10 THINGS INDIVIDUALS NEED TO KNOW ABOUT THE LATEST TAX BILL

(TAX CUTS AND JOBS ACT OF 2017)

By Mark Lamoriello, AIF® | President, Chief Investment Officer

Just before the end of the year, and after making last-minute changes, members of Congress passed a sweeping tax bill. What this means for your own tax liability depends on your individual situation.

As you plan your finances for this year, make sure to incorporate some of the realities from the new tax law.

While there is plenty to dissect in the legislation, there are 10 things to pay special attention to.

---

1 | Individual Tax Cuts Expire at the End of 2025 First, it's important to realize that individual tax changes are set to expire in 2025. So, even though the non-partisan Joint Committee on Taxation (JCT) estimates that most families will see lower taxes by 2019, those benefits may disappear—or even result in comparatively higher taxes—by 2027.

It's possible that a future Congress will extend the individual tax cuts, but it's not a certainty. Incorporate the tax breaks into your planning for the next few years, but don't necessarily count on them for long-term planning.

2 | New Marginal Tax Brackets While there was discussion about reducing the number of tax brackets to four, in the end members of Congress kept seven tax brackets. However, there are new rates. The new brackets are 10%, 12%, 22%, 24%, 32%, 35%, and 37%. There are also lower tax brackets for estates and trusts. Consult the new tax tables to see where you fall based on your income and filing status.

3 | Higher Standard Deduction The new tax bill nearly doubles the current standard deduction. For those who itemize heavily, this might not mean an end to using Schedule A. However, some filers might decide to stop itemizing. Pay attention to your new standard deduction, based on your filing status, to see whether or not it makes sense to stop itemizing.

4 | Cap on Certain Itemized Deductions For those who still plan to itemize, realize that there is a cap on certain itemized deductions. Filers claiming deductions for state and local taxes (including property taxes) will now be capped at $10,000. Before, the amount eligible for deduction was unlimited.

On top of that, the mortgage interest deduction has been lowered as well. If you already own a home, you don't have to worry about this. However, if you buy a home going forward, you can only deduct the interest on the first $750,000 of mortgage debt.

5 | Pass-Through Income Tax Break If you have a pass-through business (such as an LLC, S-Corp, Partnership or Sole Proprietorship), you can claim a deduction of 20% of your income on your individual taxes. There are some caveats to this rule, however.

For those in service businesses, you can only claim the deduction if your taxable income is less than $315,000 (filing jointly) or $157,500 (filing single). On top of that, if you draw a salary as part of your pass-through, you won't be able to claim that as part of the deduction.

There are also rules about how much income even qualifies for the deduction.

The tax break tends to favor passive business owners over those who are actively involved in the management of the business. A business tax professional should be able to help you figure out how to best structure your business and your pay to avoid running afoul of the IRS over this new rule.

6 | New Uses for the 529 Savings Account The 529 is no longer just for college-related expenses. The new tax bill allows for up to $10,000 annually to be used for costs related to sending your child to a private or religious elementary or secondary school. In addition, you are permitted to use 529 funds for homeschool expenses as well.

7 | Say Goodbye to the Personal Exemption Currently, tax law allows you to claim $4,050 for yourself, your spouse, and each of your dependents. That's no longer the case. While the higher standard deduction and expanded child tax credit are supposed to help offset the loss of the personal exemption, it might not be enough. Once you figure in the loss of the exemptions, you might discover that your tax break is smaller than you thought.

8 | Double the Child Tax Credit The child tax credit is now available to married couples that make up to $400,000 a year, and single filers up to $200,000 a year. It's also been doubled to $2,000—$1,600 of which is refundable. Realize, though, that this move also combines the Additional Child Tax Credit, which disappears under the new tax law.

9 | Estate & Gift Tax Exemptions Doubled Although there were proposals to repeal the estate tax, the final legislation doubles the exemption amounts from their current levels. This changes the individual estate tax exemption from the scheduled $5.6M for individuals to $11.2M in 2018 (or $22.4M for married couples.) Note that the increased exemption is not retroactive and only applies to those who pass away after December 31, 2017.

10 | 401(k)/IRA Contributions Remain and Roth IRA Rechacterization Eliminated The tax reform bill maintains contributions to 401(k)'s, IRA's and other retirement accounts. However, there will be changes to how Roth conversions operate. One popular strategy is to convert Traditional IRA assets into Roth IRA assets. However, if you reach the end of the year, and realize the tax situation doesn't work for you, it was possible to recharacterize your Roth back into a Traditional. That's not an option moving forward. You can still convert your Traditional assets into a Roth, but once you decide to convert, your funds must remain Roth IRA assets.

For more information, please call **407.585.1160**

www.lamcoadvisory.com

