

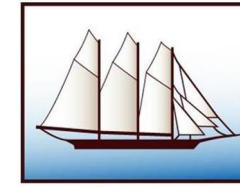
Key Tax Changes

From the Tax Cuts and Jobs Act*

Paul V. Ryan, Jr., CFP®
Managing Director
Flagship Wealth Advisors, LLC

301 Edgewater Pl Ste 400
 Wakefield, MA 01880

800-631-9997
 Paul@FlagshipWA.com
 www.FlagshipWA.com



TOPIC	NEW LAW	OLD LAW	COMMENTS
Tax deductions you counted on in the past may have been eliminated or changed			
Income tax brackets	7 brackets: 10–37%	7 brackets: 10–39.6%	Changes to paycheck withholding may need to be made
Standard deduction	\$12,000 (single) / \$24,000 (married filing jointly)	\$6,350 (single) / \$12,700 (married filing jointly)	Personal exemption is eliminated
Alternative Minimum Tax	\$70,300 (single) / \$109,400 (married filing jointly)	\$54,300 (single) / \$84,500 (married filing jointly)	Since most households will take the standard deduction, they will be less likely to pay the AMT
Medical expenses	Can deduct expenses that exceed 7.5% of AGI in 2018	Could deduct expenses that exceeded 10% of AGI	In 2019 the floor increases back to 10% of AGI
Miscellaneous itemized deductions	Eliminated	Could deduct moving expenses, investment fees, tax prep fees, casualty loss, etc.	Deductions were only permitted if they were at least 2% of AGI
Inflation measurement	Cost of living calculated by the Chained Consumer Price Index	Cost of living calculated by the Consumer Price Index	Chained CPI rises more slowly, meaning credits and deductions will be less valuable over time
Charitable giving	Cash contributions can be deducted up to 60% of AGI	Could only be deducted up to 50% of AGI	Charitable contributions are expected to decrease as a result of fewer people itemizing deductions
Where you live makes a big difference in how you are affected by the new rules on deducting state and local taxes (SALT)			
SALT deduction	Deduction is limited to \$10,000 for all state, local, property, and sales taxes. No inflation adjustment.	Unlimited ability to deduct SALT	High-tax states will feel the pinch. Some state governments are pursuing alternatives.
Mortgage interest	Can deduct interest on mortgage debt up to \$750,000; home equity loan interest is not deductible unless used in connection with home acquisition or improvement	Could deduct interest on mortgage debt up to \$1 million; could deduct the interest on up to \$100,000 of home equity loans	Increased homeownership costs need to be considered when buying a home

Copyright ©2018 Horseshoof, LLC. All rights reserved. Source: Tax Cuts and Jobs Act, Pub. L. No. 115-97. Horseshoof, LLC is not affiliated with the reprint licensee or any of its affiliates. Information contained herein is accurate as of 5/15/18. It is subject to legislative changes and is not intended to be legal or tax advice. Consult qualified tax advisors regarding specific circumstances. This material is furnished “as is” without warranty of any kind. Its accuracy and completeness are not guaranteed and all warranties expressed or implied are hereby excluded. *Seek legal, tax, and investment advice from qualified professionals. Most changes expire after 2025.

TOPIC	NEW LAW	OLD LAW	COMMENTS
Family-related tax rule changes regarding children, education, high-earning couples, divorce, retirement, and estate planning may need your attention			
Child tax credit	Receive a credit of \$2,000 per child, \$1,400 is refundable; phases out at \$200,000 (single) / \$400,000 (married filing jointly)	Received a credit of \$1,000, only partially refundable; phased out at \$75,000 (single) / \$110,000 (married filing jointly)	This applies to children 17 or younger at the end of the year, \$500 credit for other dependents
Kiddie tax	Earnings on a child's investment income over \$2,100 will be taxed at the same rates as trusts and estates	Earnings on a child's investment income over \$2,100 was taxed at the parents' rate	The tax applies to investment income of children under age 19, or 24 if full-time students
529 plans	Can distribute \$10,000 per year for private K-12 education	Distributions only allowed for post-secondary education	You can also roll over a 529 plan to a 529 ABLE account
Alimony	Alimony is no longer deductible for the payer nor is it considered income for the payee	Alimony was tax deductible for the payer and taxed as income for the payee	This applies to agreements executed after 2018
Roth IRAs	Not allowed to recharacterize a Roth IRA conversion	Could reverse a Roth conversion by tax due date	Will need to plan conversions more carefully
Retirement plans	Participants in a 401(k) or 403(b) plan have until the tax due date to repay or roll over a plan loan upon leaving the firm	Participants in a 401(k) or 403(b) plan had 60 days to repay or roll over a plan loan upon leaving the firm	If the loan is not rolled over or repaid it can go into default, triggering penalties and taxes
Estate tax exemptions	Top rate of 40% on estates over \$11.2M for individuals and \$22.4M for married couples (with portability)	Top rate of 40% on estates over \$5.6M for individuals and \$11.2M for married couples (with portability)	Only 8 in 1,000 estates are expected to owe federal estate taxes in 2018
Businesses face new opportunities regarding how they pay taxes and what deductions and depreciation they can claim			
Corporate tax rate	Top rate of 21%	Top rate of 39%	Corporate AMT is eliminated
Pass-through income	Small business owners receive a 20% deduction for pass-through business income	Small business owners paid income taxes based on the rate for individuals, up to 39.6%	The deduction phases out at \$157,500 (single) / \$315,000 (married filing jointly)
Expensing business assets	Can expense \$1 million on business assets	Could only expense \$500,000 of business assets	Changes to bonus depreciation and section 179 also give businesses more options for expensing property and equipment

Securities, insurance, and advisory services offered through Royal Alliance Associates, Inc., member FINRA/SIPC. Additional advisory services offered through Flagship Wealth Advisors, LLC. Royal Alliance is not affiliated with Flagship entity.