

THOMPSON, McCONNELL, & HURST CPAs PLLC

716 S FIRST STREET

UNION CITY, TN 38261

TELEPHONE: (731) 885-9137

FAX: (731) 885-8309

|  |  |  |
| --- | --- | --- |
| JAMES W THOMSPON, CPA (Retired)  JOHNNY McCONNELL, CPA  TREVOR HURST, CPA |  | MEMBER OF  AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  TENNESSEE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS |

**529 college savings plans**

**A**[**529 college savings plan**](https://www.magnifymoney.com/blog/college-students-and-recent-grads/best-529-savings-plans/)**is a tax-advantaged savings account designed to encourage saving for qualified future higher-education costs, such as tuition, fees and room and board. Your money is invested and grows tax free.**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Previously, 529 plan savings could only be used on qualified higher education expenses.** | **In a major victory for wealthier families, you can now use 529 savings for private K-12 schooling.**  **Tax benefits are now extended to eligible education expenses for an elementary or secondary public, private, or religious school.**  **The new rules allow you to withdraw up to $10,000 a year per student (child) for education costs.** |

**ACA individual mandate**

**The individual mandate was a key provision of the Affordable Care Act that required non-exempt U.S. citizens and noncitizens who lawfully reside in the country to have health insurance.**

| **Old Rule** | **New Rule (Effective Jan. 1, 2019)** |
| --- | --- |
| **Consumers who did not**[**qualify for an exemption**](https://www.healthcare.gov/health-coverage-exemptions/exemptions-from-the-fee/)**and chose not to purchase insurance faced a range of tax penalties, depending on income.** | **The individual mandate is out.**  **Starting Jan. 1, 2019, consumers who do not purchase health insurance will no longer face penalties.**  **GOP lawmakers argue that the measure will decrease spending on the tax subsidies it offers to balance out the cost of premiums for millions of Obamacare enrollees.**  **However, without the mandate, experts caution that fewer healthy and young people will sign up for health coverage through the insurance marketplace, which will likely lead to increases in premium costs for those who remain the marketplace and could even induce some insurers to drop out of the market altogether. It’s a big blow to supporters of the long-embattled health care law.** |

**Alimony**

| **Old Rule** | **New Rule (Effective Jan. 1, 2019)** |
| --- | --- |
| **The individual paying alimony or maintenance payments can deduct payments from their income. The person receiving the payments includes them as income.** | **The person making alimony or maintenance payments does not get to deduct them, and the recipient does not claim the payments as income. This goes into effect for any divorce or separation agreement signed or modified on or after Jan. 1, 2019.** |

**Alternative minimum tax**

**The individual alternative minimum tax, or AMT, often imposed on**[**higher-income families, especially those with children, who live in high-tax states**](http://www.taxpolicycenter.org/briefing-book/what-amt)**— but not necessarily the ultra rich. It requires many households or individuals to calculate their tax due under the AMT rules alongside the rules for regular income tax. They have to pay the higher amount. Whether or not a someone pays AMT depends on their alternative minimum taxable income (AMTI).**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **The exemption amount is $84,500 for married joint-filing couples, $54,300 for single filers and $42,250 for married couples filing separately.**  **The AMT exemption begins to phase out at $120,700 for singles, $160,900 for married couples filing jointly and $80,450 for married couples filing separately.** | **The AMT is here to stay but fewer households will have to face it.**  **Under the new rules, which are in effect from Jan. 1, 2018 through Dec. 31, 2025, married couples filing jointly will be exempt from the alternative minimum tax starting at $109,400. Exemption starts at $70,300 for all other taxpayers (other than estates and trusts).**  **The exemption phase-out thresholds will rise to $1,000,000 for married couples filing jointly, and $500,000 for all other taxpayers.** |

**Bicycle commuting**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Taxpayers can exclude up to $20 a month of qualified bicycle commuting reimbursements from their gross income. That includes payments from employers for things like a bicycle purchase, bike maintenance or storage. Workers can claim the exclusion in any month they regularly use a bicycle to commute to work and do not receive other transit benefits.** | **The exclusion is suspended through 2025.** |

**Child tax credit**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **The current child tax credit is $1,000 per child under the age of 17.**  **The credit is reduced by $50 for each $1,000 a taxpayer earns over certain thresholds. The phase-out thresholds start at a modified adjusted gross income (AGI) over $75,000 for single individuals and heads of household, $110,000 for married couples filing jointly and $55,000 for married couples filing separately.** | **The child tax credit doubles to $2,000 per qualifying child. Up to $1,400 of the child tax credit can be received as refundable credit (meaning it can go toward a tax refund). The new rule also includes a $500 nonrefundable credit per dependent other than a qualifying child.**  **The credit begins to phase out at an AGI over $200,000 — for married couples, the phase-out starts at an AGI over $400,000.**  **This rule is in effect through 2025.** |

**Corporate taxes**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Under a four-step graduated rate structure, the current top corporate tax rate is 35 percent on taxable income greater than $10 million.** | **Permanently cuts the top corporate tax rate to 21 percent.** |

**Estate taxes**

**The estate tax, aka the “Death Tax” is a tax levied on significantly large estates that are passed down to heirs.**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Estates up to $5.49 million in value were exempt from the tax.**  **The top tax rate was**[**40 percent**](https://www.cbpp.org/research/federal-tax/policy-basics-the-estate-tax)**.** | **Doubles the exemption for the estate tax.**  **Now, estates up to $11.2 million are exempt from the tax.** |

**Gains made on home sales**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Homeowners can exclude up to $250,000 (or $500,000, if married filing jointly) of gains made when selling their primary residence, as long as they owned and primarily lived in the home for at least two of the five years before the sale. The exclusion can be claimed only once in a two-year period.** | **Homeowners can still exclude gains up to $250,000 (or $500,000 if married filing jointly) when they sell their primary residence, but they have to have lived there longer. People who sell their homes after Dec. 31, 2017 now have to use the home as their primary residence for five of the eight years before the sale in order to claim the exclusion. It can only be claimed once in a five-year period.**  **The new rule expires on Dec. 31, 2025.** |

**Medical expenses**

| **Old Rule** | **New Rule** |
| --- | --- |
| **Taxpayers were previously allowed to deduct out-of-pocket**[**medical expenses**](https://www.irs.gov/taxtopics/tc502)**that exceed 10 percent of their adjusted gross income or 7.5 percent if they or their spouse were 65 or older.** | **The threshold for all taxpayers to claim an itemized deduction for medical expenses is lowered to 7.5 percent of a filer’s adjusted gross income.**  **The change applies to taxable years from Dec. 31, 2016 to Jan. 1, 2019.** |

**Miscellaneous tax deductions**

**Taxpayers can take the miscellaneous tax deduction if the items total more than 2 percent of their adjusted gross income. The amount that’s deductible is the amount that exceeds the 2 percent threshold. These are some of the major changes coming to the miscellaneous tax deduction.**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Tax preparation: Taxpayers can today claim an itemized deduction of the amount of money they pay for tax-related expenses, like the person who prepares their taxes or any software purchased pr fees paid to fee to file forms electronically.**  **Work-related expenses: Under current law, workers can deduct unreimbursed business expense as an itemized deduction, like the cost of a home office, job-search costs, professional license fees and more.**  **Investment fees: Taxpayers can currently deduct fees paid to advisors and brokers to manage their money.** | **Tax preparation: Taxpayers may not claim tax-preparation expenses as an itemized deduction through 2025.**  **Work-related expenses: The bill suspends work-related expenses as an itemized deduction through 2025.**  **Investment fees: Under the new rules, the investment fee deduction is suspended until 2025.** |

**Mortgage and home equity loan interest deduction**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Currently homeowners are allowed to deduct interest paid on mortgages valued up to $1 million on a taxpayer’s principal residence and one other qualified residence.**  **They can also deduct interest paid on a home equity loan or home equity line of credit no greater than $100,000. These are itemized deductions.** | **New homeowners can include mortgage interest paid on up to $750,000 of principal value on a new home in their itemized deductions.**  **The old, $1 million caps continues to apply to current homeowners (those who took out their mortgages on or before Dec. 15, 2017), as well as refinancing on mortgages taken out on or before Dec. 15, 2017, as long as new mortgage amount does not exceed the amount of debt being refinanced.**  **Homeowners CAN deduct interest paid on a home equity line of credit or home equity loan, so long as the loan was used to buy, build or substantially improve your home.**  **These changes are set to expire after 2025.** |

**Moving expenses**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Current law allows taxpayers to deduct moving expenses as long as the move is of a certain distance from the taxpayer’s previous home and the job in the new location is full-time.** | **The new tax bill suspends the moving expense deduction through 2025. Until then, taxpayers are not permitted to deduct moving expenses.**  **Moving-related deductions and exclusions remain in place for members of the military.** |

**Pass-through businesses**

**Pass-through businesses are generally small businesses (also some big firms) that don’t pay the corporate income tax. Instead, the owners report the corporate profits as their own income and pay taxes based on the individual tax rates along with their regular personal income tax.**

**Some of the common types of pass-through businesses are partnerships, LLCs (limited liability companies), S corporations and sole proprietorships.**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **All pass-through business owners’ income was previously subject to regular personal income tax.** | **Under the new laws, pass-through business owners can deduct up to 20 percent of their qualified business income from a partnership,**[**S corporation**](https://www.irs.gov/businesses/small-businesses-self-employed/s-corporations)**or**[**sole proprietorship**](https://www.irs.gov/businesses/small-businesses-self-employed/sole-proprietorships)**.**  **Individuals earning $157,500 and married couples earning $315,000 are eligible for the fullest deduction.** |

**Personal casualty or theft**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Under current tax law individuals can deduct uninsured losses above $100 when property is lost to a fire, shipwreck, flood, storm, earthquake or other natural disaster. The deduction is allowed as long as the total loss amounts to greater than 10 percent of the taxpayer’s adjusted gross income.** | **The new tax bill only allows taxpayers to claim the deduction if the loss occurred during a federally declared disaster, through 2025.** |

**Personal exemptions**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Taxpayers can reduce their adjusted gross income by claiming personal exemptions — generally for the taxpayer, their spouse and their dependents.**  **Taxpayers could deduct $4,050 per exemption in 2017, though the deduction is phased out for taxpayers earning more than certain AGI thresholds. The phase out begins at an AGI over $313,800 for married couples filing jointly, $287,650 for heads of household, $156,900 for married couples filing separately and $261,500 for all other taxpayers.** | **Personal exemptions have been suspended through 2025.** |

**Standard deductions**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Taxpayers who do not itemize can claim the current standard deduction of $6,350 for single individuals, $9,350 for heads of household or $12,700 for married couples filing jointly** | **Standard deductions for all nearly double under the new rules.**  **Individuals see standard deductions rise to $12,000; for heads of household, it rises to $18,000; and for married couples filing jointly the standard deduction increases to $24,000.** |

**State and local tax (SALT) deduction**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Taxpayers may include state and local property, income and sales taxes as itemized deductions.** | **Taxpayers are limited to claiming an itemized deduction of $10,000 in combined state and local income, sales and property taxes, starting in 2018 through 2025.**  **Taxpayers cannot get around these limits by prepaying 2018 state and local income taxes while it is still 2017. The bill says nothing about prepaying 2018 property taxes.** |

**Student loan debt discharge**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Currently, student loan debt discharged due to death or disability is taxed as income.** | **Under the new tax bill, student loan debt discharged due to death or disability after Dec. 31, 2017, will not be taxed as income. The rule lasts through 2025.** |

**Tax brackets and income taxes**

| **Old Rule** | | **New Rule (Effective Jan. 1, 2018)** | |
| --- | --- | --- | --- |
| **There are currently seven tax brackets.**  **The rate on the highest earners is 39.6 percent for taxpayers earning above $418,400 for individuals and $470,700 for married couples filing taxes jointly.** | | **The new rules retain seven tax brackets, but the brackets have been modified to lower most individual income tax rates. The new brackets expire in 2027.**  **Top income earners — above $500,000 for individuals and above $600,000 for married couples filing jointly — falls from 39.6 percent to 37 percent.**  **The majority of individual income tax changes would be temporary, expiring after Dec. 31, 2025.** | |
| **2017 Tax Brackets** | | **New Tax Brackets (Effective Jan. 1, 2018)** | |
| **Single Individuals** | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| **$9,325 or less** | **10%** | **$9,525 or less** | **10%** |
| **$9,326-$37,950** | **15%** | **$9,526-$38,700** | **12%** |
| **$37,951-$91,900** | **25%** | **$38,701-$82,500** | **22%** |
| **$91,901-$191,650** | **28%** | **$82,501-$157,500** | **24%** |
| **$191,651-$416,700** | **33%** | **$157,501-$200,000** | **32%** |
| **$416,701-$418,400** | **35%** | **$200,001-$500,000** | **35%** |
| **Over $418,400** | **39.60%** | **Over $500,000** | **37%** |
| **Married Individuals Filing Joint Returns and Surviving Spouses** | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| **$18,650 or less** | **10%** | **$19,050 or less** | **10%** |
| **$18,651-$75,900** | **15%** | **$19,051-$77,400** | **12%** |
| **$75,901-$153,100** | **25%** | **$77,401-$165,000** | **22%** |
| **$153,101-$233,350** | **28%** | **$165,001-$315,000** | **24%** |
| **$233,351-$416,700** | **33%** | **$315,001-$400,000** | **32%** |
| **$416,701-$470,700** | **35%** | **$400,001-$600,000** | **35%** |
| **Over $470,700** | **39.60%** | **Over $600,000** | **37%** |
| **Heads of Households** | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| **$13,350 or less** | **10%** | **$13,600 or less** | **10%** |
| **$13,351-$50,800** | **15%** | **$13,601-$51,800** | **12%** |
| **$50,801-$131,200** | **25%** | **$51,801-$82,500** | **22%** |
| **$131,201-$212,500** | **28%** | **$82,501-$157,500** | **24%** |
| **$212,501-$416,700** | **33%** | **$157,501-$200,000** | **32%** |
| **$416,701-$444,550** | **35%** | **$200,001-$500,000** | **35%** |
| **Over $444,550** | **39.60%** | **Over $500,000** | **37%** |
| **Married Individuals Filing Separate Returns** | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| **$9,325 or less** | **10%** | **Not over $9,525** | **10%** |
| **$9,326-$37,950** | **15%** | **$9,525-$38,700** | **12%** |
| **$37,951-$76,550** | **25%** | **$38,701-$82,500** | **22%** |
| **$76,551-$116,675** | **28%** | **$82,501-$157,500** | **24%** |
| **$116,676- $208,350** | **33%** | **$157,501-$200,000** | **32%** |
| **$208,351-$235,350** | **35%** | **$200,001-$300,000** | **35%** |
| **Over $235,350** | **39.60%** | **Over $300,000** | **37%** |

**Tax deductions that won’t be changing**

**Teacher deduction**

**Teachers can deduct**[**up to $250**](https://www.irs.gov/taxtopics/tc458)**for unreimbursed expenses for classroom supplies or school materials from their taxable income.**

**Electric cars**

**Electric car owners who bought a vehicle after 2010 may be given tax credit of**[**up to $7,500**](https://www.irs.gov/businesses/plug-in-electric-vehicle-credit-irc-30-and-irc-30d)**, depending on the battery capacity.**

**Adoption assistance**

**Adoptive parents are allowed a tax credit and employer-provided benefits up to**[**$13,570**](https://www.irs.gov/instructions/i8839)**per eligible child in 2017.**

**Student loan interest deduction**

**Student loan borrowers may deduct up to**[**$2,500**](https://www.irs.gov/taxtopics/tc456)**on the interest paid for student loans every year.**

**529 college savings plans**

A [529 college savings plan](https://www.magnifymoney.com/blog/college-students-and-recent-grads/best-529-savings-plans/) is a tax-advantaged savings account designed to encourage saving for qualified future higher-education costs, such as tuition, fees and room and board. Your money is invested and grows tax free.

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Previously, 529 plan savings could only be used on qualified higher education expenses. | In a major victory for wealthier families, you can now use 529 savings for private K-12 schooling.  Tax benefits are now extended to eligible education expenses for an elementary or secondary public, private, or religious school.  The new rules allow you to withdraw up to $10,000 a year per student (child) for education costs. |

**ACA individual mandate**

The individual mandate was a key provision of the Affordable Care Act that required non-exempt U.S. citizens and noncitizens who lawfully reside in the country to have health insurance.

| **Old Rule** | **New Rule (Effective Jan. 1, 2019)** |
| --- | --- |
| Consumers who did not [qualify for an exemption](https://www.healthcare.gov/health-coverage-exemptions/exemptions-from-the-fee/) and chose not to purchase insurance faced a range of tax penalties, depending on income. | The individual mandate is out.  Starting Jan. 1, 2019, consumers who do not purchase health insurance will no longer face penalties.  GOP lawmakers argue that the measure will decrease spending on the tax subsidies it offers to balance out the cost of premiums for millions of Obamacare enrollees.  However, without the mandate, experts caution that fewer healthy and young people will sign up for health coverage through the insurance marketplace, which will likely lead to increases in premium costs for those who remain the marketplace and could even induce some insurers to drop out of the market altogether. It’s a big blow to supporters of the long-embattled health care law. |

**Alimony**

| **Old Rule** | **New Rule (Effective Jan. 1, 2019)** |
| --- | --- |
| The individual paying alimony or maintenance payments can deduct payments from their income. The person receiving the payments includes them as income. | The person making alimony or maintenance payments does not get to deduct them, and the recipient does not claim the payments as income. This goes into effect for any divorce or separation agreement signed or modified on or after Jan. 1, 2019. |

**Alternative minimum tax**

The individual alternative minimum tax, or AMT, often imposed on [higher-income families, especially those with children, who live in high-tax states](http://www.taxpolicycenter.org/briefing-book/what-amt) — but not necessarily the ultra rich. It requires many households or individuals to calculate their tax due under the AMT rules alongside the rules for regular income tax. They have to pay the higher amount. Whether or not a someone pays AMT depends on their alternative minimum taxable income (AMTI). AMTI is determined through a series of assessments of a taxpayer’s income and assets — the explanation of calculating AMTI takes up two pages in the tax bill, so we’re not getting into the details here.

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| The exemption amount is $84,500 for married joint-filing couples, $54,300 for single filers and $42,250 for married couples filing separately.  The AMT exemption begins to phase out at $120,700 for singles, $160,900 for married couples filing jointly and $80,450 for married couples filing separately. | The AMT is here to stay but fewer households will have to face it.  Under the new rules, which are in effect from Jan. 1, 2018 through Dec. 31, 2025, married couples filing jointly will be exempt from the alternative minimum tax starting at $109,400. Exemption starts at $70,300 for all other taxpayers (other than estates and trusts).  The exemption phase-out thresholds will rise to $1,000,000 for married couples filing jointly, and $500,000 for all other taxpayers. |

**Bicycle commuting**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Taxpayers can exclude up to $20 a month of qualified bicycle commuting reimbursements from their gross income. That includes payments from employers for things like a bicycle purchase, bike maintenance or storage. Workers can claim the exclusion in any month they regularly use a bicycle to commute to work and do not receive other transit benefits. | The exclusion is suspended through 2025. |

**Child tax credit**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| The current child tax credit is $1,000 per child under the age of 17.  The credit is reduced by $50 for each $1,000 a taxpayer earns over certain thresholds. The phase-out thresholds start at a modified adjusted gross income (AGI) over $75,000 for single individuals and heads of household, $110,000 for married couples filing jointly and $55,000 for married couples filing separately. | The child tax credit doubles to $2,000 per qualifying child. Up to $1,400 of the child tax credit can be received as refundable credit (meaning it can go toward a tax refund). The new rule also includes a $500 nonrefundable credit per dependent other than a qualifying child.  The credit begins to phase out at an AGI over $200,000 — for married couples, the phase-out starts at an AGI over $400,000.  This rule is in effect through 2025. |

**Corporate taxes**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Under a four-step graduated rate structure, the current top corporate tax rate is 35 percent on taxable income greater than $10 million. | Permanently cuts the top corporate tax rate to 21 percent. |

**Estate taxes**

The estate tax, aka the “Death Tax” is a tax levied on significantly large estates that are passed down to heirs.

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Estates up to $5.49 million in value were exempt from the tax.  The top tax rate was [40 percent](https://www.cbpp.org/research/federal-tax/policy-basics-the-estate-tax). | Doubles the exemption for the estate tax.  Now, estates up to $11.2 million are exempt from the tax. |

**Gains made on home sales**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Homeowners can exclude up to $250,000 (or $500,000, if married filing jointly) of gains made when selling their primary residence, as long as they owned and primarily lived in the home for at least two of the five years before the sale. The exclusion can be claimed only once in a two-year period. | Homeowners can still exclude gains up to $250,000 (or $500,000 if married filing jointly) when they sell their primary residence, but they have to have lived there longer. People who sell their homes after Dec. 31, 2017 now have to use the home as their primary residence for five of the eight years before the sale in order to claim the exclusion. It can only be claimed once in a five-year period.  The new rule expires on Dec. 31, 2025. |

**Medical expenses**

| **Old Rule** | **New Rule** |
| --- | --- |
| Taxpayers were previously allowed to deduct out-of-pocket [medical expenses](https://www.irs.gov/taxtopics/tc502) that exceed 10 percent of their adjusted gross income or 7.5 percent if they or their spouse were 65 or older. | The threshold for all taxpayers to claim an itemized deduction for medical expenses is lowered to 7.5 percent of a filer’s adjusted gross income.  The change applies to taxable years from Dec. 31, 2016 to Jan. 1, 2019. |

**Miscellaneous tax deductions**

Taxpayers can take the miscellaneous tax deduction if the items total more than 2 percent of their adjusted gross income. The amount that’s deductible is the amount that exceeds the 2 percent threshold. These are some of the major changes coming to the miscellaneous tax deduction.

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| **Tax preparation:** Taxpayers can today claim an itemized deduction of the amount of money they pay for tax-related expenses, like the person who prepares their taxes or any software purchased pr fees paid to fee to file forms electronically.  **Work-related expenses:** Under current law, workers can deduct unreimbursed business expense as an itemized deduction, like the cost of a home office, job-search costs, professional license fees and more.  **Investment fees:** Taxpayers can currently deduct fees paid to advisors and brokers to manage their money. | **Tax preparation:** Taxpayers may not claim tax-preparation expenses as an itemized deduction through 2025.  **Work-related expenses:** The bill suspends work-related expenses as an itemized deduction through 2025.  **Investment fees:** Under the new rules, the investment fee deduction is suspended until 2025. |

**Mortgage and home equity loan interest deduction**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Currently homeowners are allowed to deduct interest paid on mortgages valued up to $1 million on a taxpayer’s principal residence and one other qualified residence.  They can also deduct interest paid on a home equity loan or home equity line of credit no greater than $100,000. These are itemized deductions. | New homeowners can include mortgage interest paid on up to $750,000 of principal value on a new home in their itemized deductions.  The old, $1 million caps continues to apply to current homeowners (those who took out their mortgages on or before Dec. 15, 2017), as well as refinancing on mortgages taken out on or before Dec. 15, 2017, as long as new mortgage amount does not exceed the amount of debt being refinanced.  Homeowners CAN deduct interest paid on a home equity line of credit or home equity loan, so long as the loan was used to buy, build or substantially improve your home.  These changes are set to expire after 2025. |

**Moving expenses**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Current law allows taxpayers to deduct moving expenses as long as the move is of a certain distance from the taxpayer’s previous home and the job in the new location is full-time. | The new tax bill suspends the moving expense deduction through 2025. Until then, taxpayers are not permitted to deduct moving expenses.  Moving-related deductions and exclusions remain in place for members of the military. |

**Pass-through businesses**

Pass-through businesses are generally small businesses (also some big firms) that don’t pay the corporate income tax. Instead, the owners report the corporate profits as their own income and pay taxes based on the individual tax rates along with their regular personal income tax.

Some of the common types of pass-through businesses are partnerships, LLCs (limited liability companies), S corporations and sole proprietorships.

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| All pass-through business owners’ income was previously subject to regular personal income tax. | Under the new laws, pass-through business owners can deduct up to 20 percent of their qualified business income from a partnership, [S corporation](https://www.irs.gov/businesses/small-businesses-self-employed/s-corporations) or [sole proprietorship](https://www.irs.gov/businesses/small-businesses-self-employed/sole-proprietorships).  Individuals earning $157,500 and married couples earning $315,000 are eligible for the fullest deduction. |

[Back to table of contents](https://www.magnifymoney.com/blog/news/tax-reform-2018-explained/#backtotableofcontents)

**Personal casualty or theft**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Under current tax law individuals can deduct uninsured losses above $100 when property is lost to a fire, shipwreck, flood, storm, earthquake or other natural disaster. The deduction is allowed as long as the total loss amounts to greater than 10 percent of the taxpayer’s adjusted gross income. | The new tax bill only allows taxpayers to claim the deduction if the loss occurred during a federally declared disaster, through 2025. |

**Personal exemptions**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Taxpayers can reduce their adjusted gross income by claiming personal exemptions — generally for the taxpayer, their spouse and their dependents.  Taxpayers could deduct $4,050 per exemption in 2017, though the deduction is phased out for taxpayers earning more than certain AGI thresholds. The phase out begins at an AGI over $313,800 for married couples filing jointly, $287,650 for heads of household, $156,900 for married couples filing separately and $261,500 for all other taxpayers. | Personal exemptions have been suspended through 2025. |

**Standard deductions**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Taxpayers who do not itemize can claim the current standard deduction of $6,350 for single individuals, $9,350 for heads of household or $12,700 for married couples filing jointly | Standard deductions for all nearly double under the new rules.  Individuals see standard deductions rise to $12,000; for heads of household, it rises to $18,000; and for married couples filing jointly the standard deduction increases to $24,000. |

**State and local tax (SALT) deduction**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Taxpayers may include state and local property, income and sales taxes as itemized deductions. | Taxpayers are limited to claiming an itemized deduction of $10,000 in combined state and local income, sales and property taxes, starting in 2018 through 2025.  Taxpayers cannot get around these limits by prepaying 2018 state and local income taxes while it is still 2017. The bill says nothing about prepaying 2018 property taxes. |

**Student loan debt discharge**

| **Old Rule** | **New Rule (Effective Jan. 1, 2018)** |
| --- | --- |
| Currently, student loan debt discharged due to death or disability is taxed as income. | Under the new tax bill, student loan debt discharged due to death or disability after Dec. 31, 2017, will not be taxed as income. The rule lasts through 2025. |

**Tax brackets and income taxes**

| **Old Rule** | | **New Rule (Effective Jan. 1, 2018)** | |
| --- | --- | --- | --- |
| There are currently seven tax brackets.  The rate on the highest earners is 39.6 percent for taxpayers earning above $418,400 for individuals and $470,700 for married couples filing taxes jointly. | | The new rules retain seven tax brackets, but the brackets have been modified to lower most individual income tax rates. The new brackets expire in 2027.  Top income earners — above $500,000 for individuals and above $600,000 for married couples filing jointly — falls from 39.6 percent to 37 percent.  The majority of individual income tax changes would be temporary, expiring after Dec. 31, 2025. | |
| **2017 Tax Brackets** | | **New Tax Brackets (Effective Jan. 1, 2018)** | |
| Single Individuals | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| $9,325 or less | 10% | $9,525 or less | 10% |
| $9,326-$37,950 | 15% | $9,526-$38,700 | 12% |
| $37,951-$91,900 | 25% | $38,701-$82,500 | 22% |
| $91,901-$191,650 | 28% | $82,501-$157,500 | 24% |
| $191,651-$416,700 | 33% | $157,501-$200,000 | 32% |
| $416,701-$418,400 | 35% | $200,001-$500,000 | 35% |
| Over $418,400 | 39.60% | Over $500,000 | 37% |
| Married Individuals Filing Joint Returns and Surviving Spouses | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| $18,650 or less | 10% | $19,050 or less | 10% |
| $18,651-$75,900 | 15% | $19,051-$77,400 | 12% |
| $75,901-$153,100 | 25% | $77,401-$165,000 | 22% |
| $153,101-$233,350 | 28% | $165,001-$315,000 | 24% |
| $233,351-$416,700 | 33% | $315,001-$400,000 | 32% |
| $416,701-$470,700 | 35% | $400,001-$600,000 | 35% |
| Over $470,700 | 39.60% | Over $600,000 | 37% |
| Heads of Households | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| $13,350 or less | 10% | $13,600 or less | 10% |
| $13,351-$50,800 | 15% | $13,601-$51,800 | 12% |
| $50,801-$131,200 | 25% | $51,801-$82,500 | 22% |
| $131,201-$212,500 | 28% | $82,501-$157,500 | 24% |
| $212,501-$416,700 | 33% | $157,501-$200,000 | 32% |
| $416,701-$444,550 | 35% | $200,001-$500,000 | 35% |
| Over $444,550 | 39.60% | Over $500,000 | 37% |
| Married Individuals Filing Separate Returns | | | |
| **Taxable Income** | **Tax Bracket** | **Taxable Income** | **Tax Bracket** |
| $9,325 or less | 10% | Not over $9,525 | 10% |
| $9,326-$37,950 | 15% | $9,525-$38,700 | 12% |
| $37,951-$76,550 | 25% | $38,701-$82,500 | 22% |
| $76,551-$116,675 | 28% | $82,501-$157,500 | 24% |
| $116,676- $208,350 | 33% | $157,501-$200,000 | 32% |
| $208,351-$235,350 | 35% | $200,001-$300,000 | 35% |
| Over $235,350 | 39.60% | Over $300,000 | 37% |

**Tax deductions that won’t be changing**

Teacher deduction

Teachers can deduct [up to $250](https://www.irs.gov/taxtopics/tc458) for unreimbursed expenses for classroom supplies or school materials from their taxable income.

Electric cars

Electric car owners who bought a vehicle after 2010 may be given tax credit of [up to $7,500](https://www.irs.gov/businesses/plug-in-electric-vehicle-credit-irc-30-and-irc-30d), depending on the battery capacity.

Adoption assistance

Adoptive parents are allowed a tax credit and employer-provided benefits up to [$13,570](https://www.irs.gov/instructions/i8839) per eligible child in 2017.

Student loan interest deduction

Student loan borrowers may deduct up to [$2,500](https://www.irs.gov/taxtopics/tc456) on the interest paid for student loans every year.