



TAX REFORM: INDIVIDUAL TAX

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act into law. This law brings the most sweeping round of tax changes since 1986. The final bill has been a compromise when it comes to individual taxes. Individuals will benefit from the standard deduction nearly doubling. In addition, the bill leaves the deduction for state and local taxes but limits the deduction to \$10,000. In order to keep the cost of the bill within Senate budget rules, all of the changes affecting individuals take place in the 2018 tax year and are set to expire in 2025.

Here is a summary of some of the key points for Individual Taxpayers:

- The tax rate brackets have been lowered with a maximum 37% tax rate.
- The standard deduction has been increased from \$12,600 to \$24,000 for married filing joint (MFJ) returns.
- Personal exemptions have been repealed.
- Alternative minimum tax (AMT) is still in effect, but will apply to less taxpayers due to increased exemptions.
- The lifetime exemption for gifting and estate tax has been doubled with an increase from \$5 million adjusted annually for inflation to \$10 million adjusted for inflation.
- The bill has temporarily increased the child tax credit to \$2,000 per qualifying child.
- For any divorce executed after December 31, 2018, alimony payments are not deductible for the payor and would not be includible in income by the payee.
- The moving expense deduction has been repealed, and any moving expense reimbursement would now be

gross income to the recipient (exception for armed forces on active duty who moves pursuant to a military order).

- Taxpayers with “qualified business income” may benefit from an exclusion on their pass-through income (subject to limitations) which will lower their effective tax rate.

There are many changes to itemized deductions:

- Overall limitation on itemized deductions has been repealed.
- The home mortgage interest deduction has been modified to reduce the limit on acquisition indebtedness to \$750,000 for MFJ, down from \$1,000,000 under current law. However, if the acquisition indebtedness occurred before December 15, 2017, the limit remains \$1,000,000.
- Home equity indebtedness interest is no longer deductible.
- State and local income taxes and/or property taxes are allowed up to \$5,000 for married filing single filers and \$10,000 for all other taxpayers. The bill specifies that taxpayers cannot take a deduction in 2017 for prepaid 2018 state income taxes.
- Cash charitable donations limitations has been increased from 50% to 60% of adjusted gross income in certain cases. The AGI limitations for cash charitable contributions has been increased from 50% to 60%.
- The current deductibility for contributions made for university athletic seating rights after 2017 has been repealed.
- The deductibility of miscellaneous itemized deductions has been repealed.

TAX GUIDE

Tax Rate	Married Filing Jointly and Surviving Spouses	Single	Head of Household	Married Filing Separately	Estates & Trusts
10%	\$0 - \$19,050	\$0 - \$9,525	\$0 - \$13,600	\$0 - \$9,525	\$0 - \$2,550
12%	\$19,050 - \$77,400	\$9,525 - \$38,700	\$13,600 - \$51,800	\$9,525 - \$38,700	N/A
22%	\$77,400 - \$165,000	\$38,700 - \$82,500	\$51,800 - \$82,500	\$38,700 - \$82,500	N/A
24%	\$165,000 - \$315,000	\$82,500 - \$157,500	\$82,500 - \$157,500	\$82,500 - \$157,500	\$2,550 - \$9,150
32%	\$315,000 - \$400,000	\$157,000 - \$200,000	\$157,000 - \$200,000	\$157,000 - \$200,000	N/A
35%	\$400,000 - \$600,000	\$200,000 - \$500,000	\$200,000 - \$500,000	\$200,000 - \$300,000	\$9,150 - \$12,500
37%	Over \$600,000	Over \$500,000	Over \$500,000	Over \$300,000	Over \$12,500

KEY TAKEAWAYS

- Corporate Tax Rate reduced to 21% - a 40% reduction
- 20% Exclusion on Pass-through income
- 100% Bonus Depreciation
- Doubling of Estate and Gift Tax Exclusion
- Corporate AMT Repeal

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