continued from reverse

Taxable Income	*Maximum Rate*
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 in- come attributable to net unearned income is taxed at the estates and trusts tax rates for both ordinary income and net capital gains.

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- AMT for C corporations has been repealed.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 de- duct 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 auto- mobiles have been increased.

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TAX YEAR 2018

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Understanding the New Tax Laws

This is the biggest Federal Tax Law Change in Over 30 Years

Proper planning NOW is the key to being prepared for the effects of these new tax laws

- Pension or IRA distributions
- Significant in income or deductions
- Job Change
- Marriage status
- Attainment of age $59^{1/2}$ or $70^{1/2}$
- Sale or purchase of a business
- Sale or purchase of a home
- Sale or purchase of real estate
- Retirement
- Notice from IRS/other revenue dept.
- Divorce or separation
- Self-employment
- Charitable contributions of property in excess of $5,000

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 is 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.
- Alimony is not deductible by the payer nor includible in income by the recipient for agreements entered into after December 31, 2018.
- Effective for 2019, the shared responsibility payment under the Affordable Care Act for not having minimum essential health insurance coverage is zero.

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 in next column

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	
Single or HOH	$70,300
MFJ or QW	$109,400
MFS	$54,700
Phase-Out Range	
Single or HOH	$500,000 to $781,200
MFJ or QW	$1,000,000 to $1,437,600
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%

continued on reverse