

## The Tax Cuts and Jobs Act just passed, December 21, 2017

### Individuals

- 1.) Pass through entity owners and sole proprietors are to deduct up to 20% of the income earned (Qualified Business Income) deducted from taxable income.
- a.) Limits-SO% of total W-2 wages paid by pass-through/ sole proprietorship or 25 of wages and 2.5% of unadjusted basis of all qualified property.
- 2.) Standard deduction for all filers is increased, in 2018, by almost 100%; personal exemption is eliminated.
- 3.) Child tax credit goes from \$1,000 to \$2,000.
  - a.) \$500 non-refundable credit for non-child dependents.
- 4.) Pass through business losses in excess of \$500,000 for joint filers cannot be deducted in the current year, but become loss carryovers and the limit will be indexed for inflation, all at personal level (entity level is eliminated).
- 5.) 529 plan distributions for allowed educational expenses up to \$10,000/year for elementary or secondary school tuition at public, private, or religious schools.
  - a.) Covers home school expenditures of curricular materials, books and instructional materials, online education materials, outside tutoring, and educational therapies for students with learning disabilities.
- 6.) Student loans dischargeable due to death or disability are not taxable income.
- 7.) Medical expense floor reverts back to 7.5% of AGI for 2017-18, then goes up to 10% in 2019 for all ages.
- 8.) Real estate, and local income taxes, sales taxes capped at \$10,000.
- 9.) New acquisition debt (mortgage) on personal residence drops to \$750,000 as of 1/1/18. Old limit applies to binding contracts entered into before 12/31/17 for homes purchased before April 1, 2018.
  - 1.) Refinancing existing acquisition debt still allowed up to \$1 million limit.
- 10.) Charitable contributions allowed up to 60% of AGI on cash donations
- 11.) Tax preparation fees not related to business income (tax returns) suspended after December 31, 2017.
- 12.) All Miscellaneous Itemized Deductions subject to 2.5% of AGI suspended.
- 13.) Alimony payments, on divorce decrees finalized after 12/31/18, are not deductible to the payer nor taxable income to payee.
- 14.) Moving expenses to non-military taxpayers are suspended.
  - a.) Qualified moving expense reimbursements will become included in income.
  - b.) Bicycle commuting reimbursements will become included in income.
- 15.) ROTH IRA re-characterizations from traditional IRAs to Roth IRAs will no longer be allowed and it cannot be unwound from an ROTH IRA.
  - a.) Rollover loan balances must be contributed to a IRA before the due date for filing a tax return to keep it from becoming taxable income upon termination of plan or separation from employment.
- 16.) Alternative minimum Tax exemption floor rises from \$86,200 to \$109,400 for joint filers and for single filers from \$55,400 to \$70,300; phaseout of AMT exemption starts at \$1million for joint returns and \$500,000 for all others.

Material is taken from Thomson-Reuters Webinar "The Tax Cuts and Jobs Act: What You Need to Know Now" held Monday, December 18, 2017 presented by Tony Johnson, CPA.

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