



Anderson, Nill & Associates, Inc.

September 2018

TAX REFORM LAW: WHAT YOU SHOULD KNOW...

The Tax Cuts and Jobs Act was signed into law on December 22, 2017, overhauling the Internal Revenue Code and providing broad tax relief to workers, families and businesses of all sizes. It lowers tax rates for individual and business taxpayers, and eliminates or reduces various tax deductions and credits. Most of the provisions contained in the Tax Reform Act apply to tax year 2018 and future years up to December 31, 2025.

If you are not sure about what to expect, schedule an appointment with us to prepare a tax projection for tax year 2018. We may be able to help lower your taxes with careful planning to take advantage of the new law.

TOP TAX CHANGES FOR INDIVIDUALS & FAMILIES

- ◆ Tax rates lowered by about 2% at each bracket to 0%, 10%, 12%, 22%, 24%, 32%, 35%, and 37%.
 - W2 wage earners could be under withholding and may benefit from using the IRS calculator <https://www.irs.gov/individuals/irs-withholding-calculator> or call to schedule an appointment with your tax preparer.
- ◆ Personal exemptions eliminated, standard deductions increased.
 - Single: \$12,000 Head of Household: \$18,000 Married Filing Joint: \$24,000
 - If you are still able to itemize, be aware of these changes:
 - Allowed to deduct up to \$10,000 in property taxes and state taxes, or sales taxes, combined.
 - Mortgage interest deduction is allowed on first or second home purchases. Home equity interest not used to improve the home is disallowed.
- ◆ Child tax credit increased to \$2,000 and is refundable up to \$1,400 maximum. Phase out begins at \$400,000 for MFJ taxpayers.
 - Credit of \$500 available for other dependents
- ◆ Estate and Gift Tax exemption doubled to \$11 million.
- ◆ Gift Tax exclusion increased to \$15,000.

TOP TAX CHANGES FOR SMALL BUSINESSES

- ◆ C Corporation tax rate lowered to 21%, from 35%.
- ◆ A tax deduction of 20% is allowed for income earned from sole proprietors, LLCs, partnerships, and S Corporations (including Farmers). The deduction applies to the first \$315,000 of income for joint filers. Wage income is not eligible for the lower rates on business income. The deduction is subject to restrictions based on the industry of business.
- ◆ Businesses are allowed to write off the full cost of all equipment purchases, this includes new and used equipment.
- ◆ Section 179 deduction limit increased to \$1 million
- ◆ Domestic Production Activities Deduction is repealed beginning January 1, 2018.
- ◆ Like-kind exchange rules are limited to real property exchanges only.

ADDITIONAL ITEMS TO NOTE...

- ◆ Health insurance penalty still in effect for 2018!
- ◆ BEWARE: Simplified Form 1040 postcard is not as simple as it appears!