



WEALTH MANAGEMENT



Tax Cuts and Jobs Act of 2017

(In effect for 2018 tax year)

- **The top individual tax rate is lowered to 37 percent. Seven brackets remain ranging from 10 percent to 37 percent**
- **Long-term capital gain tax rates (0%, 15%, 20%) remain. Net investment income tax of 3.8% still applies. Short term capital gains still taxed as ordinary income.**
- **Withholding tables have been updated for 2018. CAUTION: Do not assume these tables will estimate tax liability correctly, especially if two spouses working, and/or more than 2 kids.**
- **Combined property & state income tax deduction limited to \$10k**
- **All miscellaneous itemized deductions are repealed**
 - No deduction for investment advisor fees, tax prep fees, attorney fees, etc.
- **Standard deduction of \$12K Single/\$24K MFJ**
 - Exemptions repealed
- **Child tax credit increased to \$2k/per child**
 - AGI phaseout at \$400K MFJ (\$200K Single)
 - New \$500 credit for college-aged children, or dependent parents
- **Mortgage debt limit of \$750K to deduct mortgage interest**
 - For new mortgages taken out after 12.15.17
- **HELOC interest will no longer be deductible after 2017**
 - HELOC used for improvements OK
- **Medical expenses will be deductible for 2017 & 2018**
 - 7.5% Of AGI for 2017 & 2018
- **AMT remains for individuals (Repealed for corporations only)**
- **Estate & gift tax exemption increases to \$11.2 Million (individual) and \$22.4 Million (MFJ)**
 - Annual gift exclusion = \$15K
- **Reversal of alimony treatment (not deductible to payor, not includable in income of recipient)**
 - For new divorce agreements after 12/31/2018 (i.e.. starting in 2019 and beyond)
- **Recharacterizations of Roth IRA conversions repealed**
 - Ok to correct excess contributions
- **Kiddie taxes on unearned income will use trust tax rates, not parent's rates (Unearned income threshold is relatively unchanged at \$2,100)**
 - Highest tax bracket kicks in at \$12,500 taxable income
- **The corporate tax rate changed to a flat 21 percent rate**
- **Certain individuals with pass-through businesses may be allowed to deduct up to 20 percent of the income, with complex limitations, especially for service businesses.**

CA has not conformed to any of the new federal tax laws