

## Tax Changes with the Tax Cuts and Jobs Act

The new tax reform bill became law late in 2017. We have outlined the main elements of the new tax law below. Most of these changes apply to 2018 tax years.

### Ordinary Income Tax Brackets

There are seven ordinary income tax brackets, and the rates and income thresholds for these brackets have changed. The individual tax rates range from 10% to 37%.

### Restrictions on Itemized Deductions

The state and local tax deductions are now capped at \$10,000 for single taxpayers and those married filing joint returns. This limit is on state and local property taxes and either state/ local income taxes or state/local sales taxes.

The mortgage interest deduction will be limited to interest paid on up to \$750,000 of mortgage indebtedness for mortgages incurred after December 15, 2017.

Taxpayers can deduct up to 60% of their AGI for cash charitable contributions. Written documentation from the charity is still required for contributions of \$250 or more.

In 2017 and 2018, taxpayers can deduct unreimbursed medical expenses when such expenses exceed 7.5% of the taxpayers' AGI.

Miscellaneous Itemized Deductions that exceed 2% of AGI will be eliminated. These deductions include tax prep expenses, union dues, investment fees, and unreimbursed employee expenses.

### Child Tax Credit

The child tax credit increases from \$1000 for each qualifying child, to \$2000 for each qualifying child with \$1400 being refundable. This is subject to phaseouts based on income.

### 529 Plans

529 plan distributions will also be tax-free when used for qualified elementary and secondary school expenses up to \$10,000.

### New Deduction for Pass-Through Income

Taxpayers may be eligible for a 20% deduction of qualified business income generated from a pass-through entity.

**\* Please note that every individual's tax situation is different. Please speak with us regarding the specifics of your tax situation and how these changes may affect you.**