Highlights:
Tax Cuts and Jobs Act of 2017

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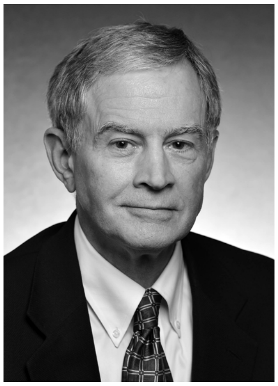

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The "Tax Cuts and Jobs Act of 2017" has been passed by Congress and signed into law by the President. The legislation's primary purpose is corporate tax reform and middle class tax relief. Individuals' tax bills will experience changes with some paying more and some paying less depending on their specific situation. Overall, most individuals will experience a reduction in Federal income tax beginning in 2018.

Individual Income Tax Rates Changed

For tax years beginning after December 31, 2017, and before January 1, 2026, there are new tax rates. Below are some of the tax rate changes under the new law versus the 2017 tax rates. The method that the IRS uses to index tax brackets will be changed from the Consumer Price Index for All Urban Consumers (CPI-U) to the "chained" CPI-U (C-CPI-U). The chained CPI-U generally grows at a slower pace and will result in smaller bracket adjustments going forward.

Standard Deduction Increased and Personal Exemptions Eliminated

The standard deduction is increased to $24,000 for couples and $12,000 for single taxpayers. The personal exemption, which was scheduled to be $4,150 for 2018, is suspended. This will simplify tax filings for many individuals who currently itemize as the new standard deduction amount will likely exceed many taxpayers' itemized deductions.

Individual Income Tax Rate Changes

2017 Tax Year						Tax Years After 2017 and Before 2026					
Single			Married Filing Jointly			Single			Married Filing Jointly		
Ordinary Income Tax Rate	Taxable Income Over	But Not More Than	Ordinary Income Tax Rate	Taxable Income Over	But Not More Than	Ordinary Income Tax Rate	Taxable Income Over	But Not More Than	Ordinary Income Tax Rate	Taxable Income Over	But Not More Than
10%	$-	$9,525	10%	$-	$19,050	10%	$-	$9,525	10%	$-	$19,050
15%	$9,525	$38,700	15%	$19,050	$77,400	12%	$9,525	$38,700	12%	$19,050	$77,400
25%	$38,700	$93,700	25%	$77,400	$156,150	22%	$38,700	$82,500	22%	$77,400	$165,000
28%	$93,700	$195,450	28%	$156,150	$237,950	24%	$82,500	$157,500	24%	$165,000	$315,000
33%	$195,450	$424,950	33%	$237,950	$424,950	32%	$157,500	$200,000	32%	$315,000	$400,000
35%	$424,950	$426,700	35%	$424,950	$480,050	35%	$200,000	$500,000	35%	$400,000	$600,000
39.6%	$426,700		39.6%	$480,050		37%	$500,000		37%	$600,000	

Capital Gains and Qualified Dividend Provisions Retained

The new law generally retains present maximum rates on net capital gains and qualified dividends. It retains the breakpoints under the previous law for the 0% bracket as well as the maximum 20% rate. The 3.8% Net Investment Income Tax still applies for investment income over $200,000 for singles and $250,000 for those married filing jointly.

Pass-Through Income Deduction Added

The new law permits a deduction equal to 20% of domestic qualified business income from pass through entities. This deduction will not include business income related to professional services types of business.

Alternative Minimum Tax Exemptions Raised

Despite talk that Alternative Minimum Tax would be eliminated for individuals, it is retained under the new law. The exemption amounts under the new law have been raised to $109,400 (from $86,200) for married filing jointly and to $70,300 (from $55,400) for single taxpayers.

Kiddie Tax Modified

The application of the kiddie tax has not changed but the new act changes the way in which children subject to the kiddie tax will compute their tax liability. Under the new law, a child's earned income will be taxed using the rates for single individuals and net unearned income will be taxed using the tax brackets applicable to trusts and estates.

Estate and Gift Tax Exemption Doubled

The estate and gift tax exemption amount has been doubled. For 2018, the new exclusion amount for estate and gift taxes is $11.2 million per person. The new law does not mention generation skipping transfers but since the generation exclusion is based on the estate and gift tax exclusion, it will also be increased. The doubling of the current exemptions is applicable for decedents passing away and gifts made after December 31, 2017, and before January 1, 2026. The temporary increase in the exclusion provides a window to maximize exclusions for large estates through gifting.

State and Local Tax Deduction Limited

The combined itemized deduction for property, state and local income tax, and sales tax will be limited to $10,000. This controversial change negatively affects taxpayers who live in high-tax states like New York and California and favors low-tax states like Tennessee.

Limits on Mortgage Interest Deduction Changed

The mortgage interest deduction will be available for mortgages up to $750,000 from the prior level of $1 million. Existing mortgages will be grandfathered in. Interest deductions on home equity indebtedness would not be tax deductible for tax years beginning after 2017 and before 2026. There are some transitional rules for homes under contract as of December 15, 2017, and closed before April 1, 2018.

Miscellaneous Itemized Deductions and Itemized Deduction Limitation Suspended

For tax years beginning after December 31, 2017, and before January 1, 2026, the deduction for miscellaneous itemized deductions subject to the 2% floor is suspended. The 3% reduction on itemized deductions for higher income taxpayers referred to as the Pease limitation is also suspended.

Medical Expense Threshold Temporarily Reduced

Under the new law, for the 2017 and 2018 tax years the threshold on the medical expense deduction is reduced to 7.5% of adjusted gross income (AGI) from the current limit of 10% of AGI. The rule limiting the medical expense deduction to 10% for alternative minimum tax purposes will not apply for these tax years.

Charitable Deduction Limitation Increased

For tax years 2018 through 2025, the 50% limitation for cash contributions to public charities and certain private foundations is increased to 60% from 50% of AGI. It also denies charitable deduction payments made for college athletic seating rights.

Deduction for Personal Casualty and Theft Losses Suspended

For tax years beginning after December 31, 2017, and before January 1, 2026, the personal casualty and theft loss is suspended, except for personal casualty losses incurred in a federally declared disaster area.

Obamacare Individual Mandate Repealed

For months after December 31, 2018, the amount of the shared responsibility payment is reduced to zero. This repeal is permanent. The act, however, leaves the 3.8% net investment income tax and the 0.9% additional Medicare tax on adjusted gross incomes above $200,000 for singles and $250,000 for married couples intact. ■

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