



TAX REFORM SNAPSHOT: Individual Provisions

› INDIVIDUAL TAX RATES

- Generally decreases overall tax rates to 10, 12, 22, 24, 32, 35 and 37 percent
- Increases upper tiers of all tax brackets, which equals a generally lower effective tax rate
- Retains Alternative Minimum Tax (AMT), but raises exemptions and phase-outs

FAQ - *Do I need to change my withholding?*

The IRS recently issued initial withholding guidance for 2018, with complete information to follow by February 15. An updated W-4 will also soon be released by the IRS. In the meantime, employers will use the initial guidance and the W-4 on file. Employees will have the opportunity to update their W-4s. Employees should take the time to evaluate their withholding positions and adjust as needed with the new rate structure.

› STANDARD DEDUCTION & PERSONAL EXEMPTIONS

- Nearly doubles the standard deduction to \$24,000 for married taxpayers filing jointly, \$18,000 for head-of-household filers and \$12,000 for individual filers
- Eliminates personal exemptions

FAQ - *Do I need to itemize anymore?*

The standard deduction increase is intended to offset another component of the law – the elimination or reduction of many tax credits and deductions. Many taxpayers who previously itemized deductions may now fall under the standard deduction threshold. Whether or not a taxpayer itemizes, it is still a best practice to keep track of itemized deductions.



CHANGES TO POPULAR ITEMIZED DEDUCTIONS

- Cumulatively caps deductions for state and local taxes and real estate taxes at \$10,000
- Limits home mortgage interest deductibility to \$750,000 or less for mortgage debt incurred after December 15, 2017
- Removes deduction for home equity loan interest starting in 2018
- Eliminates miscellaneous itemized deductions subject to the two percent floor
- Preserves the medical expense deduction but lowers adjusted gross income threshold to 7.5 percent for 2017 and 2018
- Retains deduction for charitable contributions
- Removes the three percent of adjusted gross income (AGI) limitation on itemized deductions

CHANGES TO POPULAR TAX CREDITS

- Temporarily doubles the child tax credit to \$2,000, subject to phase-out starting at modified adjusted gross income of \$400,000 (MFJ) or \$200,000 (all other filing statuses), and creates a new \$500 nonrefundable credit for dependents other than children
- Retains popular education credits, like American Opportunity and Lifetime Learning

OTHER AREAS OF IMPACT

- Eliminates deduction for alimony payments and removes requirement for recipient to report such payments as income (effective for divorces or separations executed after 12/31/2018)
- Disallows recharacterization of a Roth IRA conversion (conversion of traditional IRA into Roth IRA still allowed)
- Retains estate and gift tax, but doubles lifetime exemption to \$22.4 million (married) and \$11.2 million (single). Doubled exclusion sunsets after January 1, 2026. Revisit estate planning documents, like wills and trusts, to evaluate impact of tax reform

FAQ - Should I refinance my HELOC since interest is no longer deductible?

There are many variables involved in any refinancing decision, including the length of loan, previous deductions taken, current interest rate environment, the way the loan is used and any closing costs associated with refinancing. It is critical to evaluate these and other factors with your mortgage lender and with your tax advisor in the context of your personal situation.

DISCLAIMER

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