Overview

The Tax Cut & Jobs Act, signed into law on December 22, 2017, represents the biggest and most dramatic change to the U.S. tax code to take place in decades and is expected to impact most everyone. It is now more important than ever to make sure that your personal financial and business affairs are structured to your maximum tax advantage.
Changes to individual tax rates & thresholds

Significant changes have been made to individual tax rates and thresholds, deductions and exemptions:

- The top individual tax rate has been reduced from 39.6% to 37%, and the new top rate thresholds have been raised to $500,000 for single taxpayers and $600,000 for married taxpayers.

- The standard deduction has been increased to $12,000 for individuals and $24,000 for married couples filing jointly, and the child tax credit has increased to $2,000.

However, many popular itemized deductions have been cut back or eliminated, including deductions for state and local income taxes, unreimbursed employee expenses, casualty losses and alimony payments. The personal exemption has also been repealed.

If you rely heavily on itemized deductions to decrease your taxable income, you should review your finances with an experienced tax professional to determine if any other opportunities may have opened up for you under the tax reform and to develop a tax-efficient plan for the coming years.
Change to child tax credits

*Under the previous tax law, families could claim a $1,000 credit for every child under the age of 17.*

This credit began to phase out for couples earning more than $110,000 per year. The new tax law doubles the credit to $2,000 per child, and the phase out threshold has been raised from $110,000 to $400,000. For people who don’t earn enough in a given year to pay taxes, they can still claim the credit, but their child tax credit refund is now limited to $1,400 per year.

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<th>Tax Credit</th>
<th>Previous Year</th>
<th>Current Year</th>
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Change to state & local tax deductions

Buying a house in high property value states such as California has just become more expensive. While deductions for state and local (sales and property) taxes paid are still available, they are now capped at $10,000 combined.

In addition, starting this year, the cap on mortgage interest deductions has dropped from $1,000,000 to $750,000 for all homes purchased on or after December 15, 2017. Although this will have little effect on new homeowners in states where the median home value is less than $175,000, this will profoundly impact taxpayers in states with high home values and property taxes.

In 2026, the mortgage interest cap will revert back to $1,000,000 for primary residences, but the new tax law contains no such sunset provision for second homes. Note that you will still be entitled to write off costs associated with renting out a vacation home, including a portion of your property taxes and mortgage interest.

Change to business tax rates

The new tax law not only reduces the top corporate tax rate to 21%, but also provides a 20% tax deduction for qualified pass-through entities such as “S” Corporations, partnerships, and sole proprietors. See our handout on the new Internal Revenue Code Section 199A to learn more about how to make those provisions work to your advantage.
Changes to estate tax exemption amount

In 2017, heirs had to pay an estate tax of 40% on all amounts over the threshold of $5.49 million for individuals and $10.98 million for couples.

The new tax law doubles that threshold to $11.2 million for individuals and $22.4 million for couples. This means that far fewer wealthy people will have to worry about estate taxes at their death. It’s time for wealthy individuals and couples to revisit their estate plans and perhaps remove restrictive tax provisions in your estate planning documents.

Note that absent further Congressional action, the exemption amount will revert to $5 million in 2026 – given this uncertainty, be sure to take into consideration the potential for further changes by a future administration.

### ESTATE TAX THRESHOLD INCREASE

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<th>Individuals</th>
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<tbody>
<tr>
<td>$5m</td>
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