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On December 22, 2017, President Donald Trump signed the Tax Cuts and Jobs Act (TCJA) into law. This law provides sweeping changes to the tax landscape in the United States and has had taxpayers and accountants alike analyzing and discussing what this new law means for their personal tax position and the positions of their clients. Below are three significant ways the law will impact individual taxpayers.

### **Tax Rates, Standard Deductions, and Personal Exemptions**

By now, it's common knowledge that the TCJA has nearly doubled the standard deduction. On the surface, this is great news; however, the offset to this is that the

personal exemptions enjoyed by taxpayers have now been set to zero. This is still

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## **Itemized Deductions**

With the increase in the standard deduction, fewer taxpayers are expected to itemize beginning in 2018. Those who do continue to itemize should be aware of a new limitation on home mortgage interest deductions. Under the new law, taxpayers are allowed to claim an itemized deduction for qualified interest on up to \$750,000 of mortgage debt (\$375,000 if you are married filing separately). This is down from \$1 million under prior law (\$500,000 for married taxpayers filing separately). This change does not impact any home purchased or under binding contract before December 16, 2017.

Another common itemized deduction is for charitable donations. Prior law limited deductions for charities to 50% of adjusted gross income (AGI). The TCJA increases that limit to 60%. However, under the new law, if a donation entitles you to receive (directly or indirectly) the right to buy tickets to college athletic events, a charitable deduction will not be permitted. While many provisions of the TCJA are slated to sunset in 2025, the change for athletic events is permanent.

## **Alternative Minimum Tax**

Prior to the issuance of the final law, there had been speculation that the alternative minimum tax (AMT) would be repealed. Although the AMT was repealed for corporations, individuals may still be subject to it. While the AMT may still be around for individuals, between 2018 and 2025 the AMT exemptions are significantly higher than they were under prior law. As a result, far fewer taxpayers should find themselves subject to the AMT. The AMT exemption for 2018 is \$70,300 for unmarried individuals and \$109,400 for married individuals who file a joint return. Under the TCJA, the exemptions will not begin to phase out until unmarried taxpayers reach alternative minimum taxable income (AMTI) of \$500,000 or joint

filers reach AMTI of \$1,000,000. This is in sharp contrast to the 2017 phase outs of

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