



Highlights - Tax Cuts and Jobs Act of 2017

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Above the Line Deductions

Student Loan Interest	Remains, up to \$2500; subject to phase-out
Teacher Expenses	Remains, up to \$250 for out of pocket expenses
Alimony	For divorces/separations executed after 12/31/2018, alimony payments are no longer deductible for the person who writes the checks; alimony received is not taxable.
Moving Expenses	Eliminated, yikes!
Dependent Care	Tax break remains

Taxes & Credit Calculations

Qualified Business Credit	New 20% deduction for qualified business income from S Corporations, Partnerships, and sole proprietors.
Standard Deduction	Individuals, \$12K; Head of Household, \$18K; Married Filing Jointly \$24K
Personal Exemptions	Eliminated
Child Tax Credit is expanded	\$2K per child under age 17 refundable to \$1400; Phase out begins at \$200K Single & HOH, \$400K MFJ
Credit for other dependents (New)	\$500 nonrefundable credit for other qualifying dependents
Credit For Elderly & Disabled	Over age of 65, \$750 for one, \$1125 for two
Tax Rates (Brackets)	10%, 12%, 22%, 24%, 32%, 35%, and 37%
Kiddie Tax	Simplified. No longer tied to parents' marginal tax rate; now tied to rates for trusts and estates.
Capital Gains & Qualified Dividend Tax Rates	Remain unchanged at 0%, 15% and 20%, with an additional Medicare rate of 3.8%.
Alternative Minimum Tax (AMT)	Fewer people will have to deal with the alternative minimum tax. The exemption has been raised to \$70,300 for singles, and to \$109,400 for married couples. Phase-out of exemption begins at \$500k (single) and \$1 million (married).
American Opportunity Credit	Continues, up to \$2,500
Lifetime Learning Credit	Continues, up to \$2,000

Itemized Deductions

Mortgage Interest	Beginning in 2018, anyone buying a new home will only be able to deduct the first \$750,000 of their mortgage debt; that's down from \$1 million prior to tax reform. Pre 12/16/2017 mortgage are grandfathered and new purchase money mortgages may be grandfathered if the purchase contract is dated before 12/16/2017 and other conditions are met. Refinancing of grandfathered mortgages are grandfathered, but not beyond the original mortgage's term/amount with some exceptions for "balloon payment" mortgages. Interest on a HELOC is deductible if funds were used to improve/repair residence.
State & Local (SALT) Taxes	Aggregate deduction capped at \$10K (state & local tax, real estate & personal property taxes)
Charitable Donations	Allowed, as previous. Cash gift to public charities is deductible as long as it doesn't exceed 60% of taxpayers' AGI. Repealed, 80% deduction for university athletic seating rights.
Medical Expenses	For 2018, amount exceeding 7.5% of AGI; 10% thereafter
Casualty Losses	Personal casualty losses are limited to casualty losses in a federally declared disaster area. Personal theft losses are no longer deductible.
Miscellaneous, subject to 2% AGI	Eliminated. Unreimbursed employee expenses, including in-home office expenses. Huge Impact!!
Gambling Losses	Remain. Also, travel expenses related to gambling are deductible to the extent of gambling winnings.

Other

Entertainment Expenses	"Entertainment" of clients is not deductible. Employer may deduct 50% of the food and beverage expenses associated with operating its trade or business, such as amounts paid for an employee's meals.
AMT (Alternative Minimum Tax)	Exemption amounts & phase-out limitations increased
Depreciation	Revised
529 Savings Plans	Up to \$10,000 can be distributed annually to pay for education costs for tuition and related fees paid to a public, private or religious elementary or secondary education institution.
Obamacare Individual Mandate	Eliminated, effective 2019 tax year.
Estate Tax Exclusion	Exclusion for decedents is \$11,180,000. FMV basis rules at date of death remain.
Exclusion of Gain For Home Sellers	Exclusion remains, up to \$500,000 (or \$250,000 for single filers) from capital gains. Still must have been primary home & have lived in the home for two of the past five years.
Tuition waivers for grad students	Graduate students still won't have to pay income taxes on the tuition waiver they get from their schools.
Discharge of Student Loan Debt	Student loan debt discharged due to total/permanent disability/death of student is excludable from income.
Like-kind exchanges (Tax Deferred)	Limits applicable to like-kind exchanges of real property that is not held primarily for sale. The exchange of a vehicle is now reportable as a sale of the old property and a purchase of the new property (Form 4562).

These highlights are NOT an exhaustive engagement with the "Tax Cuts and Jobs Act" and are not intended to be a source of tax or legal advice.

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