



2018 Tax Reform Changes – Impact to Individual Taxpayers

Individual Tax Rates and Taxable Income Brackets

Pre-Reform Rate	Single	Married	Post-Reform Rate	Single	Married
10%	\$0 - \$9,525	\$0 - \$19,050	10%	\$0 - \$9,525	\$0 - \$19,050
15%	\$9,526 - \$38,700	\$19,051 - \$77,400	12%	\$9,526 - \$38,700	\$19,051 - \$77,400
25%	\$38,701 - \$93,700	\$77,401 - \$156,150	22%	\$38,701 - \$82,500	\$77,401 - \$165,000
28%	\$93,701 - \$195,450	\$156,151 - \$237,950	24%	\$82,501 - \$157,500	\$165,001 - \$315,000
33%	\$195,451 - \$424,950	\$237,951 - \$424,950	32%	\$157,501 - \$200,000	\$315,001 - \$400,000
35%	\$424,951 - \$426,700	\$424,951 - \$480,050	35%	\$200,001 - \$500,000	\$400,001 - \$600,000
39.6%	Over \$426,700	Over \$480,050	37%	Over \$500,000	Over \$600,000

Future Inflation Adjustments

Pre-Reform

Generally, tax brackets and many other tax code limits are inflation adjusted using the Consumer Price Index – Urban (CPI-U)

Post-Reform

Many of the limits to be indexed using Chained-CPI-U; does not expire in 2025

Standard Deduction and Personal Exemptions

Pre-Reform:

Standard deduction (single): \$6,500
Standard deduction (married): \$13,000

Personal exemption of \$4,150 phased out at higher income levels

Post-Reform:

Standard deduction (single): \$12,000
Standard deduction (married): \$24,000

Personal exemption repealed for all income brackets

Child Tax Credit

Pre-Reform:

Per qualified child: \$1,000
Credit phase-out (single) begins: \$75,000
Credit phase-out (married) begins: \$110,000

Post-Reform:

Per qualified child: \$2,000 (\$1,400 refundable)
Credit phase-out (single) begins: \$200,000
Credit phase-out (married) begins: \$400,000

Alternative Minimum Tax (AMT)

Pre-Reform:

Exemption amount (single): \$55,400
Exemption amount (married): \$86,200
Exemption phase-out (single) begins: \$123,100
Exemption phase-out (married) begins: \$164,100

Post-Reform

Exemption amount (single): \$70,300
Exemption amount (married): \$109,400
Exemption phase-out (single) begins: \$500,000
Exemption phase-out (married) begins: \$1,000,000

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Itemized Deductions

Pre-Reform

- Deductions allowed
- Deductions subject to “PEASE Limitation,” reducing availability at the following income levels:
 - (single) \$266,700
 - (married) \$320,000

Post-Reform

- Most miscellaneous itemized deductions previously subject to the 2% adjusted gross income (AGI) floor will not be allowed (e.g. tax preparation and investment expenses)
- “PEASE Limitation” is repealed
- Deduction for state and local taxes for income, sales, and property is limited to an aggregate of \$10,000 for married and single filers, \$5,000 for married filing separately

Mortgage Interest Deduction

Pre-Reform

- Allowable itemized deduction for interest on a principal residence and second mortgage up to \$500,000 (single filers) and \$1,000,000 (joint filers); limit applies on a combined basis
- Allowable itemized deduction for interest on Home Equity Line of Credit (HELOC) up to \$100,000

Post-Reform

- Allowable itemized deduction for interest on a principal residence and second residence mortgages up to a combined \$750,000
- Interest on a HELOC is no longer deductible
- Refinancing of grandfathered mortgages are grandfathered but cannot be refinanced beyond the original mortgage’s term/amount (some exceptions may apply)

Pass-through Deductions

Pre-Reform

Income received from partnerships, S corporations, or sole proprietorships is passed through to the owner’s individual tax return; taxed as ordinary income

Post-Reform

New 20% deduction for qualified business income (QBI) from a partnership, S corporation, or sole proprietorship

Charitable Deductions

Pre-Reform

Cash donation to public charities is deductible up to 50% AGI (adjustable gross income)

Post-Reform

Cash donation to public charities is deductible up to 60% AGI

Medical Expense Deduction

Pre-Reform

Floor of 10% AGI (adjusted gross income)

Post-Reform

Floor of 7.5% AGI (for tax years 2017 and 2018)



Capital Gain and Qualified Dividend Rate

Pre-Reform

20% maximum long-term capital gain and qualified dividend income rate, before 3.8% net investment income tax

Post-Reform

No change

Capital Gain Exclusion for Primary Residence

Pre-Reform

- For the sale of a primary residence - gain exclusion of up to \$500,000 (for joint filers); \$250,000 (for single filers)
- Taxpayer must own and use the home as a primary residence for 2 out of the previous 5 years
- Exclusion can be used once every 2 years

Post-Reform

No change

Gift, Estate, and Generation Skipping Transfer Tax Exemption

Pre-Reform

Estate, gift, and generation skipping transfer (GST) tax exemption: \$5.6 million per US domiciliary

Post-Reform

Estate, gift, and GST tax exemption: \$11.2 million per US domiciliary

Section 529 Plans

Pre-Reform

Distributions may be used for expenses relating to post-secondary education

Post-Reform

In addition to distributions for post-secondary education, distributions from 529 plans can be used for tuition related to public, private, or religious school enrollment or attendance at the elementary or secondary levels up to \$10,000 per year per student; does not expire in 2025

Individual Mandate for Health Insurance

Pre-Reform

Requires most Americans to purchase health insurance coverage and submit proof of healthcare coverage

Post-Reform

Repealed; does not expire in 2025

Alimony Payments

Pre-Reform

Alimony payments are deductible to the payer and included as taxable income to the recipient

Post-Reform

Beginning in tax year 2019, alimony payments will no longer be deductible to the payer nor taxable to the recipient

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