

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. These changes began in 2018 & 2019 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/local property taxes and either state/local income taxes or state/local sales taxes.

The mortgage interest deduction is limited to interest paid on up to \$750,000 of mortgage indebtedness for mortgages incurred after December 14, 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.

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

Child Tax Credit

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

529 Plans

529 plan distributions are federally tax-free when used for qualified elementary and secondary school expenses up to \$10,000. However, some states may not consider this a qualified distribution.

New Deduction for Pass-Through Income

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

Federal Individual Shared Responsibility Payment

The federal individual shared responsibility payment for individuals without minimum essential health coverage has been reduced to zero beginning in 2019. However, some states may still charge a fee.

These are only a few key points regarding tax information and are only provided as a basis for further study. We make every attempt to provide consistent, current information. Any information provided is subject to change, and we are not responsible if any information is not consistent with current law. Providing this information does not serve as tax advice. As each individual tax situation is different, please contact us with any questions or concerns.