

2018

Tax Reform: Changes and Observations

	OLD TAX CODE	NEW TAX CODE	OBSERVATIONS
Individual Tax Rates	Seven tax brackets with top rate of 39.6%	Seven tax brackets with top rate of 37%	Same number of brackets with lower rates
Itemized and Standard Deductions	<ul style="list-style-type: none"> - Single taxpayers: \$6,500 standard deduction - Married couples: \$13,000 standard deduction - State/local taxes, real estate taxes and mortgage interest deductible with few limits 	<ul style="list-style-type: none"> - Single taxpayers: \$12,000 standard deduction - Married couples: \$24,000 standard deduction - Limited deductions for state/local tax and mortgage interest 	With some itemized deductions reduced, and standard deductions increased, the new standard deduction will be broadly used. This will result in tax savings for most individuals. Charities may be adversely affected.
Corporate Tax Rate	Top corporate tax rate 35%, but with 3% surcharge at certain income levels	Top corporate tax rate drops to 21% with expanded ability to deduct depreciable assets	Rates are permanent. Assets eligible for deductions as opposed to amortization must be purchased between Sept. 27, 2017, and Jan. 1, 2023.
Pass-Through Entity (LLC, Sub S, Partnership) Taxation	100% of income passing through K-1 form taxed at individual rates	<ul style="list-style-type: none"> - 20% of K-1 income is deductible - Limits exist on the 20% deduction for personal service corporations (CPAs, attorneys, possibly some producers, etc.) 	Changes expire after 2025.
Estate Tax Rate & Exemption	Top rate of 40% on estates over \$5.6 million per individual	Top rate of 40% on estates over \$11.2 million per individual; step up in basis retained	Changes expire after 2025. Use of the increased exemption now may be better than losing it after 2025.
Gift Tax Rates	Same as estate tax	Same as estate tax; annual exclusion remains, as indexed	Changes expire after 2025.
Individual Alternative Minimum Tax (AMT)	Begins to apply for taxpayers at \$120,700 (single) and \$160,900 (joint)	Exemption rises to eliminate AMT for single taxpayers with incomes up to \$500,000 and joint taxpayers with incomes up to \$1 million	Changes expire after 2025.
Corporate AMT	Corporations subject to AMT on difference between book and tax income	Corporate AMT removed	Eliminates the taxation of life insurance death benefits in C Corporations.
Medicare Surtaxes	3.8% surtax applies to lesser of net investment income or excess of modified adjusted gross income over \$200,000 for single taxpayers and \$250,000 for couples filing jointly	No changes	High income earners and investors are still exposed to surtax.

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