

What You Need to Know Today About the Tax Bill Passed Wednesday

The bill is HUGE!!!!

You may or may not have heard that after a second vote the \$1.5 trillion dollar tax bill was passed on Wednesday, clearing the way for the President to sign into law what some are calling the largest tax overhaul in decades. The bill was approved by house lawmakers 224 to 201.

What do I need to know today about the tax bill touted by Donald Trump as a "historic victory for the American People?"

- **Corporate Tax-** The tax bill cuts corporate rates from 35% to 21%. Wells Fargo and Fifth Third Bancorp have already announced a raise to their lowest paid workers up to \$15 an hour since the bill was passed. AT&T has announced massive bonuses and increased capital spending. Comcast also followed suit, committing to more than \$50 billion in infrastructure improvements.
- **Individual Tax Cuts-** The bill preserves seven tax brackets, but changes the rates that apply. Over 80% of Americans will get a tax cut next year under the Republican tax bill (according to findings by The Tax Policy Center.) Due to Senate regulations on how much legislation can add to the nation's deficit these tax cuts, however, have an expiration date of 2025 (although most of the corporate provisions do not have an expiration date.)
- **State and Local Taxes-** The tax bill limits taxpayers to deductions of only \$10,000 in state and local taxes from their federal tax returns.
- **The Standard Deduction-** In this bill the standard deduction is nearly doubled. For single filers the bill increases the standard deduction of \$6,450 to \$12,000. For married couples filing jointly, the standard deduction changes from \$12,700 to \$24,000. This will decrease the number of filers who choose to itemize deductions, since the only reason to do so is if deductions exceed the standard deduction.
- **Personal Tax Exemption-** Previously, you could claim a \$4,050 personal exemption for yourself, each of your dependents and your spouse. The bill removed this exemption.
- **Child Tax Credit-** The bill doubled the child tax credit to \$2,000. The entire credit can be claimed by single parents who make up to \$200,000 and married couples who make up to \$400,000.
- **New Tax Credits-** The tax bill introduced a new temporary tax credit of \$500 for non-child dependents (children over 17, elderly parents, or adult children with disabilities.)
- **Alternative Minimum Tax-** Fewer people will have to deal with alternative minimum tax. The exemption was raised to \$109,400 for married couples and \$70,300 for singles.
- **Mortgage Interest Deductions-** This bill lowered the mortgage interest deduction. Anyone buying a new home will only be able to deduct the first \$750,000 of their mortgage debt. This does not effect current homeowners.
- **Student Loan Interest-** The bill did not change this. The deduction of student loan interest up to \$2500 per year is still in tact.
- **Medical Expense Deductions-** The new tax bill expands medical deductions for two years. Filers can deduct medical expenses that add up to more than 7.5% of adjusted

gross income, a threshold that was lowered from deductions in excess of 10% of adjusted gross income in previous tax law.

- **529 Plan Changes-** 529 educational savings accounts can now be used in new ways. The new tax bill allows \$10,000 to be distributed annually to cover the cost of sending children to public, private, or religious elementary or secondary schools (previously this could only be used for college expenses.)
- **Estate, Gift and Generation-Skipping Taxes-** The new tax bill temporarily (through 2025) increased the \$5 million dollar base set in 2011 to a new \$10 million dollar base. Under current law, each person had a \$5.6 million exemption in 2018. Now, each person will have an \$11.2 million exemption (for couples think \$22 million.)
- **Affordable Care Act-** The tax bill removed the Affordable Care Act's requirement that people without health insurance must pay a penalty.

This bill will not affect 2017 taxes- so no need to get excited or upset this year! If you want to read more about the new tax bill I found the following article to be both informative and well written:

https://www.wsj.com/article_email/this-tax-bill-may-do-some-good-1513899773-IMyQjAxMTI3MDIwMjcyODI5Wj/

This article was not written by an accountant or any type of accounting professional and should not be taken as fact. We are not tax advisors, this is our initial understanding of the tax bill. Please do your research and consult your accountant for more details and the latest information. This article was written by Suzanne Snyder based on information found in the following sources:

<https://www.congress.gov/bill/115th-congress/house-bill/1/text>

<https://www.forbes.com/sites/ashleaebeling/2017/12/21/final-tax-bill-includes-huge-estate-tax-win-for-the-rich-the-22-4-million-exemption/#59974abd1d54>

<https://www.nytimes.com/2017/12/20/us/politics/tax-bill-republicans.html>

<http://money.cnn.com/2017/12/20/news/economy/republican-tax-reform-everything-you-need-to-know/index.html>

<http://money.cnn.com/2017/12/20/pf/private-school-529-tax-bill/index.html>

<https://townhall.com/tipsheet/guybenson/2017/12/19/leftleaning-scorekeeper-so-the-gop-tax-bill-cuts-taxes-for80-percent-of-americans-n2424201>

By Suzanne Snyder
12/22/17