

The 2017 Tax Cuts and Jobs Act (the “Act”) was passed by the United States Congress on December 20, 2017 but has not yet been signed by President Trump. The Act is generally effective starting in calendar year 2018. The following only discusses the provisions of the Act that affect **individuals**.

Individual Taxation

	2018 – Pre-existing Tax Law	2018 – Revised Tax Law
Ordinary Income Rate	Seven rate brackets ranging from 10-39.6%	Seven rate brackets ranging from 10-37%
Long-term Capital Gain and Dividend Rate	Three rate brackets ranging from zero to 20%	Change in thresholds, but no change in rates
Rate on Business Income	Taxed at ordinary rates	Deduction of 20% to reduce rate
Alternative Minimum Tax (AMT)	Rate of 26-28%; Exemption of \$86,200 (\$55,400 for single taxpayers)	Exemption increased to \$109,400 (\$70,300 for single taxpayers)
Net Investment Income Tax	Rate of 3.8%	No change
Personal Exemption	\$4,150 per dependent, but a phase-out for high income individuals	Repealed
Basic Standard Deduction	\$6,500 – single \$13,000 – joint	\$12,000 – single \$24,000 – joint
Child Tax Credit	\$1,000 per child, but a phase-out for middle-income taxpayers	\$2,000 per child, but a phase-out for high-income taxpayers

Dependent Credit	None	\$500 per US citizen dependent, but a phase out for high-income taxpayers
Kiddie Tax	Taxed at the parent's rate	Taxed at trust rates (without the 10% bracket)
Itemized Deduction Limitation	No limit, but a phase-out for high-income individuals	No limit; phase-out repealed
Medical and Dental Expenses	Deduction over 10% of adjusted gross income (7.5% for those over 65 years old)	Deduction over 7.5% (regardless of age) of adjusted gross income (2017 and 2018 only)
State and Local Taxes	Deduction allowed	Deduction allowed (but limited to \$10,000)
Foreign Taxes	Deduction for real property and income taxes allowed	Only income tax deduction allowed
Mortgage Interest	Deduction on first \$1.1 million of principal (on up to two residences)	Deduction for home equity interest repealed; Deduction allowed on first \$750 thousand of principal (\$1 million, in the case of debt incurred before December 15, 2017).
Investment interest	Deduction (but limited to investment income)	No change
Charitable contributions	Deduction (but limited to 50% of adjusted gross income)	Limitation increased to 60%
Teacher expenses	Up to \$250	No change
Miscellaneous itemized deductions	Deduction over 2% of adjusted gross income	No deduction

Penalty under Individual Healthcare Insurance Mandate	\$695 or less	Reduced to zero after 2018
Effect of Death on Basis	Step-up to fair market value	No change
Estate Tax	Rate of 18-40%	No change
Gift Tax	Rate of 18-40%	No change
Estate and Gift Tax Lifetime Exclusion Amount	\$5.49 million	\$10.98 million

Tax Rate Brackets. The Act does not change the number of brackets. However, the rates and bracket thresholds would change significantly. The rates under the Act and current law are as follows:

Married Couples Filing a Joint Return – Ordinary Income Rates

Taxable Income	2018 – Pre-existing Tax Law	2018 – Revised Tax Law
\$19,050 or less	10%	10%
\$19,050 to \$77,400	15%	12%
\$77,400 to \$165,000	25-28%	22%

\$165,000 to \$315,000	28-33%	24%
\$315,000 to \$400,000	33%	32%
\$400,000 to \$600,000	33-39.6%	35%
More than \$600,000	39.6%	37%

Married Couples Filing a Joint Return – Long-term Capital Gains and Dividends – Rate Thresholds

Rate	2018 – Pre-existing Tax Law	2018 – Revised Tax Law
Zero	\$77,400 or less	\$77,200 or less
15%	\$77,400 to \$480,050	\$77,200 to \$479,000
20%	More than \$480,050	More than \$479,000

Single Individuals – Ordinary Income Rates

Taxable Income	2018 – Pre-existing Tax Law	2018 – Revised Tax Law
\$9,525 or less	10%	10%

\$9,525 to \$38,700	15%	12%
\$38,700 to \$82,500	25%	22%
\$82,500 to \$157,500	25-28%	24%
\$157,500 to \$200,000	28-33%	32%
\$200,000 to \$500,000	33-39.6%	35%
More than \$500,000	39.6%	37%

Single Individuals – Long-term Capital Gains and Dividends – Rate Thresholds

Rate	2018 – Pre-existing Tax Law	2018 – Revised Tax Law
Zero	\$38,700 or less	\$38,600 or less
15%	\$38,700 to \$426,700	\$38,600 to \$239,500
20%	More than \$426,700	More than \$239,500