

January 29, 2018

Dear Client:

Attached is a summary of the major changes relative to the *Tax Cuts & Jobs Act* (hereafter “The Act”) passed into law on December 22, 2017. The Act embodies the most comprehensive tax reform we have seen since the 1986 *Tax Reform Act* and will affect almost every taxpayer, regardless of income or entity type. This summary lists the major modifications for each entity type. Most of the changes made for corporations are permanent; however, for individuals the changes expire after eight years and revert back to prior law in 2026. This summary is not intended to be a comprehensive coverage or explanation of all the changes included in The Act and should not be relied upon for tax, accounting, business, or other advice. If desired, we would be pleased to consult with you further and provide additional details.

We hope you find this useful. If you have any questions please call our office at 903-758-0734.

Sincerely,



Curtis Blakely & Co., P.C.

## Tax Reform Summary

<b>CORPORATIONS:</b>		
Topic	Pre-Reform Law	Post Reform Act
<b>Corporate Tax Rate</b>	Progressive tax rates / Multiple brackets ranging from 15% - 35%	21% flat tax rate
<b>Corporate AMT</b>	AMT imposed on corporations.	Repealed
<b>Bonus Depreciation</b>	1/1/12 - 09/27/17 = 50% Applies to new property only	9/28/17 - 12/31/2021 100% expensing, 1/1/2022 - 12/31/2023 80% expensing, 1/1/2024 - 12/31/2024 60% expensing, 1/1/2025 - 12/31/2025 40% expensing, 1/1/2026 - 12/31/2026 20% expensing. Applies to new & used property.
<b>Section 179 Expensing</b>	Limit - \$510,000 Phase-out begins - \$2,030,000	Limit - \$1,000,000 Phase-out begins - \$2,500,000
<b>Unicap (263A)</b>	Does not apply to businesses with resale activities under \$10M.	Does not apply to businesses with resale activities under \$25M.
<b>Limitation on Business Interest Expense Deduction</b>	Generally full amount is allowed, subject to few limitations.	Limited to the sum of business interest income, 30% of the business's adjusted gross income, and floor plan financing interest. Businesses with \$25 million or less revenues are exempt from these limitations.
<b>Domestic Production Activities Deduction</b>	Deduction allowed for property produced or manufactured within the US.	Repealed
<b>NOL Deduction</b>	Carry back - 2 years Carry forward - 20 years	Carry back - none Carry forward - indefinite Limited to 80% of taxable income. If NOLs were generated prior to 2018 this limitation does not apply.
<b>Meals &amp; Entertainment</b>	Entertainment - 50% deductible Meals - 50% deductible	Entertainment - 0% deductible Meals - 50% deductible

### **PASS-THROUGH DEDUCTION:**

**\*\*\*Applies to Qualified Business Income from Partnerships, S-Corps, Sole Prop., Trusts, and Estates.**

Topic	Pre-Reform Law - 2017	Post Reform Act - 2018
<b>Personal Service Businesses</b>	Taxed on 100% of income	20% Deduction on Qualified Business Income with deduction phasing out for taxable income between: Married Filing Joint: \$315,000 - \$415,000 Single: \$157,500 - \$207,500
<b>Other Businesses</b>	Taxed on 100% of income	20% Deduction on Qualified Business Income with Limitations phasing in with taxable income beginning at: Married Filing Joint: \$315,000 Single: \$157,500 Limitation = Greater of: * 50% of W-2 wages or * 25% of W-2 wages plus 2.5% of the unadjusted basis of all "qualified property"

## Tax Reform Summary

<b>INDIVIDUALS:</b>		
Topic	Pre-Reform Law - 2017	Post Reform Act - 2018
<b>Tax Rates</b>	See tax rate tables attached.	See tax rate tables attached. In general brackets were expanded and rates decreased between 2 - 3%.
<b>Standard Deduction</b>	Single: \$6,350, Head of Household: \$9,350, Married: \$12,700	Single: \$12,000, Head of Household: \$18,000, Married: \$24,000
<b>Personal Exemption</b>	\$4,050 per person claimed on return - with income phase-out	None
<b>Individual AMT</b>	Subject to AMT	AMT exemption & phase-out amounts increased
<b>Miscellaneous Itemized Deductions - 2% Floor</b>	Certain expenses can be deducted as miscellaneous itemized deductions subject to a 2% limitation of AGI. (Unreimbursed employee expenses, tax prep fees, investment management fees...)	None
<b>Limitation on Itemized Deductions</b>	For certain high income taxpayers itemized deductions are limited to 3% of AGI or 80% of the allowable itemized deductions.	None
<b>Mortgage Interest Deduction</b>	Taxpayers, if itemizing, are allowed to deduct interest payments on up to \$1 million in acquisition indebtedness.	Reduces acquisition indebtedness limit to \$750,000 on new acquisitions purchased after 12/15/2017. If purchased before 12/15/2017 the \$1 million limitation applies.
<b>Home Equity Loan Interest</b>	Allowed on debt up to \$100,000	None
<b>State &amp; Local Tax Deduction</b>	Taxpayers, if itemizing, can deduct state and local income and property taxes paid.	Limits this itemized deduction to \$10,000.
<b>Medical Expense Deduction</b>	Taxpayers, if itemizing, can deduct any medical expenses that exceed 10% of their AGI. 7.5% if over 65 years old.	Reduces the threshold percentage to 7.5% of AGI for everyone.
<b>Child Tax Credit</b>	\$1,000 credit per qualifying child, under 17, income phase-outs starting at \$75,000 for single and \$110,000 for married.	Increases credit to \$2,000 per qualifying child, under 17, with increased phase-out thresholds of \$200,000 for single and \$400,000 for married. Also, \$500 credit for dependents other than qualifying children.

<b>ESTATE &amp; GIFT TAX:</b>		
Topic	Pre-Reform Law - 2017	Post Reform Act - 2018
<b>Estate &amp; Gift Taxes</b>	Exclusion = \$5,490,000	Exclusion = estimated \$11,200,000 subject to change due to inflation indexing

# Tax Reform Summary

<b>Tax Rates</b>	
<b>Pre-Reform Law - 2017</b>	<b>Post Reform Act - 2018</b>
<b>Married Filing Jointly &amp; Surviving Spouse</b>	<b>Married Filing Jointly &amp; Surviving Spouse</b>
10% (Taxable income not over \$18,650)	10% (Taxable income not over \$19,050)
15% (Over \$18,650 but not over \$75,900)	12% (Over \$19,050 but not over \$77,400)
25% (Over \$75,900 but not over \$153,100)	22% (Over \$77,400 but not over \$165,000)
28% (Over \$153,100 but not over \$233,350)	24% (Over \$165,000 but not over \$315,000)
33% (Over \$233,350 but not over \$416,700)	32% (Over \$315,000 but not over \$400,000)
35% (Over \$416,700 but not over \$470,700)	35% (Over \$400,000 but not over \$600,000)
39.6% (Over \$470,700)	37% (Over \$600,000)
<b>Married Filing Separately</b>	<b>Married Filing Separately</b>
10% (Taxable income not over \$9,325)	10% (Taxable income not over \$9,525)
15% (Over \$9,325 but not over \$37,950)	12% (Over \$9,525 but not over \$38,700)
25% (Over \$37,950 but not over \$76,550)	22% (Over \$38,700 but not over \$82,500)
28% (Over \$76,550 but not over \$116,675)	24% (Over \$82,500 but not over \$157,500)
33% (Over \$116,675 but not over \$208,350)	32% (Over \$157,500 but not over \$200,000)
35% (Over \$208,350 but not over \$235,350)	35% (Over \$200,000 but not over \$300,000)
39.6% (Over \$235,350)	37% (Over \$300,000)
<b>Head of Household</b>	<b>Head of Household</b>
10% (Taxable income not over \$13,350)	10% (Taxable income not over \$13,600)
15% (Over \$13,350 but not over \$50,800)	12% (Over \$13,600 but not over \$51,800)
25% (Over \$50,800 but not over \$131,200)	22% (Over \$51,800 but not over \$82,500)
28% (Over \$131,200 but not over \$212,500)	24% (Over \$82,500 but not over \$157,500)
33% (Over \$212,500 but not over \$416,700)	32% (Over \$157,500 but not over \$200,000)
35% (Over \$416,700 but not over \$444,550)	35% (Over \$200,000 but not over \$500,000)
39.6% (Over \$444,550)	37% (Over \$500,000)
<b>Single</b>	<b>Single</b>
10% (Taxable income not over \$9,325)	10% (Taxable income not over \$9,525)
15% (Over \$9,325 but not over \$37,950)	12% (Over \$9,525 but not over \$38,700)
25% (Over \$37,950 but not over \$91,900)	22% (Over \$38,700 but not over \$82,500)
28% (Over \$91,900 but not over \$191,650)	24% (Over \$82,500 but not over \$157,500)
33% (Over \$191,650 but not over \$416,700)	32% (Over \$157,500 but not over \$200,000)
35% (Over \$416,700 but not over \$418,400)	35% (Over \$200,000 but not over \$500,000)
39.6% (Over \$418,400)	37% (Over \$500,000)

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If you need professional advice, we would be pleased to consult with you further and provide additional details.