

# An individual overview of the “Tax Cuts and Jobs Act of 2017”

With Cameron Dunford, CIMA, CPWA

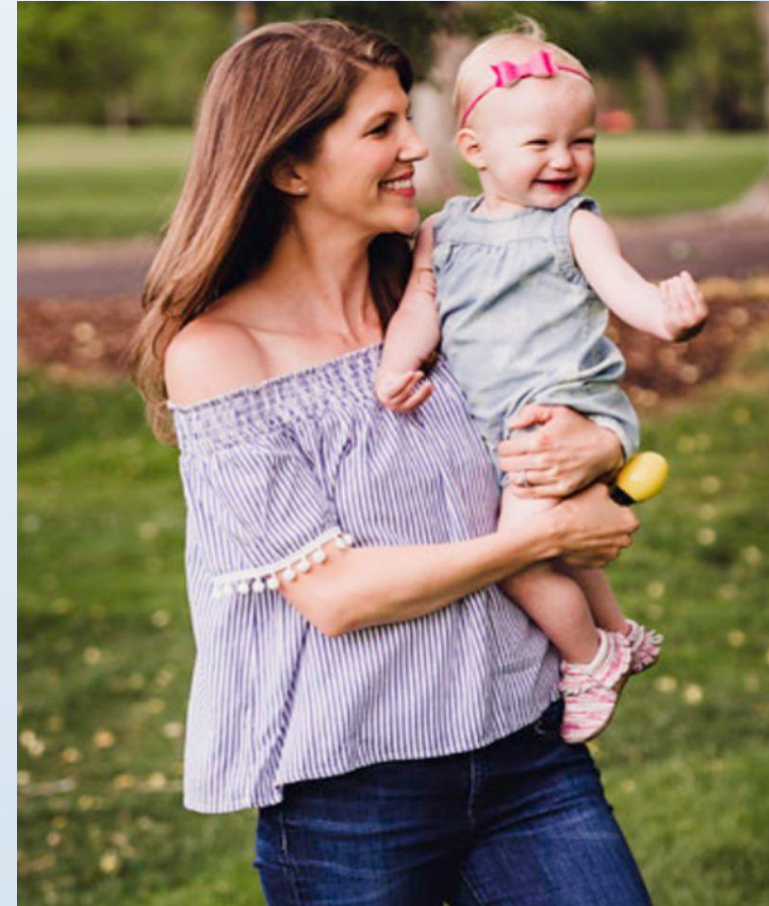
Hosted by:  VARRA FINANCIAL  
ASSOCIATES

Please note this presentation is not meant to act as individual tax advice, please consult with a tax professional for personal tax planning

# Tonight's Agenda

- Introduce myself to you as the newest member with Varra Financial
- Overview of our tax code, and how the “ Tax Cuts and Jobs Act” (TCJA) was passed
- Focus on Individual tax changes
- Provide Next Steps

# A quick introduction- (Personal/ Professional)



# Tax Cuts and Jobs Act

- Passed by the House on November 17<sup>th</sup>
- Passed by the Senate on December 2<sup>nd</sup>
- Conference Agreement filed December 15<sup>th</sup>
- Signed into law by President Trump on December 22<sup>nd</sup>
  - Corporate Tax Reform
  - Individual Tax changes that sunset in 2025 (May lead to additional reform later)

Source of dates: [kitces.com/IWIWEBQ1](https://www.kitces.com/IWIWEBQ1)

# Why did we change our tax code?

## THE EVOLUTION OF THE TAX CODE

- Tax legislation goes through cycles of growing complexity, followed by simplification

A horizontal timeline illustrating the evolution of the tax code. The timeline is a bar divided into five segments: blue (1913-1939), green (1939-1954), yellow (1954-1986), orange (1986-2017), and a final blue segment (2017). Vertical arrows point to the start of each segment with corresponding text labels above them.

Year	Event
1913	Income Taxes Begin With 16th Amendment
1939	Internal Revenue Code of 1939
1954	Internal Revenue Code of 1954
1986	Internal Revenue Code of 1986
2017	Tax Cuts & Jobs Act of 2017

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Source: <https://www.kitces.com/blog/final-gop-tax-plan-summary-tcja-2017-individual-tax-brackets-pass-through-strategies/>

# New vs Old Individual Rates under the “TCJA” for Single Filers

## Old Vs. New Tax Brackets For Single Filers

Old brackets		New brackets	
Taxable income	Tax rate	Taxable income	Tax rate
\$0-\$9,525	10%	\$0-\$9,525	10%
\$9,526-\$38,700	15%	\$9,526-\$38,700	12%
\$38,701-\$93,700	25%	\$38,701-\$82,500	22%
\$93,701-\$195,450	28%	\$82,501-\$157,500	24%
\$195,451-\$424,950	33%	\$157,501-\$200,000	32%
\$424,951-\$426,700	35%	\$200,001-\$500,000	35%
\$426,701+	39.6%	\$500,001+	37%

Sources: docs.house.gov, taxfoundation.org

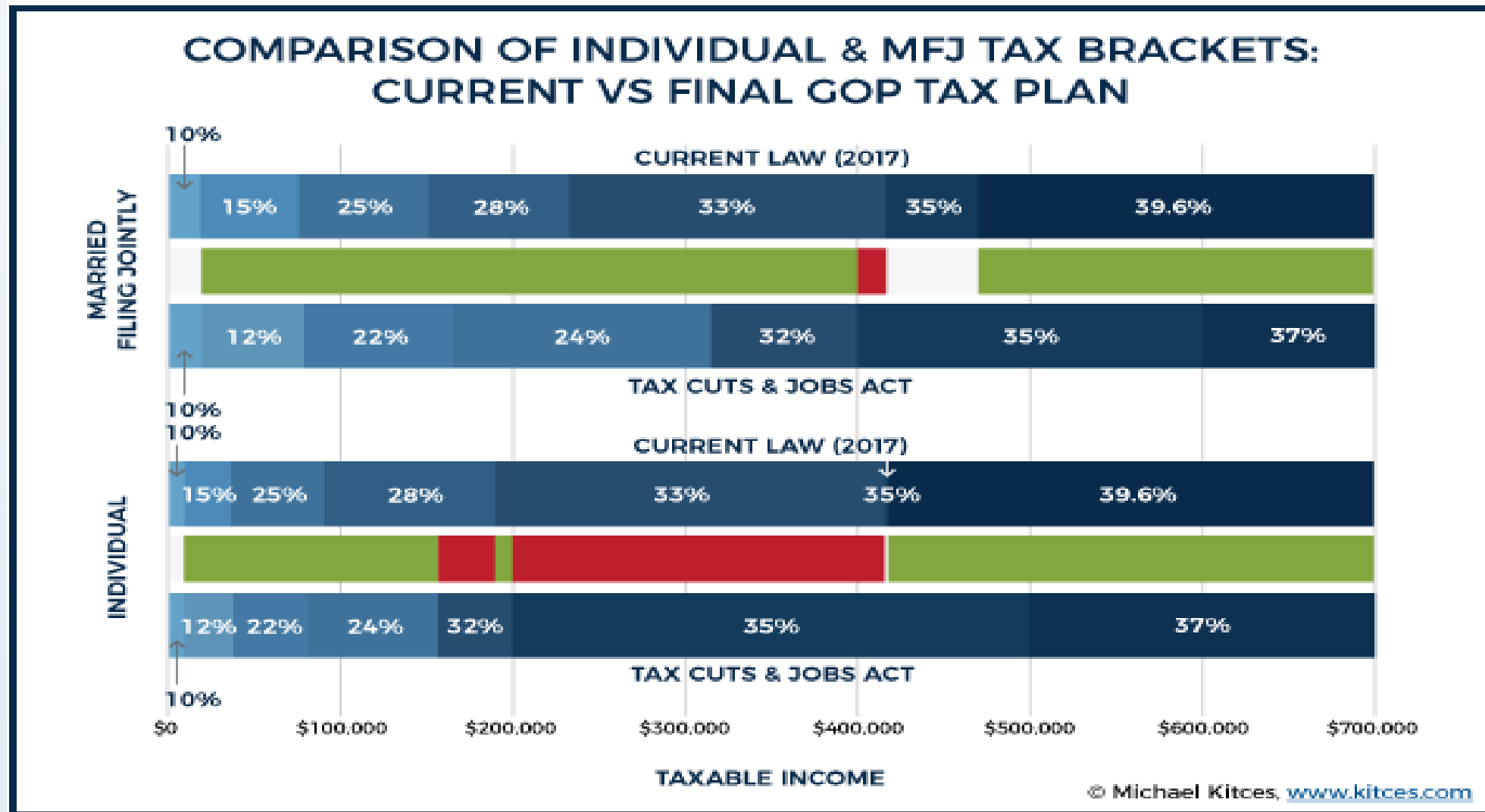
# New vs Old Individual Rates under the “TCJA” for MFJ Filers

## Old Vs. New Tax Brackets For Marrieds Filing Jointly

Old brackets		New brackets	
Taxable income	Tax rate	Taxable income	Tax rate
\$0-\$19,050	10%	\$0-\$19,050	10%
\$19,051-\$77,400	15%	\$19,051-\$77,400	12%
\$77,401-\$156,150	25%	\$77,401-\$165,000	22%
\$156,151-\$237,950	28%	\$165,001-\$315,000	24%
\$237,951-\$424,950	33%	\$315,001-\$400,000	32%
\$424,951-\$480,050	35%	\$400,001-\$600,000	35%
\$480,051+	39.6%	\$600,001+	37%

Sources: docs.house.gov, taxfoundation.org

# Potential winners and losers of the bill



Source: <https://www.kitces.com/blog/final-gop-tax-plan-summary-tcja-2017-individual-tax-brackets-pass-through-strategies/>



# What about Trusts and Estates?

## NEW TAX BRACKETS FOR TRUSTS & ESTATES UNDER FINAL GOP TAX PLAN

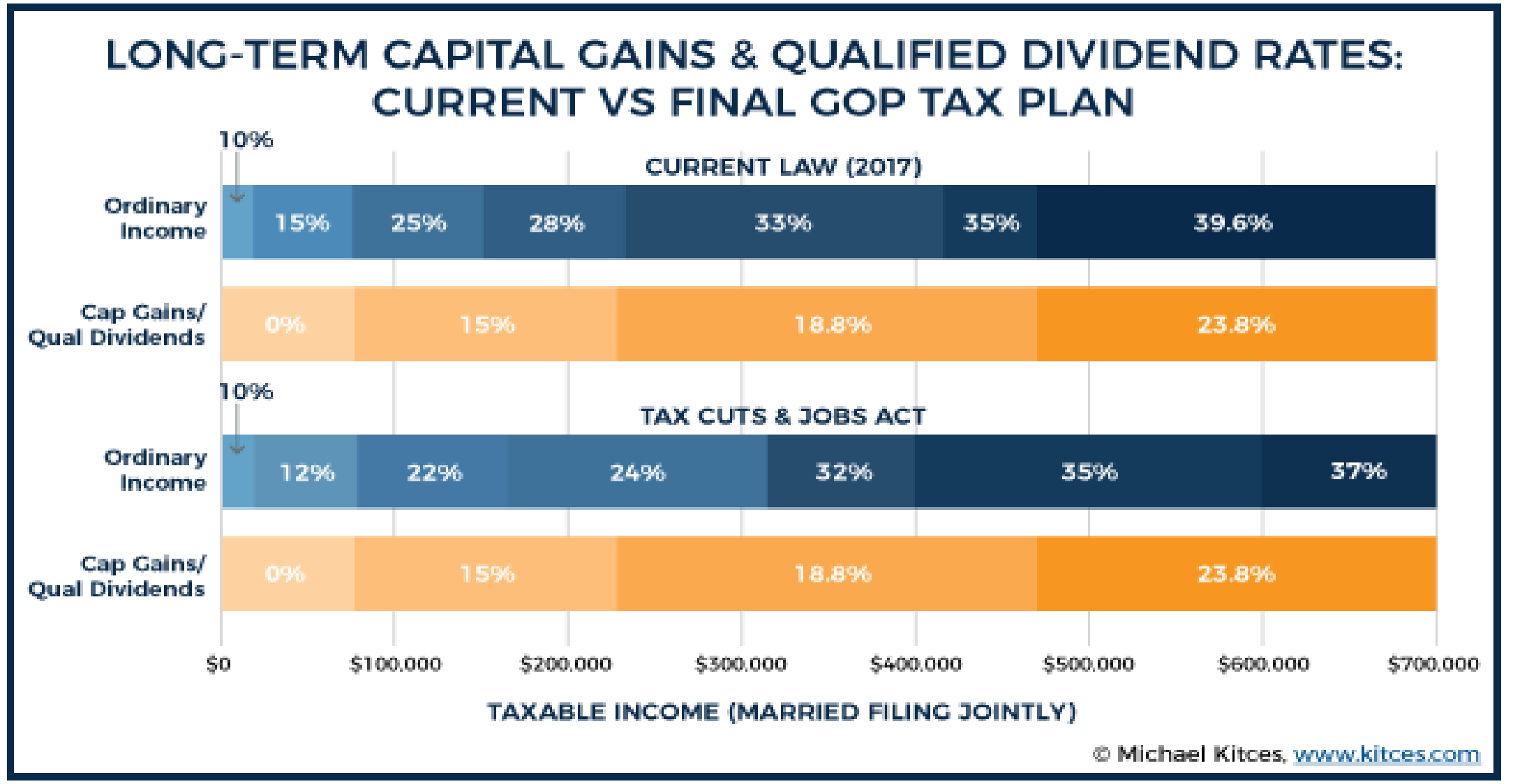
Estates and Trusts	
Not over \$2,550	10% of the taxable income
Over \$2,550 but not over \$9,150	\$255 plus 24% of the excess over \$2,550
Over \$9,150 but not over \$12,500	\$1,839 plus 35% of the excess over \$9,150
Over \$12,500	\$3,011.50 plus 37% of the excess over \$12,500

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Source: Joint Explanatory Statement of the Committee of Conference  
regarding the Tax Cuts and Jobs Act (Dec. 16, 2017)

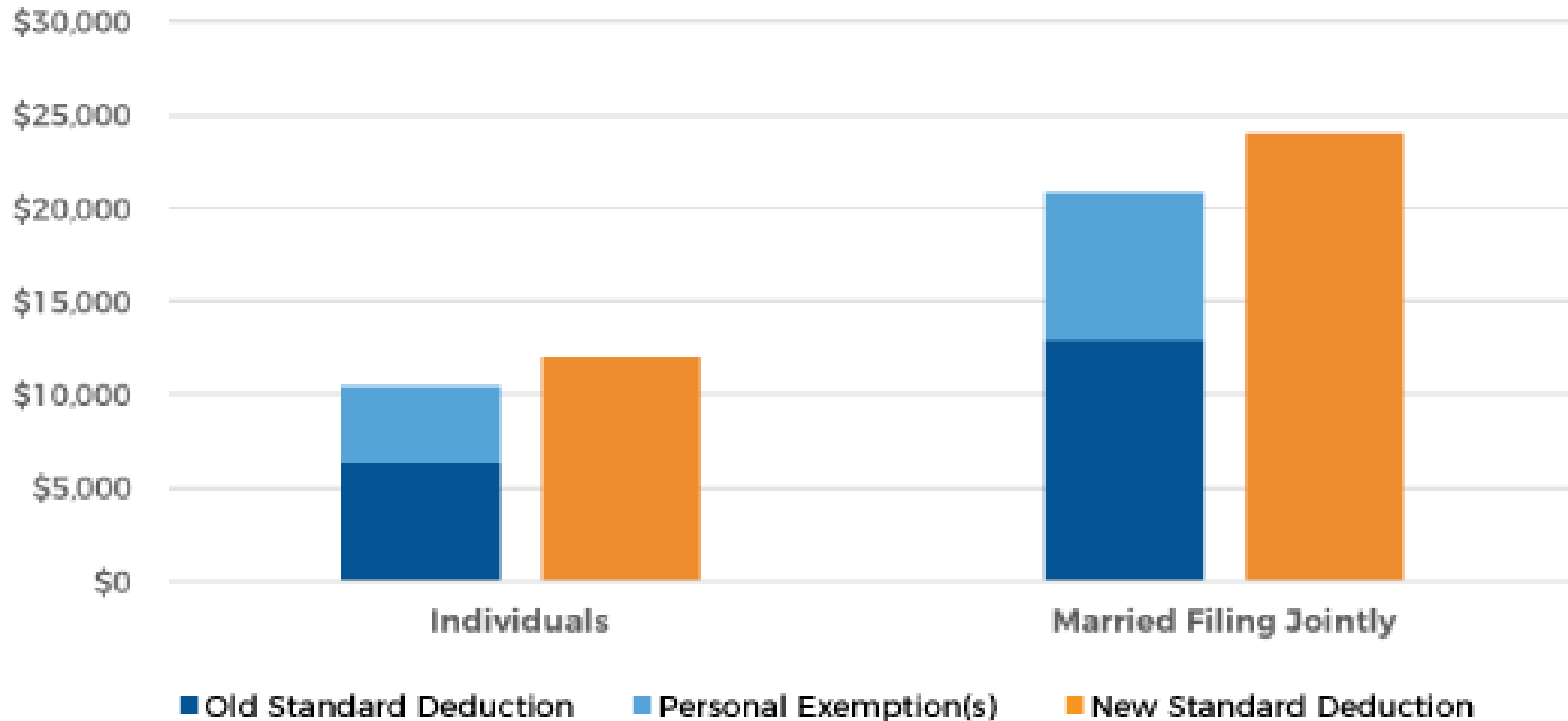
Source: <https://www.kitces.com/blog/final-gop-tax-plan-summary-tcja-2017-individual-tax-brackets-pass-through-strategies/>

# How are Long-Term Capital Gains and Qualified Dividends treated?



Source: <https://www.kitces.com/blog/final-gop-tax-plan-summary-tcja-2017-individual-tax-brackets-pass-through-strategies/>

## CONSOLIDATED STANDARD DEDUCTION UNDER TCJA VS CURRENT LAW W/ PERSONAL EXEMPTIONS



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Source: <https://www.kitces.com/blog/final-gop-tax-plan-summary-tcja-2017-individual-tax-brackets-pass-through-strategies/>

# Personal Deductions- Standard Deductions

	<b>Rules for 2017</b>	<b>New rules for 2018-2025</b>
Standard deduction	\$6,350 per individual \$12,700 married couple filing jointly (MFJ)	\$12,000 per individual \$24,000 married couple filing jointly
Child tax credit	\$1,000	\$2,000
Senior citizens (over age 65)	Additional \$1,550 (single) Additional \$2,500 (Couple MFJ, both spouses over age 65)	Additional \$1,600 (single) Additional \$2,600 (Couple MFJ, both spouses over age 65)
Dependent tax credit	None	\$500 per non-child dependent

Source: Fidelity research 12/22/2017 <https://www.fidelity.com/viewpoints/personal-finance/tax-proposal-details>

# What if I Itemize?

Source: Fidelity research  
12/22/2017 <https://www.fidelity.com/viewpoints/personal-finance/tax-proposal-details>

Deductions and credits	Rules for 2017	New rules
Mortgage interest	\$1 million primary, and second homes and some home equity debt	Limited to \$750,000 of mortgage debt for primary and secondary homes (no change for existing mortgages). This provision would be applicable for taxable years after December 31, 2017 and beginning before January 1, 2026, when the limit would return to \$1,000,000.
Home equity home interest	Limited to interest on \$100,000 of debt	Eliminated (does not apply to home equity loans for substantial home improvements that comply with debt limit)
State and local tax deduction	Deductible	Capped at \$10,000 for sales and state and local property taxes or sales and state and local income taxes
Medical expense deduction	Deductible if >7.5% of AGI	Expenses greater than 7.5% of AGI could be deducted for 2017 and 2018.
Adoption expense tax credit	Expenses up to \$13,570 qualify	No change

# Changes to the Child Tax Credit

Child Tax Credit		
	Pre-existing law	New law
Maximum credit	\$1,000	\$2,000
Non-child dependents	N/A	\$500
Maximum refundable	\$1,000	\$1,400 indexed
Refundable earned income threshold	\$3,000	\$2,500
<i>Credit phaseout threshold</i>		
Single/head of household	\$75,000	\$200,000
Married filing jointly	\$110,000	\$400,000
Married filing separately	\$55,000	\$200,000

Source: <http://personalfinance.janney.com/2017/12/tax-cuts-and-jobs-act.html>

# AMT- Changes

Alternative Minimum Tax (AMT)		
	Pre-existing law	New law
Maximum AMT exemption amount	\$86,200 (MFJ), \$55,400 (Single/HOH), \$43,100 (MFS)	\$109,400 (MFJ), \$70,300 (Single/HOH), \$54,700 (MFS)
Exemption phaseout threshold	\$164,100 (MFJ), \$123,100 (Single/HOH), \$82,050 (MFS)	\$1,000,000 (MFJ), \$500,000 (Single, HOH, MFS)
26% rate applies to AMT income (AMTI) at or below this amount (28% rate applies to AMTI above this amount)	\$191,500 (MFJ, Single, HOH), \$95,750 (MFS)	\$191,500 (MFJ, Single, HOH), \$95,750 (MFS)

Source: <http://personalfinance.janney.com/2017/12/tax-cuts-and-jobs-act.html>

# Other Miscellaneous Changes

- Individual Mandate repealed
- 529 College Savings Plans may be used for Private elementary or secondary school.
- Alimony Treatment reversed in 2019
  - Alimony becomes non deductible & not income in 2019
  - Existing agreements are grandfathered in



# Gift and Estate Tax

Unified Gift and Estate tax exemption is doubled for 2018

- \$11,180,000 for an individual and \$22,360,000 for married couples starting in 2018
- Portability remains
- 40% Top bracket rate remains unchanged

## A Few Items To Consider

- **Rethink your mortgages and deductions**
- **Look at your educational expenses**
- **Estate tax review**
- **Timing Charitable giving/ gifting strategies**
- **Small-business owners and entity structure**

# Next Steps

- Lets take a closer look at your personal situation. Now is the time to develop strategy.
- If you have family or friends who are in similar positions our doors are always open

# Disclosures Slide

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