

Federal Tax Reform

Final Conference Report

- Changes for Businesses
 - Corporate Tax lowered to 21% from 35%
 - Pass-through businesses get a standard deduction of 20%
 - Up to \$157,500 for single filer/\$315,000 for joint
 - Corporate Alternative Minimum Tax is repealed
 - Depreciable assets can have their full cost deducted in one year instead of amortizing them over several years.
 - This is only for equipment purchased between 9/27/2017-1/1/2023
 - Does not apply to structures
 - Small business Section 179 expensing cap increased to \$1 million (from \$500,000)
- Income Taxes
 - Income tax rate lowered in almost every bracket (see chart below for new rates)
 - These changes expire in 2025 unless renewed
 - Standard Deduction doubled to \$12,000 for single filers and \$24,000 for joint
 - Deductions
 - State and Local Taxes
 - Can deduct up to \$10,000 of property tax and state income/sales tax
 - Charitable contributions deduction kept
 - Mortgage interest deduction kept, but lowered from the first \$1 million to the first \$750,000 of home value
 - No change for current mortgages
 - Deduction for a second home kept as well
 - Retirement savings kept
 - Student loan interest kept
 - Deduction for medical expenses kept and expanded
 - Anyone whose medical expenses are 7.5% of their income or more can deduct them, down from 10% of income
 - Almost all other deductions eliminated
 - 94% of taxpayers expected to take the new standard deduction
 - Children/Dependents
 - Eliminates personal and dependent exemption of \$4,150
 - Child tax credit increased from \$1,000 to \$2,000, income threshold increased to \$400,000
 - \$500 credit for each non-child dependent (elderly, child over 17, adult child with a disability)
 - Estate tax exemption doubled to \$11.2 million for singles and \$22.4 for couples, but tax is not repealed
- Energy
 - Allows oil drilling in a small portion of the Arctic National Wildlife Refuge (ANWR)
 - Tax credits for electric vehicles and wind farms retained
- Repeals the federal individual mandate for health insurance
- Lowers federal taxes on beer, wine, and liquor
- \$1.5 trillion in cuts (total)
 - Hope is that it will stimulate economic growth that will lead to more revenue, reducing impact on the debt to only around \$450 billion. More realistic estimates say half that.
 - House vote was 227-203, NJ delegation 11-1 against

Income Level			
Single Filing	Joint-Filing	Current	New Law
up to \$9,525	up to \$19,050	10%	10%
\$9,525-\$38,700	\$19,050-\$77,400	15%	12%
\$38,700-\$82,500	\$77,400-\$165,000	25%	22%
\$82,500-\$157,500	\$165,000-\$315,000	28%	24%
\$157,500-\$200,000	\$315,000-\$400,000	33%	32%
\$200,000-\$500,000	\$400,000-\$600,000	33-35%	35%
\$500,000+	\$600,000+	39.6%	37%