Impact of tax reform on individuals – What exactly is changing?

	Pre-Reform 2018 Tax Rules	Post-Reform 2018 Tax Rules
Individual tax rates	• Maximum tax rate is 39.6% • Rates associated with specific income brackets are designated below:	• Maximum tax rate reduced to 37% • Rates associated with specific income brackets are designated below:

Taxable income			Taxable income		
Rate	**Single**	**Married**	**Rate**	**Single**	**Married**
10%	$0-$9,525	$0-$19,050	10%	$0-$9,525	$0-$19,050
15%	$9,526 - $38,700	$19,051 - $77,400	12%	$9,526 - $38,700	$19,051 - $77,400
25%	$38,701 - $93,700	$77,401 - $156,150	22%	$38,701 - $82,500	$77,401 - $165,000
28%	$93,701 - $195,450	$156,151 - $237,950	24%	$82,501 - $157,500	$165,001 - $315,000
33%	$195,451 - $424,950	$237,951 - $424,950	32%	$157,501 - $200,000	$315,001 - $400,000
35%	$424,951 - $426,700	$424,951 - $480,050	35%	$200,001 - $500,000	$400,001 - $600,000
39.6%	Over $426,700	Over $480,050	37%	Over $500,000	Over $600,000

	Pre-Reform 2018 Tax Rules	Post-Reform 2018 Tax Rules
Alternative minimum tax (AMT)	• Exemption amounts of $86,200 (married) and $55,400 (single) • Phase-out of exemption amount begins at $164,100 (married) and $123,100 (single)	• Exemption amounts increased to $109,400 (married) and $70,300 (single) • Phase-out of exemption amount begins at $1,000,000 (married) and $500,000 (single)
Individual standard deduction/personal exemptions	• Standard deduction is $13,000 (married) and $6,500 (single) • Personal exemption of $4,150 phased out for higher incomes	• Standard deduction nearly doubled to $24,000 (married) and $12,000 (single) • Personal exemptions repealed at all income levels

	Pre-Reform 2018 Tax Rules	Post-Reform 2018 Tax Rules
Itemized deductions	• Deductions allowed but subject to the "PEASE limitation," which reduces availability of itemized deductions at income levels starting at $320,000 (married) and $266,700 (single)	• Individual deduction for state and local taxes (SALT) for income, sales and property is limited in the aggregate to $10,000 (married and single filers) and $5,000 (married filing separately) • "PEASE limitation" (including for charitable contributions) is repealed • Most miscellaneous itemized deductions that were subject to the 2% of AGI floor will no longer be allowed (e.g. tax preparation and investment expenses)
Capital gain /qualified dividend rate	• Maximum tax rate on long-term capital gains and qualified dividend income (before 3.8% net investment income tax) is 20%	• Unchanged
Medical expense deduction	• Floor of 10% of AGI before deduction can be taken	• Floor reduced to 7.5% of AGI for tax years 2017 and 2018
Cost of securities	• Investors have the ability to "specifically identify" which tax lot of a security is sold	• Unchanged
Mortgage interest	• Individuals are generally allowed an itemized deduction for interest on 1. Principal residence and second residence mortgages up to $1,000,000 (married) or $500,000 (single) (limit applies on a combined basis) 2. Home Equity Line of Credit (HELOC) up to $100,000	• Individuals are generally allowed an itemized deduction for interest on principal residence and second residence mortgages up to a combined $750,000 • Pre 12/16/17 mortgages are grandfathered and new purchase money mortgages may be grandfathered if the purchase contract is dated before 12/16/17 and other conditions are met • Refinancing of grandfathered mortgages are grandfathered, but not beyond the original mortgage's term/amount (some exceptions apply for "balloon payment" mortgages) • Interest on a HELOC is no longer deductible

	Pre-Reform 2018 Tax Rules	Post-Reform 2018 Tax Rules
Capital gain exclusion for primary residence	• Allows individuals to exclude gain of up to $500,000 (for joint filers) from the sale of a primary residence • Taxpayer must own and use the house as primary residence for 2 out of the previous 5 years and exemption can be used only once every 2 years	• Unchanged
Like-kind exchanges	• Allows for the disposal of an asset and the acquisition of another replacement asset without generating a current tax liability from the gain on the sale of the first asset • Applies to like-kind exchanges of real property as well as certain categories of personal property	• Limits applicability to like-kind exchanges of real property that is not held primarily for sale **This does not expire in 2025
Section 529 plans	• Distributions may be used for expenses relating to higher (post-secondary) education	• In addition to higher (post-secondary) education, distributions from 529 plans of up to $10,000/year per student can be used for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school **This does not expire in 2025
Pass-through deduction	• Income received from partnerships, S corporations, or sole proprietorships is passed-through to the owner's individual tax returns, where it is taxed as ordinary income	• There is a new 20% deduction for qualified business income from a partnership, S corporation, or sole proprietorship
Charitable deduction changes	• Cash gift to public charities is deductible as long as it doesn't exceed **50%** of the taxpayers Adjustable Gross Income (AGI) • 80% of value spent on university athletics seating rights can be deducted	• Cash gift to public charities is deductible as long as it doesn't exceed **60%** of the taxpayers Adjustable Gross Income (AGI) • 80% deduction for university athletic seating rights is repealed
Gift/estate/generation-skipping transfer (GST) tax exemption	• Estate, gift and GST tax exemptions are each $5.6 million per US domiciliary	• Doubles the estate, gift and GST tax exemptions to $11.2 million per US domiciliary • Like most individual provisions, the exemptions sunset after 2025 and revert back to the law in effect for 2017 with inflation adjustments; possibility for "clawback" at death if law is not changed

	Pre-Reform 2018 Tax Rules	Post-Reform 2018 Tax Rules
Child Tax Credit	• $1000/qualified child • Phase-out of credit begins at $75,000 (single) and $200,000 (married)	• Increases to $2,000/qualified child, with $1,400 being refundable • Phase-out of credit begins at $110,000 (single) and $400,000 (married)
Individual mandate / Health Insurance	• Requires most Americans to purchase health insurance coverage; taxpayers must submit proof of healthcare coverage with their tax return or pay a penalty	• Individual mandate is repealed **This does not expire in 2025
Future Inflation Adjustments	• In general, tax brackets and many other tax code limits are inflation adjusted using Consumer Price Index – Urban (or CPI-U)	• Many but not all of the indexed limits would now be indexed using Chained-CPI-U, which generally leads to slightly slower cost of living adjustments each year **This does not expire in 2025