Tax Cuts and Jobs Act
Individuals

The Tax Cuts and Jobs Act is the biggest federal tax law change in over 30 years. Below are some significant changes affecting individuals. ***Note:*** Except where noted, the changes are effective for tax years 2018–2025.

Tax Rates

Income tax rates. Most individual income tax rates have been lowered, including the top marginal tax rate from 39.6% to 37%. The 2018 individual income tax brackets are:

Single		MFJ or QW	
$0 to $9,525	10%	$0 to $19,050	10%
$9,526 to $38,700	12%	$19,051 to $77,400	12%
$38,701 to $82,500	22%	$77,401 to $165,000	22%
$82,501 to $157,500	24%	$165,001 to $315,000	24%
$157,501 to $200,000	32%	$315,001 to $400,000	32%
$200,001 to $500,000	35%	$400,001 to $600,000	35%
$500,001 and over	37%	$600,001 and over	37%
HOH		**MFS**	
$0 to $13,600	10%	$0 to $9,525	10%
$13,601 to $51,800	12%	$9,526 to $38,700	12%
$51,801 to $82,500	22%	$38,701 to $82,500	22%
$82,501 to $157,500	24%	$82,501 to $157,500	24%
$157,501 to $200,000	32%	$157,501 to $200,000	32%
$200,001 to $500,000	35%	$200,001 to $300,000	35%
$500,001 and over	37%	$300,001 and over	37%

Kiddie Tax. Generally, the Kiddie Tax applies to certain children with unearned (investment) income that exceeds $2,100. The new law simplifies the Kiddie Tax by applying ordinary and capital gain tax rates applicable to trusts and estates to the net unearned income of a child instead of using the parent's rate.

Adjustments to Income

Moving expenses. The moving expense deduction and the exclusion from gross income and wages for qualified moving expense reimbursements have been suspended and are not available for most taxpayers.

Exception: Qualified active duty servicemembers of the Armed Forces (and their spouses and dependents) can claim the moving expense deduction and receive excludable moving expense reimbursements.

Alimony. Effective for instruments executed after December 31, 2018, alimony and separate maintenance payments are not deductible by the payor spouse and not included in income by the recipient spouse.

Personal and Dependency Exemptions Deduction

The deduction for personal and dependency exemptions is suspended for tax years 2018 through 2025, however, the dollar amount ($4,150 for 2018) is still applicable when applying the rules for determining a qualifying child or qualifying relative for other tax benefits.

Standard Deduction

The standard deduction amounts have almost doubled for 2018: $12,000 Single or MFS, $24,000 MFJ or QW, $18,000 HOH.

Age 65 and/or blind. The additional standard deduction amounts apply for age 65 or older, and/or blind, per person, per event: $1,300 MFJ, QW, or MFS, $1,600 Single or HOH.

Dependent. The standard deduction in 2018 for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of $1,050, or earned income plus $350.

Tax Cuts and Jobs Act

Individuals

Itemized Deductions

Several changes were made to itemized deductions:

- **Medical and dental expenses.** Qualified medical and dental expenses are deductible as itemized deductions to the extent they exceed 7.5% of adjusted gross income (AGI). For example, for an individual with an AGI of $50,000, only those expenses that exceed $3,750 (7.5% of $50,000) are deductible.
- **Taxes paid.** Deductible state and local income, property, and sales taxes are limited to a total amount of $10,000 ($5,000 MFS). No deduction is allowed for foreign real property taxes.
- **Interest paid.** Deductible home mortgage interest is limited to total acquisition debt incurred on or after December 15, 2017 on a main and second home combined to $750,000 ($375,000 Married Filing Separately). Acquisition debt incurred before December 15, 2017, remains limited to $1 million ($500,000 for Married Filing Separately). Interest on home equity debt not used to improve the home is not deductible.
- **Charitable contributions.** An individual's deductible charitable cash contributions are limited to 60% of AGI (up from 50%). No charitable deduction is allowed for payments to higher education institutions in exchange for the right to purchase tickets or seating at an athletic event.
- **Casualty and theft losses.** A personal casualty or theft loss is deductible (subject to limitations) only if such loss is attributable to a federally-declared disaster.
- **Miscellaneous deductions.** Miscellaneous itemized deductions subject to the 2% AGI limit are no longer allowed. Examples include investment expenses, unreimbursed employee business expenses, and tax preparation fees.
- **Phaseout.** The phaseout of the itemized deductions based on AGI is suspended, which means itemized deductions are not limited.

Child Tax Credit

The Child Tax Credit maximum amount has doubled (from $1,000) to $2,000 per qualifying child under the age of 17. The credit is phased out when modified AGI exceeds $200,000 ($400,000 for MFJ), and is not indexed for inflation.

Additional Child Tax Credit. The portion of the Child Tax Credit that exceeds regular tax liability may be refundable up to $1,400 (increased from $1,000) per qualifying child, adjusted annually for inflation. The earned income threshold for figuring the refundable portion has decreased (from $3,000) to $2,500.

Note: In order to claim either the nonrefundable or refundable portion of the Child Tax Credit, the qualifying child must have an SSN by the due date of the return.

Family Tax Credit

A new non-refundable Family Tax Credit up to $500 is allowed for dependent who does not qualify for the Child Tax Credit and who is a qualifying relative that is a U.S. citizen, national, or resident of the United States. Thus, a dependent over age 16 that no longer qualifies for the $2,000 Child Tax Credit may qualify for a $500 Family Credit, assuming the other dependency rules are met.

Alternative Minimum Tax (AMT)

The 2018 AMT exemption and phaseouts have increased significantly.

	AMT Exemption Amount	*Phaseout Ranges*
Single or HOH	$70,300	$500,000 to $781,200
MFJ or QW	$109,400	$1,000,000 to $1,437,600
MFS	$54,700	$500,000 to $718,800

Individual Health Insurance Mandate

For 2018, the requirement to maintain health insurance coverage is still applicable. Effective for 2019, the shared responsibility payment (penalty) under the Affordable Care Act for not maintaining minimum essential health insurance coverage for you or your dependent is zero.

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- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

TAX YEAR
2018

Tax Cuts and Jobs Act
Corporations

The Tax Cuts and Jobs Act is the biggest federal tax law change in over 30 years. Below are some significant changes affecting corporations. ***Note:*** Except where noted, the changes are effective for tax years 2018–2025.

Corporation Tax Rates

Changes have been made to the corporation tax rates, which under prior law contained several graduated tax brackets. For tax years beginning after 2017:

- All taxable income of a C corporation is taxed at a flat tax rate of 21%.
- There is no longer a separate tax rate for a personal service corporation (PSC). Previously, a PSC paid a flat 35% tax rate on all taxable income.
- There is no longer a separate maximum tax rate on net long-term capital gains. All corporation income is taxed at 21%.
- The allowable deduction for dividends received from other taxable domestic corporations has been reduced from 70% to 50% of the dividends received, and for a 20% owned corporation the percentage has been reduced from 80% to 65%. Shareholders of surrogate foreign corporation are not eligible for the reduced rate on dividends.

Alternative Minimum Tax (AMT)

Prior Law. AMT was imposed on a C corporation to the extent the corporation's tentative minimum tax exceeded its regular tax. This tentative minimum tax was computed at the rate of 20% on alternative minimum taxable income (AMTI) in excess of a $40,000 exemption amount that phased out. A corporation with average gross receipts of less than $7.5 million for the prior three tax years was exempt from the corporate AMT. The $7.5 million threshold was reduced to $5 million for the corporation's first three-taxable year period.

If a corporation was subject to AMT in any year, the amount of AMT was allowed as an AMT credit in any subsequent tax year to the extent the taxpayer's regular tax liability exceeded its tentative minimum tax in the subsequent year. Corporations were allowed to claim a limited amount of AMT credits in lieu of bonus depreciation.

New Law. Effective for tax years after 2017, the AMT for corporations is repealed.

AMT credits are allowed to offset the regular tax liability for any tax year. In addition, the AMT credit is refundable for any tax year 2018 through 2020 in an amount equal to 50% of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability. For tax year 2021, the 50% refundable amount is increased to 100%. So, the full amount of any minimum tax credit remaining will be allowed in full for a tax year beginning in 2021.

Accounting Methods

Prior Law. Under the general rule, the accrual method of accounting is required for purchases and sales if it is necessary to keep an inventory in order to clearly reflect income. An exception applies if average annual gross receipts are $1 million or less and the cash method may be used even if inventories are kept. However, a deduction for inventory costs is not allowed until the inventory item is sold or paid for, whichever is later. If average annual gross receipts are $10 million or less, service type industries can use the cash method even if inventories are kept.

Tax Cuts and Jobs Act
Corporations

Farming C corporations and farming partnerships with C corporation partners (except family farming C corporations) are required to use the accrual method if average annual gross receipts are over $1 million. Family farming C corporations and family farming partnerships with C corporation partners are not required to use the accrual method until average annual gross receipts exceed $25 million.

New Law. Effective beginning in 2018, the new law expands the number of taxpayers that may use the cash method of accounting. The cash method of accounting may be used by taxpayers, other than tax shelters, that satisfy the gross receipts test (average annual gross receipts that do not exceed $25 million for the three prior tax-year period), regardless of whether the purchase, production, or sale of merchandise is an income-producing factor. The $25 million amount is indexed for inflation for tax years beginning after 2018. Farming C corporations (and farming partnerships with a C corporation partner) may now use the cash method if it meets the $25 million gross receipts test.

The new law retains the exceptions from the required use of the accrual method for qualified personal service corporations (PSCs) and taxpayers other than C corporations. PSCs, partnerships without C corporation partners, S corporations, and other pass-through entities are allowed to use the cash method without regard to whether they meet the $25 million gross receipts test, so long as the use of such method clearly reflects income. C corporations, in contrast, that do not meet the $25 million gross receipts test are required to use the accrual method.

S Corporation Conversion to C Corporation

Prior Law. IRC section 481 prescribes the rules in computing taxable income when a different accounting method was used in a prior year. For example, if an S corporation that was permitted to use the cash method of accounting converts to a C corporation that is required to use the accrual method of accounting, the conversion would result in a change of accounting method which could trigger the IRC section 481 rules.

In computing taxable income for the year of change, an adjustment is made to prevent items of income or expense from being duplicated or omitted. The year of change is the tax year for which the taxable income of the taxpayer is computed under a different method than the prior year.

Net adjustments that decrease taxable income generally are taken into account entirely in the year of change, and net adjustments that increase taxable income generally are taken into account ratably during the four-taxable-year period beginning with the year of change.

New Law. Effective December 22, 2017, any IRC section 481(a) adjustment of an eligible terminated S corporation attributable to the revocation of its S corporation election (i.e., a change from the cash method to an accrual method) is taken into account ratably during the six-taxable-year period beginning with the year of change. An eligible terminated S corporation is any C corporation which:

- Is an S corporation on December 21, 2017,
- During the 2-year period beginning on December 22, 2017, revokes its S corporation election under IRC section 1362(a), and
- All of the owners on the date the S corporation election is revoked are the same owners (and in identical proportions) as the owners on December 22, 2017.

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- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

TAX YEAR 2018

Tax Cuts and Jobs Act

New Business Income Deduction

The Tax Cuts and Jobs Act is the biggest federal tax law change in over 30 years. Below is a significant change affecting qualified business income from a partnership, S corporation, LLC, or sole proprietorship. ***Note:*** Except where noted, the change is effective for tax years 2018–2025.

New Qualified Business Income Deduction

Under the new law, an individual taxpayer generally may deduct 20% of qualified business income from a partnership, S corporation, LLC, or sole proprietorship. In the case of a partnership or S corporation, the deduction applies at the partner or shareholder level. The business must be conducted within the United States. Special rules apply to specified agricultural or horticultural cooperatives.

The deduction reduces taxable income, not adjusted gross income (AGI), so the deduction does not affect limitations based on AGI. Also, it does not reduce self-employment income (or self-employment tax). The deduction is available to both non-itemizers and itemizers.

Generally, the deductible amount for each qualified trade or business is 20% of the taxpayer's qualified business income with respect to that trade or business. The deduction cannot exceed taxable income (computed without regard to this deduction) reduced by net capital gain.

However, there is a limitation based on W-2 wages and capital of the business that is phased in when the taxpayer's taxable income (computed without regard to the deduction) exceeds a threshold amount.

When a taxpayer's taxable income exceeds the threshold amount, there is a disallowance of the deduction with respect to specified service trades or businesses.

Threshold Amount

A threshold amount applies for both a limitation on wages and specified service trades or businesses. For 2018, these limitations are phased in when the taxpayer's taxable income exceeds $157,500 ($315,000 MFJ). The phase-in range is $50,000 ($100,000 MFJ). The full wage and specified service limitations apply once taxable income exceeds $207,500 ($415,000 MFJ). The threshold amount is indexed each year for inflation.

W-2 Wages/Property Limitation

If taxable income is at least $50,000 above the threshold ($100,000 for MFJ), the 20% qualified business income deduction cannot exceed the W-2 wages/qualifying property limit. The W-2 wage/property limitation phases in if taxable income exceeds the threshold amount but is below $207,500 ($415,000 MFJ).

The W-2 wages/qualifying property limit is the greater of:
- 50% of the W-2 wages paid by the qualified trade or business, or
- The sum of 25% of the W-2 wages paid by the qualified trade or business, plus 2.5% of the unadjusted basis immediately after acquisition of all qualified property of the trade or business.

Example: *Mike operates a sole proprietorship that makes beef jerky. His qualified business income for 2018 was $180,000 and his taxable income is $210,000. The business bought a new high-tech dehydrator for $100,000 and placed the dehydrator in service in 2018. Mike has one employee and paid total wages of $20,000 for the year.*

Mike's business income deduction is $10,000, which is the lesser of:

Tax Cuts and Jobs Act

New Business Income Deduction

- *20% of his business income ($36,000), or*
- *W-2 wages/property limit ($10,000), which is the greater of:*
  - *50% of W-2 wages ($20,000 × 50% = $10,000), or*
  - *Sum of 25% of W-2 wages ($5,000) plus 2.5% of the basis of the dehydrator ($100,000 × 2.5% = $2,500), which equals $7,500.*

Qualified Trade or Business

A qualified trade or business means any trade or business other than a specified service trade or business, and other than the trade or business of being an employee. However, the specified service trade or business exclusion from the definition of a qualified trade or business is phased-in for taxpayers that exceed the threshold amount. It does not apply to taxpayers below the threshold amount.

Specified service business. A specified service trade or business means any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees or owners, or which involves the performance of services that consist of investing and investment management trading, or dealing in securities, partnership interests, or commodities.

The new law specifically excludes engineering and architecture services from the definition of a specified service trade or business.

If taxable income is at least $50,000 above the threshold ($207,500), all of the net income from a specified service trade or business is excluded from qualified business income.

If taxable income is between $157,500 and $207,500, the amount excluded is computed by determining a percentage that reflects the excess of taxable income over $157,500 ($315,000 MFJ) in a fraction over $50,000 ($100,000 MFJ).

Example: *June is an attorney with taxable income of $175,000. Her qualified business income is $150,000. Her business is a specified service business and her taxable income is over the threshold amount ($157,500), therefore her qualified business income deduction is limited. Her phase-in reduction is computed:*

$175,000 – $157,500 = $17,500/$50,000 = 35%

Qualified business income of $150,000 is reduced by $61,250 ($175,000 × 35%) which equals $88,750.

June's qualified business deduction is $17,750 ($88,750 × 20%).

Qualified Business Income

Qualified business income is determined separately for each qualified trade or business of the taxpayer. Qualified business income means the net amount of qualified items of income, gain, deduction, and loss with respect to a domestic qualified trade or business of the taxpayer. It also includes gain from the sale of a partnership interest to the extent the gain is treated as gain from a sale of property other than a capital asset.

Qualified business income does not include:
- Specified investment-related items of income, deductions, or loss (dividends, interest, long-term capital gains and losses, annuities).
- Any amount paid by an S corporation that is treated as reasonable compensation of the taxpayer.
- A reasonable amount of guaranteed payments for services rendered by a partner.

If the net amount of qualified business income from all qualified trades or businesses during the taxable year is a loss, it is carried forward. Any deduction allowed in a subsequent year is reduced (but not below zero) by 20% of any carryover qualified business loss.

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- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

Tax Cuts and Jobs Act

Excess Business Loss and Net Operating Loss (NOL)

The Tax Cuts and Jobs Act is the biggest federal tax law change in over 30 years. Below are significant changes affecting excess business losses and net operating losses (NOLs) for noncorporate taxpayers. ***Note:*** Except where noted, the changes are effective for tax years 2018–2025.

New Excess Business Loss Limitation

Under the new law, certain excess business losses of noncorporate taxpayers are not allowed.

An excess business loss is the excess of aggregate deductions of the taxpayer attributable to the taxpayer's trade or business over the sum of the aggregate gross income or gain attributable to the trade or business of the taxpayer plus a $250,000 ($500,000 if Married Filing Jointly) threshold amount, indexed for inflation. Any excess loss that is disallowed is treated as part of the taxpayer's NOL carryforward.

Example: *George has $500,000 of gross income and $800,000 of deductions from his retail furniture business. His excess business loss is $50,000 [$800,000 – ($500,000 + $250,000)]. George must treat his excess business loss of $50,000 as an NOL carryover to 2019.*

Pass-Through Entities

For pass-through entities (partnerships and S corporations), the excess loss limit applies at the partner and shareholder level. Each partner's or shareholder's share of the items of income, gain, deduction, or loss of the partnership or S corporation is taken into account by the partner or shareholder in applying the excess business loss limitation.

Passive Activity Loss Rules

The excess business loss limit is applied after the passive loss rules. Under the passive activity rules, losses and expenses attributable to passive activities may only be deducted from passive activities. Generally, passive activities are those in which a taxpayer may own an interest in the business, but does not materially participate. Some activities are considered passive by default, such as rental activities.

Net Operating Loss (NOL)

A net operating loss (NOL) generally means the amount by which a taxpayer's business deductions exceed gross income.

An individual, estate, or trust may have an NOL if deductions for the year exceed income. NOLs are caused by losses from the following:

- Trade or businesses (Schedules C and F losses, or Schedule K-1 losses from partnerships or S corporations),
- Deductions for work as an employee (Form 2106) prior to 2018,
- Casualty and theft losses (whether personal or business),
- Moving expenses, and
- Rental property (Schedule E).

Individual NOL

An individual may have an NOL if adjusted gross income (AGI) minus the standard deduction or itemized deductions is a negative amount, and the negative amount is due to business deductions exceeding business income.

Tax Cuts and Jobs Act

Excess Business Loss and Net Operating Loss (NOL)

Estate or Trust NOL

An estate or trust may have an NOL if the taxable income line on Form 1041, *U.S. Income Tax Return for Estates and Trusts,* is a negative amount, and the negative amount is due to business deductions exceeding business income.

Once the NOL has been calculated for the year, it is used to offset income from another tax year.

Prior Law

Under prior law, the default rule required an NOL to be carried back two years unless an election to waive the carryback was made. If the NOL was not used up in the carryback year, it was carried forward to the following year. If not used up in that year, it continued to be carried forward until it was used up. The longest it could have been carried forward is 20 years after the NOL year.

Different carryback periods apply with respect to NOLs arising in different circumstances, such as for farming losses (5-year carryback). Extended carryback periods are allowed for NOLs attributable to specified liability losses and certain casualty and disaster losses. Limitations are placed on the carryback of excess interest losses attributable to corporate equity reduction transactions.

New Law

Effective for losses arising in tax years beginning after 2017, the NOL deduction is limited to 80% of taxable income (taxable income for the year in which it is carried to, determined without regard to the NOL deduction), which means NOLs can no longer completely zero out taxable income. This 80% limitation does not apply to a property and casualty insurance company.

When computing a taxpayer's NOL, the new 20% qualified business income deduction is not taken into account.

Carryback. The new law repeals the 2-year carryback and other special carryback provisions. An exception provides a 2-year carryback in the case of certain losses incurred in the trade or business of farming.

Exception: Farming loss. Previously, farming NOLs were allowed a 5-year carryback. Under the new law, farming NOLs are allowed a 2-year carryback. The definition of farming NOLs remains unchanged and a taxpayer may still waive the carryback period.

Exception: Insurance company. The new law allows a 2-year carryback for NOLs of a property and casualty insurance company.

Carryforward. Any NOL carryover is adjusted to take into account the 80% of taxable income limitation, and may be carried forward indefinitely (until used up).

Exception: Insurance company. The new law provides a 20-year carryforward for NOLs of a property and casualty insurance company.

How to Calculate an NOL Carryover

If the NOL is more than taxable income for the year to which it was carried (figured before deducting the NOL), there may be an NOL carryover. Certain modifications must be made to taxable income to determine how much NOL will be used up in that year and how much may be carried over to the next tax year. The carryover is the excess of the NOL deduction over modified taxable income for the carryback or carryforward year. If the NOL deduction includes more than one NOL, apply the NOLs against modified taxable income in the same order they were incurred, starting with the earliest. Additionally, if an NOL consists of both a farming loss and a non-farming loss, the losses should be treated separately and the farming loss is treated as a separate NOL and taken into account only after the non-farming NOL is applied.

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- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

TAX YEAR
2018

Tax Facts and Figures

2018 Federal Tax Rate Schedules

Single Taxable Income

$ 0	to	9,525	×	10.0%	minus	$ 0.00	=	Tax
9,526	to	38,700	×	12.0%	minus	190.50	=	Tax
38,701	to	82,500	×	22.0%	minus	4,060.50	=	Tax
82,501	to	157,500	×	24.0%	minus	5,710.50	=	Tax
157,501	to	200,000	×	32.0%	minus	18,310.50	=	Tax
200,001	to	500,000	×	35.0%	minus	24,310.50	=	Tax
500,001	and over		×	37.0%	minus	34,310.50	=	Tax

MFJ or QW Taxable Income

$ 0	to	19,050	×	10.0%	minus	$ 0.00	=	Tax
19,051	to	77,400	×	12.0%	minus	381.00	=	Tax
77,401	to	165,000	×	22.0%	minus	8,121.00	=	Tax
165,001	to	315,000	×	24.0%	minus	11,421.00	=	Tax
315,001	to	400,000	×	32.0%	minus	36,621.00	=	Tax
400,001	to	600,000	×	35.0%	minus	48,621.00	=	Tax
600,001	and over		×	37.0%	minus	60,621.00	=	Tax

MFS Taxable Income

$ 0	to	9,525	×	10.0%	minus	$ 0.00	=	Tax
9,526	to	38,700	×	12.0%	minus	190.50	=	Tax
38,701	to	82,500	×	22.0%	minus	4,060.50	=	Tax
82,501	to	157,500	×	24.0%	minus	5,710.50	=	Tax
157,501	to	200,000	×	32.0%	minus	18,310.50	=	Tax
200,001	to	300,000	×	35.0%	minus	24,310.50	=	Tax
300,001	and over		×	37.0%	minus	30,310.50	=	Tax

HOH Taxable Income

$ 0	to	13,600	×	10.0%	minus	$ 0.00	=	Tax
13,601	to	51,800	×	12.0%	minus	272.00	=	Tax
51,801	to	82,500	×	22.0%	minus	5,452.00	=	Tax
82,501	to	157,500	×	24.0%	minus	7,102.00	=	Tax
157,501	to	200,000	×	32.0%	minus	19,702.00	=	Tax
200,001	to	500,000	×	35.0%	minus	25,702.00	=	Tax
500,001	and over		×	37.0%	minus	35,702.00	=	Tax

Additional Medicare Tax

0.9% additional tax on wage income above threshold

Filing status	Single, HOH, QW	MFJ	MFS
Threshold amount	$200,000	$250,000	$125,000

2018 Personal Exemptions

The personal exemption deduction per person is.................................... $0

2018 Standard Deduction

The basic standard deduction for 2018 is:
Single or MFS.. $12,000
MFJ or QW.. $24,000
HOH... $18,000

Age 65 and/or blind. The additional amounts for age 65 or older and/or blind, per person, per event in 2018 are:
MFJ, QW, or MFS $1,300
Single or HOH.. $1,600

Dependent. The standard deduction in 2018 for an individual who may be claimed as a dependent by another taxpayer cannot exceed the greater of $1,050, or earned income plus $350.

Note: The standard deduction for a dependent and the additional standard deductions for the aged and blind may change slightly when the IRS revises its 2018 inflation-adjusted amounts to follow the chained-CPI inflation rates.

Child Tax Credit and Family Tax Credit

Child Tax Credit	$2,000 per qualifying child.
Maximum refundable portion of Child Tax Credit	$1,400 per qualifying child.
Child Tax Credit phaseout begins	MFJ... $400,000 Single, HOH, MFS.......................... $200,000
Family Tax Credit	$500 per dependent (not a qualifying child).

Social Security Highlights

Employee's portion of FICA	**2018**	**2017**	**2016**
Maximum earnings subject to Social Security tax (Medicare no limit)	$128,400	$127,200	$118,500
Social Security tax rate	6.20%	6.20%	6.20%
Medicare tax rate*	1.45%	1.45%	1.45%
Maximum Social Security tax	$7,960.80	$7,886.40	$7,347.00

*Plus 0.9% on wages above threshold amount, plus 3.8% on unearned income above threshold amount.

Tax Facts and Figures

Business Expenses

2018 Standard Mileage Rate Per Mile
Business....54.5¢
Medical and moving*....18.0¢
Charitable....14.0¢
Depreciation....25.0¢

Section 179 Expense Limits
Regular 179 limits....$1,000,000
SUV limits....$25,000
Investment phaseout begins....$2,500,000

2018 Standard Deduction for Meals—High Low Method (Per Day)
High cost localities....$68
All other localities....$57
Transportation workers....$63

Qualified Transportation Benefits (exclusion from income allowed, but no employer deduction)
Commuter benefits (per month)...$260
Parking benefits (per month)......$260

*The moving expense deduction is available only to active duty military servicemembers pursuant to a permanent change of station (PCS) order.

2018 Retirement Plan Limits

401(k)/403(b) Deferral Limits
Under age 50....$18,500
Age 50 and over....$24,500

IRA Contribution Limits
Under age 50....$5,500
Age 50 and over....$6,500

IRA Deduction Phaseout Range if Covered by Employer Plan
MFJ....$101,000–$121,000
Single, HOH....$63,000–$73,000
MFS....$0–$10,000
Spouse not covered....$189,000–$199,000

Roth IRA Phaseout Range
MFJ....$189,000–$199,000
Single, HOH....$120,000–$135,000
MFS....$0–$10,000

SIMPLE Deferral Limits
Under age 50....$12,500
Age 50 and over....$15,500

Qualified Retirement Plans
Profit sharing/SEP limits....25%/$55,000
Defined benefit plan limits...$220,000
Compensation limits....$275,000

Education Tax Benefits

American Opportunity Credit
MFJ phaseout....$160,000–$180,000
Single, HOH phaseout....$80,000–$90,000
Maximum credit: $2,500 per student
Up to 40% ($1,000) may be refundable

Lifetime Learning Credit
MFJ phaseout...$114,000–$134,000*
Single, HOH phaseout....$57,000–$67,000*
Maximum credit: $2,000 per return

Education Savings Account (ESA)
MFJ phaseout....$190,000–$220,000
All others....$95,000–$110,000
Annual contribution limit: $2,000 per beneficiary

Student Loan Interest Deduction
MFJ phaseout....$135,000–$165,000*
Single, HOH phaseout....$65,000–$80,000*
Maximum deduction: $2,500 per return

U.S. Savings Bonds Interest Exclusion
MFJ phaseout....$119,550–$149,550*
Single, HOH phaseout....$79,700–$94,700*

Qualified Tuition Plans (529 plans)
- Distributions for qualifying expenses for college students are not taxable.
- Distributions up to $10,000 per student are now allowed for tuition expenses for a public, private, or religious elementary or secondary school.

* ***Note:*** Phaseout ranges may change slightly when the IRS revises its 2018 inflation-adjusted amounts to follow the chained-CPI inflation rates.

2018 Tax Rates: Capital Gain and Dividend Income

If income is...	Maximum tax rate %	If asset is held...
Gain from the sale of collectibles	28%	More than 1 year
Taxable portion of gain on qualified small business stock (section 1202 exclusion)	28%	More than 5 years
Unrecaptured section 1250 gain	25%	More than 1 year
Long-term capital gain	See below	More than 1 year
Qualified dividend income	See below	More than 60 days
Taxable Income Single....$0 to $38,600 MFJ/QW....$0 to 77,200 MFS....$0 to $38,600 HOH....$0 to $51,700 Estates and trusts....$0 to $2,600	0%	
Taxable Income Single....$38,601 to $425,800 MFJ/QW....$77,201 to $479,000 MFS....$38,601 to $239,500 HOH....$51,701 to $452,400 Estates and trusts....$2,601 to $12,700	15%	
Taxable Income Single....$425,801 and over MFJ/QW....$479,001 and over MFS....$239,501 and over HOH....$452,401 and over Estates and trusts....$12,701 and over	20%	
Short-term capital gain	37%	1 year or less
Ordinary dividend income	37%	60 days or less

Net Investment Income Tax (NIIT)

3.8% additional tax on investment income if MAGI above threshold amount

Filing status	Single, HOH	MFJ, QW	MFS
Threshold amount	$200,000	$250,000	$125,000

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.