



CPA, LLC

601 W. Main St.
Avon Park, FL 33825
(863) 452-0101

TAX REFORM: CURRENT LAW TO NEW TAX LAW TO TAKE EFFECT FOR YEAR 2018

TOPIC	CURRENT TAX LAW	NEW TAX LAW
Personal tax rates top bracket <u>reduced</u>	Seven tax brackets: 10%, 15%, 25%, 28%, 33%, 35%, 39.6%	Seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, 37%
Maximum pass-through tax rate - <u>subjective to situation</u>	39.60%	Ordinary rates with deduction of 20% of qualifying domestic income; limited deduction for income from lower-income service businesses. Service businesses excludes engineers and architects
Maximum corporate tax rate - <u>reduced</u>	35%	21%
Personal standard deduction <u>doubled</u>	Married filing jointly: \$12,700 Head of household: \$9,350 Single: \$6,350	Married filing jointly: \$24,000 Head of household: \$18,000 Single: \$12,000
Child tax credit <u>doubled & added</u> <u>category</u>	\$1,000 per child	\$2,000 per child (refundable to \$1,400 per child); \$500 for non-child dependents
Personal exemption <u>removed</u>	\$4,050	Repealed
Personal state income, sales tax, and property tax - <u>limited</u>	Allowable as an itemized deduction	Deduction for property tax and either income or sales tax limited to \$10,000
Mortgage interest <u>limited</u>	Deductible on up to \$1.1 million of debt; interest on second home deductible	Deductible on up to \$750,000 of debt (including second home); no home equity interest deduction
Individual Alternative Minimum Tax (AMT) <u>reduced</u>	Imposed when minimum tax exceeds regular income tax	Increases AMT exemption amounts and phase-out
Medical expenses <u>reduced</u>	Deductible to the extent they exceed 10% of AGI	Deductible to the extent they exceed 10% of adjusted gross income (AGI) (7.5% of AGI for 2017 and 2018)
Alimony - <u>removed</u>	Deductible to payor; taxable to recipient	Not deductible to payor; not taxable to recipient for decrees executed or modified after 2018
Individual health insurance mandate - <u>reduced penalty</u>	Individuals penalized for failure to carry minimum essential health insurance coverage	Zero Penalty in 2019
Depreciation deduction <u>increased</u>	Fixed assets are generally capitalized and depreciated; in some cases, Section 179 immediate expensing of up to \$500,000 is available	Immediate expensing of most new and used property (excluding structures) through 2022; section 179 limit increased to \$1 million
Net operating losses (NOL) - <u>modified</u>	Generally carried back 2 years and forward 20 years	Carryback repealed except farms (two years); indefinite carryover deduction limited to 80% of pre-NOL income for losses generated after 2017
Excess business loss - <u>limited</u>	No provision	Net businesses losses in excess of \$500,000 (\$250,000 single) are not deductible; they become a NOL carried over to the next year
Business interest - <u>very subjective</u>	Generally deductible	Generally limited to the extent that interest exceeds 30% of income; unlimited carryover of excess. Determined at entity level, but spillover effects to owner. Limitation not applicable if average annual gross receipts do not exceed \$25 million
Cash method of accounting - <u>increased opportunities</u>	Generally limited to business with less than \$1 million, \$5 million, or \$10 million in receipts, depending on facts	Expanded to include businesses with less than \$25 million in receipts with special rules for tracking inventory costs
Gift and estate tax - exemption <u>doubled</u>	Tax of up to 40% imposed on gifts and estates, subject to a \$5.49 million lifetime exemption per spouse	Lifetime exemption doubled; estate tax remains in effect. Step-up in basis retained