

## Tax Cuts and Jobs Act: What You Need to Know

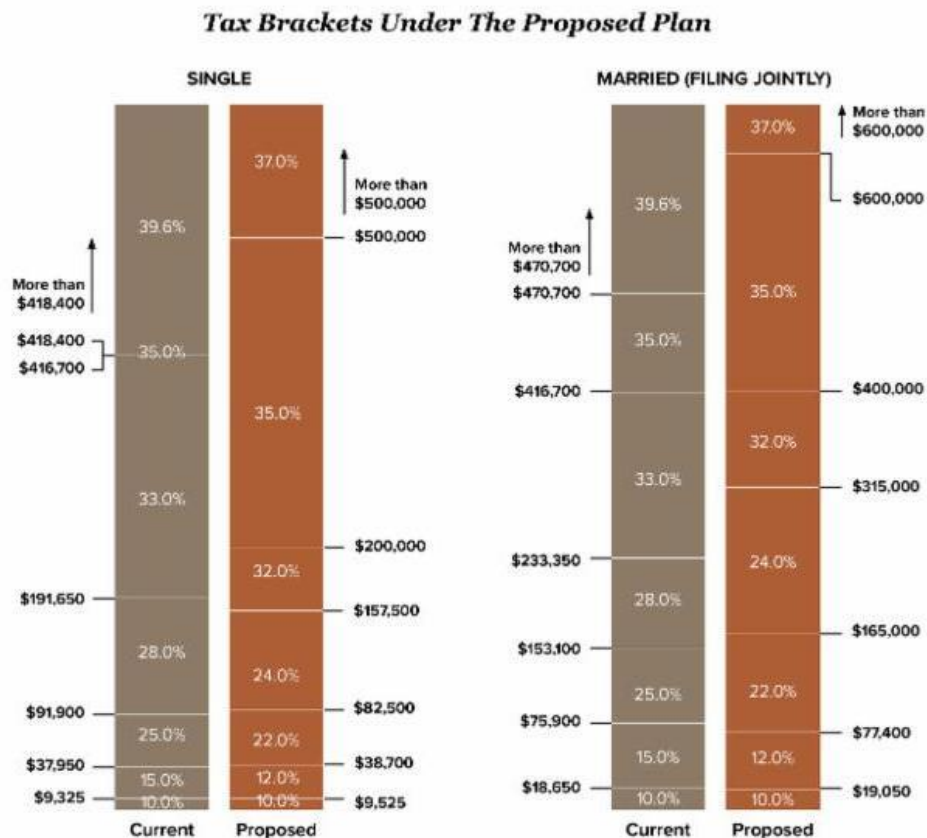
As we await the president's signature of the **Tax Cuts and Jobs Act**, Busey Wealth Management outlines the **Top 15 Tax Changes** for individuals and businesses.

For further review of the tax law changes, call **1.800.67 I Busey** or email [WealthManagement@busey.com](mailto:WealthManagement@busey.com).

### PERSONAL

#### 1. Tax Rates

The **tax rates for tax filers are changing starting in 2018 and will continue through the end of 2025** when they will revert back to their current form. The following is a depiction of what the brackets will look like compared to the current rates.



Note: This chart was last updated 12/15/17.

Source: Tax Foundation, U.S. Congress

There will be **three capital gains tax rates**. The following are tables that shows the taxable income limits associated with your capital gain rate.

Married		
Taxable Income Over	Taxable Income Not Over	Capital Gains Tax Rate
\$ -	\$77,200.00	0%
\$77,200.00	\$479,000.00	15%
\$479,000.00		20%

Single		
Taxable Income Over	Taxable Income Not Over	Capital Gains Tax Rate
\$ -	\$38,600.00	0%
\$38,600.00	\$425,800.00	15%
\$425,800.00		20%

## 2. *Alternative Minimum Tax (AMT)*

Individual **alternative minimum tax exemptions will increase** for single and married filers.

## 3. *Deductions and Exemptions*

The **standard deduction will increase**. It will be \$12,000 for single filers, \$18,000 for head of household filers, and \$24,000 for married filing jointly.

The **personal exemption will be eliminated** until 2026.

## 4. *Itemized Deductions*

**Medical Expenses:** This exemption stays, but will be lowered to a 7.5% of AGI floor that stands between you and claiming the deduction. This only applies to 2018 and 2019 then it reverts back to 10%.

**State & Local Taxes:** Your deduction will now be limited to \$10,000 for most filers, or \$5,000 for married filing separately. This consists of state and local income taxes and real estate taxes.

**Mortgage Interest Deduction:** Deduction on new mortgages will be limited to the first \$750,000 and you will be able to deduct interest on mortgages for first and second homes. Existing mortgages will not be affected.

**Home Equity Line of Credit Interest Deduction:** HELOC interest deduction will be suspended until 2026

**Charitable Contributions:** The maximum deduction limit will be increased to 60% of adjusted gross income.

**Miscellaneous Itemized Deductions:** You will no longer be able to claim expenses such as excess job expenses, tax preparation fees, investment management fees, attorney's fees, etc.

**Itemized Deductions:** There will no longer be a limit on itemized deductions. High earners will be able to claim their deductions unhindered by phase outs.

#### **5. Education**

You will now be able to use section 529 savings plans to **pay for public, private and religious school costs related to K-12 education** with certain distribution limits.

#### **6. Estate Tax & Gifting**

The **estate tax exclusion will increase** from \$5.6 million to \$11.2 million for individuals.

The **annual gifting exclusion will increase** from \$14,000 to \$15,000 per year per person.

#### **7. Retirement Savings**

The amount you can **defer pre-tax to your qualified retirement plans will remain unchanged.**

#### **8. Shared Responsibility Payments**

The **shared responsibility payments in relation to the minimum essential coverage will be repealed starting in 2019.** The shared responsibility payment is related to the individual mandate for health insurance through the affordable care act.

## **BUSINESS**

### **9. Tax Rates**

The **corporate tax rate will be 21%**, down from 35%.

### **10. Alternative Minimum Tax (AMT)**

**Corporate AMT was repealed.**

### **11. Pass Through Business Income Tax Treatment**

You will **maintain pass through tax treatment**. The income from your pass through entity will still flow through and be taxed at your individual income tax rate. You will potentially be eligible for a deduction of 20% of your business income limited to the greater of 50% of your wage income or 25% of your wage income plus 2.5% of the cost of your tangible depreciable property.

This **excludes certain service providers**, such as attorneys, consultants, and doctors to name a few. It is prudent **to consult with your tax advisor** to determine how this applies to you.

### **12. Bonus Depreciation/Section 179 Expensing**

**100% of certain short lived assets will be available for bonus depreciation**. This eventually sun sets at the end of 2025.

Section 179 was expanded. You will now be **able to "write off" \$1 million of new asset acquisitions without phase out** until your income reaches \$2.5 million.

### **13. Net Operating Loss (NOL)**

You will **no longer be able to carry net operating losses backwards in time**, but you will be able to carry them forward for an unlimited amount of years or until the loss is used up.

### **14. Interest Expense Deduction**

**Interest expense deductions will be limited to 30% of the business's EBITDA** (earnings before interest, taxes, depreciation and amortization).

### **15. Real Estate**

Starting in 2018, **newly acquired business or investment real estate will be depreciated over a 25 year period.**

Starting in 2018, **real property will be the only asset class available for section 1031 tax free exchanges.**

### **Additional Changes and Notes**

It should also be stated that the majority of the changes are subject to a sunset provision in 2026. The changes that are subject to this provision are not permanent and will revert back to their current format if no action is taken to extend these provisions down the road.

### **Sources**

*The United States House of Representatives:*

<http://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-466.pdf>

*The Tax Foundation:* <https://taxfoundation.org/conference-report-tax-cuts-and-jobs-act/>