## **Tax Cuts and Jobs Act**

| <ul> <li>Medical expenses</li> <li>Lowers threshold to 7.5% of AGI for 2017 and 2018.</li> <li>Student loan interest*</li> <li>Income from discharge of debt due to death or disability no longer taxable. Student loan interest remains deductible.</li> </ul>   | For Individuals                              | Changes  |
|---|--|--|
| Increases exemption to \$70,300 (single) and \$109,400 (MF) with phase-out at \$500,000 (single) and \$1 million (MF).  Personal exemptions* Standard deduction* Obubles to \$12,000 / \$24,000 (single/MF).  Caps deduction for state and local income taxes, sales taxes and property taxes at \$10,000 combined. Precludes deduction of 2018 income tax liabilities paid at the end 2017, but it's okay to pre-pay 2017 estimated taxes prior to December 31, 2017. Restriction on prepayment only applies to state income taxes and not property taxes.  Interest limited on loans after December 15, 2017, to \$750,000 of debt principal. Existing loans grandfathered at \$1 million. The limits apply to first and second homes, Refinancing of existing mortgage debt permitted but only to current principal amount (cash-out portion is ineligible).  Home equity interest*  Eliminates (unless used for acquisition indebtedness and subject to mortgage interest limits).  No change to current law.  Lowers threshold to 7.5% of AGI for 2017 and 2018.  Income from discharge of debt due to death or disability no longer taxable. Student loan interest remains deductible.  Alimony  finalized after 2018.  Chairtable contributions  Increases cash contributions eligible for deductions to public charities to 60% of AGI.  Eliminates.  Child and family tax credits  S200,000 (single) and \$400,000 (MF).  Electric vehicle tax credit  No change to current law.  Reduces penalty to \$0.  Expands to include public, private and religious (K-12) primary and secondary schools, with a \$10,000 per student amount limit.  Retirement plans  Repeals ability to re-characterize Roth IRA conversions back to Traditional IRAs.  No change to current law.  Reduces penalty to \$0.  Expands to include public, private and religious (K-12) primary and secondary schools, with a \$10,000 per student amount limit.  Retirement plans  Repeals ability to re-characterize Roth IRA conversions back to Traditional IRAs.  No change to current law.  Estate tax*  Doubles estate and gift tax exemption to \$11 m | Tax Rates*                                   | 10%, 12%, 22%, 24%, 32%, 35%, 37%.   |
| Repeals   | Adjusted Gross Income (AGI) top rate         | Above \$500,000 for individuals and \$600,000 married filing jointly (MFJ).  |
| Itemized deduction* Caps deduction for state and local income taxes, sales taxes and property taxes at \$10,000 combined. Precludes deduction for state and local income taxes, sales taxes and property taxes at \$10,000 combined. Precludes deduction of 2018 income taxes, sales taxes and property taxes at \$10,000 combined. Precludes deduction of 2018 income taxes, sales taxes and property taxes.  Nortgage interest* Interest limited on loans after December 15, 2017, to \$75,000 of debt principal. Existing loans grandfathered at \$1 million. The limits apply to first and second homes. Refinancing of existing mortgage debt permitted but only to current principal amount (cash-out portion is ineligible).  Home equity interest* Eliminates (unless used for acquisition indebtedness and subject to mortgage interest limits).  No change to current law.  Lowers threshold to 7.5% of AGI for 2017 and 2018.  Income from discharge of debt due to death or disability no longer taxable. Student loan interest remains deductible.  Hiscellaneous deductions Eliminates.  Alimony Payments made no longer deductible and payments received no longer taxable for divorces finalized after 2018.  Chairtable contributions Increases cash contributions eligible for deductions to public charities to 60% of AGI. Eliminates.  Child and family tax credits Increases to \$2,000 per qualifying child and \$500 per non-qualifying child with phase-outs at \$200,000 (single) and \$400,000 (MFI).  Retirement plans Reduces penalty to \$0.  Expands to include public, private and religious (K-12) primary and secondary schools, with a \$10,000 per student annual limit.  Retirement plans Repeals ability to re-characterize Roth IRA conversions back to Traditional IRAs.  No change to current law.  Creates a deduction equal to 20% of qualified business income. The deduction cannot exceed the greater of (1) 50% of M-2 wages paid by the business or (2) 25% of those wages plus 2.5% of unadjusted basis of depreciable property. Personal service-related businesses, except for enginee     | Alternative minimum tax*                     |  |
| Caps deduction  | Personal exemptions*                         | Repeals.   |
| temized deductions State and local income taxes/Property taxes State and local income taxes/Property taxes State and local income taxes/Property taxes Interest limited on loans after December 15, 2017, to \$750,000 of debt principal. Existing loans grandfathered at \$1 million. The limits apply to first and second homes. Refinancing of existing mortgage debt permitted but only to current principal amount (cash-out portion is ineligible).  Home equity interest* Home equity interest* Student loan interest* No change to current law. Medical expenses No change to debt permitted but only to current principal amount (cash-out portion is ineligible).  Student loan interest* Income from discharge of debt due to death or disability no longer taxable. Student loan interest remains deductible.  Miscellaneous deductions Eliminates. Alimony Payments made no longer deductible and payments received no longer taxable for divorces finalized after 2018.  Charitable contributions Increases cash contributions eligible for deductions to public charities to 60% of AGI. Eliminates.  Child and family tax credits Stoco,000 (single) and \$400,000 (MFJ).  No change to current law. Reduces penalty to \$0.  Expands to include public, private and religious (K-12) primary and secondary schools, with a \$10,000 per student annual limit.  Retirement plans Retirement plans Retains step-up in basis and 40% tax rate.  Creates a deduction equal to 20% of qualified business income. The deduction cannot exceed the greater of (1) 50% of VV-2 wages paid by the business or (2) 25% of those wages plus 2.5% of unadjusted basis of depreciable property. Personal service-related business, income its below certain taxable income thresholds (\$157,500-\$207,500 single, \$315,000 SA15,000 MFJ). Within those limited ganges, the deduction on reserve taxable income transle income unless that examely and secondary over those same tax taxable income unless of the service-related business income in the service-related business.   | Standard deduction*                          | Doubles to \$12,000 / \$24,000 (single/MFJ).   |
| <ul> <li>Mortgage interest*</li> <li>grandfathered at \$1 million. The limits apply to first and second homes. Refinancing of existing mortgage debt permitted but only to current principal amount (cash-out portion is ineligible).</li> <li>Home equity interest*</li> <li>Eliminates (unless used for acquisition indebtedness and subject to mortgage interest limits).</li> <li>Exclusion of gain from sale</li> <li>No change to current law.</li> <li>Lowers threshold to 7.5% of AGI for 2017 and 2018.</li> <li>Income from discharge of debt due to death or disability no longer taxable. Student loan interest remains deductible.</li> <li>Miscellaneous deductions</li> <li>Eliminates.</li> <li>Alimony</li> <li>Perments made no longer deductible and payments received no longer taxable for divorces finalized after 2018.</li> <li>Charitable contributions</li> <li>Increases cash contributions eligible for deductions to public charities to 60% of AGI.</li> <li>Eliminates.</li> <li>Child and family tax credits</li> <li>Increases to \$2,000 per qualifying child and \$500 per non-qualifying child with phase-outs at \$200,000 (single) and \$400,000 (MFI).</li> <li>Electric vehicle tax credit</li> <li>Affordable Care Act (ACA) individual mandate</li> <li>Expands to include public, private and religious (K-12) primary and secondary schools, with a \$10,000 per student annual limit.</li> <li>Retirement plans</li> <li>Repeals ability to re-characterize Roth IRA conversions back to Traditional IRAs.</li> <li>Tax lot accounting</li> <li>No change to current law.</li> <li>Extate tax*</li> <li>Doubles estate and gift tax exemption to \$11 million. Maintains portability for surviving spouse. Retains step-up in basis and 40% tax rate.</li> <li>Creates a deduction equal to 20% of qualified business income. The deduction cannot exceed the greater of (1) 50% of W-2 wages paid by the business or (2) 25% of those wages plus 2.5% of unadjusted basis o</li></ul>   |  | combined. Precludes deduction of 2018 income tax liabilities paid at the end of 2017, but it's okay to pre-pay 2017 estimated taxes prior to December 31, 2017. Restriction on prepayment  |
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| <ul> <li>Medical expenses</li> <li>Lowers threshold to 7.5% of AGI for 2017 and 2018.</li> <li>Student loan interest*         <ul> <li>Income from discharge of debt due to death or disability no longer taxable. Student loan interest remains deductible.</li> </ul> </li> <li>Miscellaneous deductions</li> <li>Eliminates.</li> <li>Payments made no longer deductible and payments received no longer taxable for divorces finalized after 2018.</li> <li>Charitable contributions</li> <li>Increases cash contributions eligible for deductions to public charities to 60% of AGI.</li> <li>Pease limitation*</li> <li>Eliminates.</li> <li>Child and family tax credits</li> <li>Sz00,000 (single) and \$400,000 (MFJ).</li> <li>Electric vehicle tax credit</li> <li>No change to current law.</li> <li>Reduces penalty to \$0.</li> <li>Expands to include public, private and religious (K-12) primary and secondary schools, with a \$10,000 per student annual limit.</li> <li>Retirement plans</li> <li>Repeals ability to re-characterize Roth IRA conversions back to Traditional IRAs.</li> <li>No change to current law.</li> <li>Doubles estate and gift tax exemption to \$11 million. Maintains portability for surviving spouse. Retains step-up in basis and 40% tax rate.</li> <li>Creates a deduction equal to 20% of qualified business income. The deduction cannot exceed the greater of (1) 50% of W-2 wages paid by the business or (2) 25% of those wages plus 2.5% of ungineering and architecture, will generally not qualify for the deduction unless the taxpayer's income is below certain taxable income thresholds (\$157,002-\$207,500) single, \$315,000-\$415,000 MFJ). Within those limited ranges, the deduction for the service-related business income will be phased out. The 50% and 25% wage limits are phased in over those same tax taxable income thresholds (\$157,000 for worthose same tax taxable income thresholds (\$157,000 for worthose same tax taxable income t</li></ul>  | Home equity interest*                        | Eliminates (unless used for acquisition indebtedness and subject to mortgage interest limits).   |
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| Affordable Care Act (ACA) individual mandate  Reduces penalty to \$0.  Expands to include public, private and religious (K-12) primary and secondary schools, with a \$10,000 per student annual limit.  Retirement plans  Repeals ability to re-characterize Roth IRA conversions back to Traditional IRAs.  No change to current law.  Doubles estate and gift tax exemption to \$11 million. Maintains portability for surviving spouse. Retains step-up in basis and 40% tax rate.  Creates a deduction equal to 20% of qualified business income. The deduction cannot exceed the greater of (1) 50% of W-2 wages paid by the business or (2) 25% of those wages plus 2.5% of unadjusted basis of depreciable property. Personal service-related businesses, except for engineering and architecture, will generally not qualify for the deduction unless the taxpayer's income is below certain taxable income thresholds (\$157,500-\$207,500 single, \$315,000-\$415,000 MFJ). Within those limited ranges, the deduction for the service-related business income will be phased out. The 50% and 25% wage limits are phased in over those same tax taxable income ranges.  | Child and family tax credits                 |  |
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| Tax lot accounting  No change to current law.  Doubles estate and gift tax exemption to \$11 million. Maintains portability for surviving spouse. Retains step-up in basis and 40% tax rate.  Creates a deduction equal to 20% of qualified business income. The deduction cannot exceed the greater of (1) 50% of W-2 wages paid by the business or (2) 25% of those wages plus 2.5% of unadjusted basis of depreciable property. Personal service-related businesses, except for engineering and architecture, will generally not qualify for the deduction unless the taxpayer's income is below certain taxable income thresholds (\$157,500-\$207,500 single, \$315,000-\$415,000 MFJ). Within those limited ranges, the deduction for the service-related business income will be phased out. The 50% and 25% wage limits are phased in over those same tax taxable income ranges.  | 529 plans                                    |  |
| Doubles estate and gift tax exemption to \$11 million. Maintains portability for surviving spouse.  Retains step-up in basis and 40% tax rate.  Creates a deduction equal to 20% of qualified business income. The deduction cannot exceed the greater of (1) 50% of W-2 wages paid by the business or (2) 25% of those wages plus 2.5% of unadjusted basis of depreciable property. Personal service-related businesses, except for engineering and architecture, will generally not qualify for the deduction unless the taxpayer's income is below certain taxable income thresholds (\$157,500-\$207,500 single, \$315,000-\$415,000 MFJ). Within those limited ranges, the deduction for the service-related business income will be phased out. The 50% and 25% wage limits are phased in over those same tax taxable income ranges.  | Retirement plans                             | Repeals ability to re-characterize Roth IRA conversions back to Traditional IRAs.  |
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| Carried interest Introduces three-year minimum holding period.  | Pass-through income                          | the greater of (1) 50% of W-2 wages paid by the business or (2) 25% of those wages plus 2.5% of unadjusted basis of depreciable property. Personal service-related businesses, except for engineering and architecture, will generally not qualify for the deduction unless the taxpayer's income is below certain taxable income thresholds (\$157,500-\$207,500 single, \$315,000-\$415,000 MFJ). Within those limited ranges, the deduction for the service-related business income will be phased out. The 50% and 25% wage limits are phased in over those same tax |
|   | Carried interest                             | Introduces three-year minimum holding period.  |

<sup>\*</sup>Changes expire at end of 2025.

## **Tax Cuts and Jobs Act**

| For Corporations             | Changes   |
|------------------------------|---|
| Tax Rates (%)                | 21% effective 2018.   |
| Deferred foreign profits tax | 15.5% of untaxed repatriated profits in liquid assets and 8.0% of untaxed repatriated profits in illiquid assets.   |
| International income         | Territorial system (100% exemption).  |
| Cash accounting              | Increases eligibility from \$5 million to \$25 million.   |
| Alternative minimum tax      | Repeals.  |
| Depreciation                 | 100% expensing of capital expenditures excluding utilities (phases out from 2023 to 2027). Qualified property must only be new to taxpayer and not new in general.  |
| Interest deductibility       | Limited to business interest income plus 30% of adjusted taxable income (ATI). Depreciation and amortization expenses are added back to ATI until 2021. Businesses with average annual gross receipts less than \$25 million in prior three years are exempt. |
| Private activity bonds       | No change to current law.   |
| Like-kind exchanges (1031)   | Repeals for non-real estate transactions.   |
| Entertainment expenses       | Bars any deduction for any activity generally considered entertainment, amusement or recreation.  |