, the key provisions relating to businesses are generally permanent. Following is a brief rundown.

Corporate tax rates: The corporate tax rate structure, which features a top rate of 35%, is replaced with a flat 21% rate.

Pass-through entities: Under the new law, pass-through entities -- such as partnerships, S corporations, limited liability companies (LLCs) and sole proprietors -- ca claim a 20% deduction on earnings, subject to special rules restrictions. The deduction is not available to higher-income personal service providers.

Section 179 deduction: The new law doubles the maximum Section 179 “expensing” allowance from $500,000 to $1 million. It also increases the phaseout threshold for Section 179 deductions from $2 million to $2.5 million.

Bonus depreciation: Similarly, the new law doubles the first-year “bonus depreciation deduction” from 50% to 100%, but phases it out after five years. The deduction generally won’t be available after 2026.

2018 Luxury car rules:

The new law raises the caps on depreciation deductions allowed under the “luxury car” rules for passenger vehicles for which bonus depreciation is not claimed.

2018 Section 199 deductions:

The new law repeals the deduction for qualified domestic production activities previously allowed under Section 199 of the tax code.

2018 Corporate AMT:

Unlike the individual AMT, the corporate version of the AMT is completely repealed.

2018 Entertainment deductions:

The deduction for business-related entertainment is repealed. Businesses can still generally deduct 50% of the cost of qualified meals.

2018 Interest deductions:

Deductions for business interest expenses are capped at 30% of AGI, subject to certain special rules. However, a small business with average gross receipts of $15 million or less for the past three years is exempt.

2018 Foreign taxes:

A one-time repatriation tax of 15.5% for liquid assets and 8.0 percent for illiquid assets is imposed on earnings from overseas. Furthermore, a complex new system for international taxation is being implemented.

So far there have been many important tax developments. This letter highlights some of them for you. As always, give our office a call or email if you have any questions.