Jon S. Folse
Lisa D. Englade
Kerney F. Craft, Jr.

Jonathan P. Koenig
John D. White
Valerie L. Lowry

Wegmann Dazet & Company

As you all know by now, on December 22, 2017, the President signed into effect a new tax law which largely takes effect on January 1, 2018 for all types of taxpayers. Included below are some key takeaways from this new tax law:

SUMMARY OF INDIVIDUAL PROVISIONS (Generally Effective for Tax Years 2018 – 2025):

- Tax brackets have been reduced across all levels and the top rate is reduced from 39.6% to 37%
- Top rates are reached at $500,000 for Single (Formerly $418,400) & Head of Household (Formerly $444,550), $600,000 (Formerly $470,700) for Married Filing Jointly, and $300,000 (Formerly $235,350) for Married Filing Separately
- Standard deduction is now $12,000 for Single & MFS (Formerly $6,350), $24,000 for MFJ (Formerly $12,700), and $18,000 for HOH (Formerly $9,350)
- Itemized deductions:
    - Deduction for state and local taxes (income or sales, and property) is capped at $10,000
    - Home mortgage interest deduction is limited on new debt greater than $750,000
    - Home equity interest is no longer deductible
    - Charitable contribution limit is increased from 50% to 60% for cash donations
    - Payments to secure rights to purchase athletic tickets are not deductible (TAF)
    - Miscellaneous itemized deductions (previously subject to the additional 2% floor) have been repealed such as investment fees, employee business expenses, & tax prep fees
    - Casualty losses are only allowed for losses incurred in a federally declared disaster area
- Personal exemptions are repealed (previously $4,050 per dependent)
- Child tax credit
    - Non-refundable credit increased from $1,000 to $2,000 per qualifying child
    - Phase-out income level increased from $110,000 to $400,000 for MFJ
    - Refundable amount set at max of $1,400
    - New $500 credit for each relative that can be claimed as a dependent
- In addition to limits on losses based on at-risk rules, passive loss rules and basis, excess business losses for non-corporate taxpayers may not exceed $500,000 for MFJ (half for Single); any excess is converted to an NOL carryforward
- Alternative Minimum Tax thresholds have increased as well as AMT exemptions

SUMMARY OF ESTATE AND GIFT TAX PROVISIONS (Generally Effective for Tax Years 2018 – 2025):

- Estate tax exemption is now at $11.2 million per person (indexed for inflation)
- Trust tax rates simplified to four brackets topping out at 37% for $12,500 of income
- 2018 Gift Tax Exclusion is now $15,000

NET OPERATING LOSSES (C corporations and Individuals)

- For NOLs incurred after January 1, 2018, no longer carryback, but carry forward indefinitely
- Can only offset 80% of taxable income for a year

SUMMARY OF BUSINESS PROVISIONS:

- C corporation flat tax rate of 21%
- Corporate Alternative Minimum Tax is repealed
- Domestic Production Activities Deduction is repealed
- Qualified Business Income Deduction for income from Pass-throughs and Sole Proprietors
  - 20% deduction on this income, subject to a wage and taxable income limitation
  - Certain service businesses are not allowed this deduction as individual taxable income approaches $207,500 for Single & $415,000 for MFJ with the phaseout beginning at $157,500 & $315,000, respectively
  - Service businesses include services in the fields of accounting, consulting, health, law, investment advisory in general, but this list is not all inclusive (contact us for details)
- Depreciation
  - Section 179 limit increased from $510,000 to $1 million and phase-out based on total depreciable property placed in service increased from $2,030,000 to $2.5 million
  - Section 179 now allowed for select internal structures including HVAC systems as well as items used in rental properties
  - Bonus depreciation increased from 50% to 100% on new and includes used property (Applies to property acquired after September 27, 2017)
  - First year depreciation on luxury autos increased to $10,000 ($18,000 with bonus)
- Like Kind exchange treatment only available on real property
- Entertainment expenses are in general not deductible any longer unless used primarily for the benefit of employees (i.e. sports tickets, rounds of golf, tickets to shows, etc)
- All meals (including employer-provided meals) are now 50% deductible (i.e. meals at restaurants, hotels, while traveling, etc) except for meals provided on a drilling platform

There were changes which are not detailed above including changes to the Foreign Tax structure for Multinational entities. If these situations apply to you, we will be in contact.

Should you have any questions regarding the new tax law changes, please contact us.