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December 2017 E mail Blast to Clients and Friends:

CONGRESS PASSES BIGGEST TAX BILL SINCE 1986

The "Tax Cuts and Jobs Act of 2017" (TCJA), which was recently signed into law is the most sweeping tax legislation since the Tax Reform Act of 1986.

The bill makes small reductions to income tax rates for most individual tax brackets, significantly reduces the income tax rate for corporations and eliminates the corporate alternative minimum tax (AMT). It also provides a large new tax deduction for owners of certain pass-through entities and significantly increases individual AMT and estate tax exemptions. And it makes major changes related to the taxation of foreign income.

It's not all good news for taxpayers, however. The TCJA eliminates or limits many tax breaks, and much of the individual tax relief is only temporary until year 2025.

Key changes affecting individuals

- **Drops of individual income tax rates ranging from 0 to 4 percentage points (depending on the bracket) to 10%, 12%, 22%, 24%, 32%, 35% and 37% - through 2025**

- **Near doubling of the standard deduction to $24,000 (married couples filing jointly), $18,000 (heads of households), and $12,000 (singles and married couples filing separately) - through 2025**

- **Elimination of personal exemptions — through 2025**

Doubling of the child tax credit to $2,000 and other modifications intended to help more taxpayers benefit from the credit — through 2025

- **Elimination of the individual mandate under the Affordable Care Act requiring taxpayers not covered by a qualifying health plan to pay a penalty — effective for months beginning after December 31, 2018**

- **Reduction of the adjusted gross income (AGI) threshold for the medical expense deduction to 7.5% for regular and AMT purposes — for 2017 and 2018**

New $10,000 limit on the deduction for state and local taxes (on a combined basis for property and income taxes; $5,000 for separate filers) — through 2025

- **Reduction to the mortgage debt limit for the home mortgage interest deduction, to $750,000 ($375,000 for separate filers), with certain exceptions - through 2025**

Elimination of the deduction for interest on HELOC's through 2025

Elimination of the personal casualty and theft loss deduction (with an exception for federally declared disasters) — through 2025

Elimination of miscellaneous itemized deductions subject to the 2% floor (such as certain investment expenses, professional fees and unreimbursed employee business expenses) — through 2025

- **Elimination of the AGI-based reduction of certain itemized deductions — through 2025**

- **Elimination of the moving expense deduction (with an exception for members of the military in certain circumstances) — through 2025**

- **Expansion of tax-free Section 529 plan distributions to include those used to pay qualifying elementary and secondary school expenses, up to $10,000 per student per tax year**

- **AMT exemption increase, to $109,400 for joint filers, $70,300 for singles and heads of households, and $54,700 for separate filers — through 2025**

Doubling of the gift and estate tax exemptions, to $10 million (expected to be $11.2 million for 2018 with inflation indexing) – through 2025

Key changes affecting businesses

• Replacement of graduated “C” corporate tax rates ranging from 15% to 35% with a flat corporate rate of 21%

*** New 20% qualified business income deduction for certain owners of flow-through entities (such as partnerships, limited liability companies and S corporations and sole proprietorships) - through 2025, subject to income phase-outs. For job creators with income above the threshold there is still a deduction available.**

• Doubling of bonus depreciation to 100% and expansion of qualified assets to include used assets — effective for assets acquired and placed in service after September 27, 2017 and before January 1, 2023

Doubling of the Section 179 expensing limit to $1 million and an increase of the expensing phase-out threshold to $2.5 million

New disallowance of deductions for net interest expense in excess of 30% of the business's adjusted taxable income (exceptions apply)

New limits on net operating loss (NOL) deductions

• Elimination of the Section 199 deduction, also commonly referred to as the domestic production activities deduction or manufacturers' deduction — effective for tax years beginning after December 31,2017, <u>for noncorporate</u> taxpayers.

New rule limiting like-kind exchanges to real property that is not held primarily for sale

• New tax credit for employer-paid family and medical leave — through 2019

New limitations on deductions for employee fringe benefits, such as entertainment and, in certain circumstances, meals and transportation.

We've only briefly covered some of the most significant TCJA provisions here. There are additional rules and limits that apply, and the law includes many additional provisions. Allow us time to get through a 500+ page bill and speak with our colleagues. We will be proactive with your unique tax situation. Bear in mind that most of the changes occur for years ending after 12/31/17.

If you have questions in the meantime about how these and other tax law changes will affect your situation, please feel free to reach out to us.

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