Individual Changes in the Tax Cuts and Jobs Act

The below is a summary of key tax law changes that impact individuals for tax years beginning 2018 through 2025, unless specific effective dates are noted. More details of these key tax changes are available on our website, www.skrco.com. To learn how tax reform impacts your tax situation, please contact your tax advisor.

Income		
Reduced	**"Ordinary" income**	A new tax rate structure with seven tax brackets: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The top rate was reduced from 39.6% to 37% and applies to taxable income above $500,000 for single taxpayers and $600,000 for married couples filing jointly.
Unchanged	**Capital gains**	The rates applicable to net capital gains were not changed.
Unchanged	**Qualified dividends**	The rates applicable to qualified dividends were not changed.
Simplified	**"Kiddie" tax rules**	The tax rules on a child's unearned income, also known as the "kiddie tax," were simplified. The net unearned income of a child subject to the rules will be taxed at the capital gain and ordinary income tax rates that apply to trusts and estates. Thus, the child's tax is unaffected by the parent's tax situation or the unearned income of any siblings. However, since the income ranges in trust tax rates are more compressed than individual rates, this change is an effective tax increase on kiddie income.
Eliminated *Specific effective dates apply.*	**Alimony**	For divorce decrees and separation agreements executed beginning 2019, alimony will not be taxable to the recipient and will no longer be deductible by the payee. **Current rules continue to apply to existing divorces and separations, as well as divorces and separations that are executed *before 2019.*** Side note: Child support payments continue to be nontaxable and nondeductible.
Exemptions		
Eliminated Anticipated release of new W4 Forms in February	**Personal exemptions**	The rules for withholding income tax on wages (i.e., what you claim on Form W4), will be adjusted to reflect the elimination of personal exemptions. The IRS is developing withholding guidance to implement the tax reform bill and anticipates issuing the initial withholding guidance in January 2018, and employers and payroll

2018.		service providers will be encouraged to implement the changes in February 2018. The IRS emphasizes that this information will be designed to work with the existing W-4 Forms that employees have already filed, and no further action by taxpayers may be needed at this time.
Increased	**Estate and gift tax exemption**	Effective for decedents dying, and gifts made, in 2018, the estate and gift tax exemption has been increased to roughly $11.2 million ($22.4 million for married couples).
Retained, exemption limits increased	**Alternative minimum tax (AMT) exemption**	The AMT has been retained for individuals by the new law, but the exemption has been increased to $109,400 for joint filers ($54,700 for married taxpayers filing separately), and $70,300 for unmarried taxpayers. The exemption is phased out for taxpayers with alternative minimum taxable income over $1 million for joint filers and over $500,000 for all others.
Deductions		
Increased	**Standard deduction**	The new law increases the standard deduction to $24,000 for joint filers, $18,000 for heads of household, and $12,000 for singles and married taxpayers filing separately. Given these increases, many taxpayers will no longer be itemizing deductions. These figures will be indexed for inflation after 2018.
Limit Changed	**State and local taxes (SALT) deductions**	The itemized deduction for state and local income and property taxes is limited to a total of $10,000.
Limit Changed *Specific effective dates apply.*	**Mortgage interest deductions**	Starting with loans initiated in 2018, home mortgage interest on loans used to ***acquire*** a principal residence and a second home is only deductible on debt up to $750,000 (down from $1 million).
Discontinued	**Home equity loan deductions**	There no longer is any deduction for interest on home equity loans, regardless of **when** the debt was incurred.
Discontinued	**Miscellaneous itemized deductions**	There is no longer a deduction for miscellaneous itemized deductions formerly deductible to the extent they exceeded two percent of adjusted gross income. This category included items such as tax preparation costs, investment expenses, union dues and unreimbursed employee expenses.
Threshold Decreased *Specific effective dates apply.*	**Medical expenses deduction**	Under the new law, **for 2017 and 2018**, medical expenses are deductible to the extent they exceed 7.5 percent of adjusted gross income for all taxpayers. Previously, the AGI "floor" was 10% for most taxpayers.

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Suspended	**Casualty and theft losses deduction**	The itemized deduction for casualty and theft losses has been suspended except for losses incurred in a federally declared disaster area.
Suspended	**Overall limitation on Itemized deductions**	The new law suspends the overall limitation on itemized deductions that formerly applied to taxpayers whose adjusted gross income exceeded specified thresholds. The itemized deductions of such taxpayers were reduced by 3% of the amount by which AGI exceeded the applicable threshold, but the reduction could not exceed 80% of the total itemized deductions, and certain items were exempt from the limitation.
Eliminated	**Moving expenses deductions**	The deduction for job-related moving expenses has been eliminated, except for certain military personnel. The exclusion for moving expense reimbursements has also been suspended.
Penalties		
Eliminated *Specific effective dates apply.*	**Health care "individual mandate"**	Starting in 2019, there is no longer a penalty for individuals who fail to obtain minimum essential health coverage.
Credits		
Increased	**Child and family tax credit**	The new law increases the credit for qualifying children (i.e., children under 17) to $2,000 from $1,000, and increases to $1,400 the refundable portion of the credit. It also introduces a new (nonrefundable) $500 credit for a taxpayer's dependents who are not qualifying children. The adjusted gross income level at which the credits begin to be phased out has been increased to $200,000 ($400,000 for joint filers).
Other Changes		
Expanded	**529 plan rules**	Expanded to include expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school. Thus, tax-free distributions from 529 plans can now be received by beneficiaries who pay these expenses, effective for distributions from 529 plans after 2017.

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