2018 SUMMARY OF TAX CHANGES AND GUIDELINES

Lower Tax Rates

The bill retains the seven tax brackets found in current law, but lowers a number of the tax rates. It also changes the income thresholds at which the rates apply.

- The current brackets are: 10%, 15%, 25%, 28%, 33%, 35% and 39.6%
- The new brackets will be: 10%, 12%, 22%, 24%, 32%, 35% and 37%

Alternative Minimum Tax Exemptions Increased

The bill also eases the burden of the individual alternative minimum tax (AMT) by raising the income exempted from $84,500 (adjusted for inflation) to $109,400 married filing jointly and from $54,300 (adjusted for inflation) to $70,300 for single taxpayers, so fewer taxpayers will pay it.

Tax Relief for Individuals and Families

Increased standard deduction:
The new tax law nearly doubles the standard deduction amount. Single taxpayers will see their standard deductions jump from $6,350 for 2017 taxes to $12,000 for 2018 taxes (the ones you file in 2019).

Married couples filing jointly see an increase from $12,700 to $24,000. These increases mean that fewer people will have to itemize. Today, roughly 30% of taxpayers itemize. Under the new law, this percentage is expected to decrease.

Increased Child Tax Credit:

For, families with children the Child Tax Credit is doubled from $1,000 per child to $2,000. In addition, the amount that is refundable grows from $1,100 to $1,400. The bill also adds a new, non-refundable credit of $500 for dependents other than children. Finally, it raises the income threshold at which these benefits phase out from $110,000 for a married couple to $400,000.

Eliminations or Reductions in Deductions

Personal and dependent exemptions:

The bill eliminates the personal and dependent exemptions which were $4,050 for 2017 and increased to $4,150 in 2018.

State and local taxes/Home mortgages:

The bill limits the amount of state and local property, income, and sales taxes that can be deducted to $10,000. In the past, these taxes have generally been fully tax deductible.

The bill also caps the amount of mortgage indebtedness on new home purchases on which interest can be deducted at $750,000 down from $1,000,000 in current law.

Health care:

The bill eliminates the tax penalty for not having health insurance after December 31, 2018. It also temporarily lowers the floor above which out-of-pocket medical expenses can be deducted from the current law floor of 10% to 7.5% for 2017 and 2018

So for 2018, you can deduct medical expenses that are more than 7.5% of your adjusted gross income as opposed to the higher 10%.

Self-employed (contractors, freelancers, sole proprietors) and small businesses:

The bill has a myriad of changes for business. The biggest includes a reduction in the top corporate rate to 21%, a new 20% deduction for incomes from certain type of "pass-through" entities (partnerships, S Corps, sole proprietorships), limits on expensing of interest from borrowing, almost doubling of the amount small businesses can expense from the 2017 Section 179 amount of $510,000 to $1,000,000, and eliminates the corporate alternative minimum tax (AMT).