

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Trump's desk for signing shortly before Christmas.

Dec. 18, 2017

The Senate and House of Representatives are set to vote on the consolidated tax reform bill this week. With its passage looking likely, it will then head to President Trump's desk for signing shortly before Christmas.

Here's a first look at what the new brackets will look like under the new 2018 income tax law:

Tax Rate Income Range Individuals Income for Married Joint Filers

10%	\$0 – \$9,525	\$0 – \$19,050
12%	\$9,526 – \$38,700	\$19,051 – \$77,400
22%	\$38,701 – \$82,500	\$77,401 – \$165,000
24%	\$82,501 – \$157,500	\$165,001 – \$315,000
32%	\$157,501 – \$200,000	\$315,001 – \$400,000
35%	\$200,001 – \$500,000	\$400,001 – \$600,000
37%	\$500,001 and Up	\$600,001 and Up

In general, the new tax rate structure means lower brackets for most filers, with the top rate dropping to 37% from 39.6%. The 10% bracket now extends to almost \$10,000 for individuals and \$19,000 for joint filers, which doubles the amount of income taxed at the lowest rate.

Several other changes have been applied to standard deductions (doubled), exemptions (eliminated), child tax credits (increased), mortgage interest (capped at \$750,000), AMT and other deductions and credits.

Individual tax cuts: In the end, GOP leaders settled on a seven-rate structure, the same as exists now, with lower rates and revised bracket amounts. Ultimately, the

top rate was cut from its current level of 39.6% to 37%, as opposed to the 38.5% rate

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

income families.

Mortgage interest deduction: Based on a late change, the deduction for mortgage interest is limited to interest paid on up to \$750,000 of acquisition debt, down from its current limit of \$1 million. The Senate bill had left the \$1 million limit untouched while the House bill imposed a \$500,000 threshold.

Corporate tax rates: The top tax rate for corporations drops from 35% to 21%. Both the House and Senate bills featured a top 20% rate, which was endorsed by the White House. The lower rate would take effect in 2018—not 2019 as the Senate bill provided.

Individual AMT: The individual alternative minimum tax (AMT) remains, but the threshold would be tweaked to exclude any taxpayer with income under \$500,000 or family below \$1 million.

Corporate AMT: The corporate AMT, which was preserved by the Senate bill, is repealed. This was a critical concession to businesses eligible for the research credit.

Medical deductions: Under current law, only medical expenses in excess of 10% adjusted gross income (AGI) can be deducted, up from the previous level of 7.5% of AGI. The final bill reportedly keeps the medical deduction and restores the 7.5%-of-AGI threshold, but only for 2018.

State and local taxes: In another late compromise, a maximum deduction of \$10,000 is now reportedly available to taxpayers state and local property taxes or state and local income taxes or sales taxes or a combination. But these concessions aren't likely to appease taxpayers in states with high taxes.

Estate tax exemption: For 2018, the estate tax exemption can shelter up to \$5.6 million of assets from estate tax. This generous exclusion is effectively doubled to \$11

million.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved