**SUMMARY OF THE NEW 2018 TAX LAW**

The President signed the biggest tax reform law in over 30 years. Your 2018 tax return will look very different, so you should spend the rest of 2018 getting ready for these changes.

Below are the main changes which may affect you:

**Tax rate changes:** Both individual and corporate rates have changed. The maximum individual rate is reduced to 37% and changes on the levels to get to the 37% have been installed. The corporate rate is now a flat 21%, meaning you no longer have corporate income taxed at 15% or 22%.

**Standard deduction increased, however** personal exemptions are no longer a deduction.

**Increased Child Tax Credit and new Dependent Credit:** The credit is increased for each child to $2,000 (up to $1,400 of which is refundable for each child) and each non-child dependent can now receive a new credit of $500. The phase-out thresholds for these credits have increased, as well. Married taxpayers filing a joint return can claim the full credits if their adjusted gross income is $400,000 or less ($200,000 for all others). The credits are fully phased out for married taxpayers filing a joint return when their adjusted gross income reaches $440,000 ($240,000 for all others).

**Disappearing deductions:** Beginning with the 2018 tax year, you will no longer be able to deduct:

• State income tax and property taxes above $10,000 per year in total

• Moving expenses (with an exception for certain military)

• Employee business expenses such as mileage, travel, entertainment, home office expenses, union dues, tax preparation fees, and investment fees, among others

• Mortgage interest beyond interest on $750,000 of acquisition debt, if you purchase a new home

• Mortgage interest paid on equity debt (home equity loan interest) is no longer deductible

• Alimony is no longer deductible nor is income to the person receiving it. NOTE: this is on divorces taking place after 12-31-17

**Some new benefits for individuals:**

• The medical expense AGI threshold will temporarily drop to 7.5% of AGI for 2017 and 2018;

• The AMT threshold is increased, so fewer middle-income taxpayers will be subject to AMT;

• The estate tax exclusion has nearly doubled, to $10 million (adjusted for inflation).

**Small business benefit:** Beginning in 2018, there will be up to a 20% deduction from net business income for a sole proprietorship, LLC (excluding those taxed as a C corporation), partnership, S corporation, and rental activity. However, the 20% deduction is limited to 50% of the amount you paid out to W2 employees, plus other complicated calculations.

This is a short summary of the changes affecting most people. Please contact me so we can help you with year-end tax planning!