2018 Tax Reform

*Significant tax reformation last occurred in 1986, under the Reagan administration. Thirty-two years later, we are not surprised that new tax legislation has arrived. If you prefer not to wade through countless articles and books to decipher how the **Tax Cuts & Job Acts of 2017** might impact you, continue reading. We have laid out what we consider to be the highlights of the individual income tax changes, effective January 1, 2018. (We are purposely not addressing any changes made to corporate tax law.)*

- Seven tax brackets remain; however, most are decreased by a few percentage points (to a top rate of 37% vs. 39.6%).
- For most people, the new brackets will result in at least a small reduction in marginal rates.
- The standard deduction is expanded (from $12,700 to $24,000 per year for married couples), but personal exemptions are repealed altogether (previously $8,100 for married couples with no dependent children). As a result:
- Fewer filers will claim itemized deductions at all.
- Some strategies, such as "charitable lumping" and/or Qualified Charitable Distributions, might increase in popularity.
- Most common itemized deductions remain, but are now more limited:
- There is now a $10,000 limit, for both individuals and married couples, on the *combined* total of property taxes (including real estate) and state and local income taxes (SALT).
- Mortgage interest deductions are now limited to the first $750,000 of acquisition debt principal (down from $1 million), applicable only to *new* mortgages taken out after December 15, 2017.
- Home equity indebtedness no longer offers deductible interest.
- *All* miscellaneous itemized deductions (subject to the 2% of AGI floor) have been repealed.
- Deduction rules for *cash* donations to public charities and medical expenses are slightly more favorable than in past law.
- The Child Tax Credit is doubled (from $1,000 to $2,000 per child), with drastically higher income phase-outs.
- Alternative Minimum Tax (AMT) remains; however, the exemption is widened such that significantly fewer households should be impacted.

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- Long-term capital gain rates and qualified dividend rates (0%, 15%, and 20%) will continue to be determined by the old, 2017 tax brackets.
- The 3.8% Medicare surtax on net investment income will continue to apply with its own thresholds (not indexed for inflation).
- 529-plan distributions can now be used tax-free for elementary- and secondary-school expenses (up to $10,000 per student, per year).

Estate & Gift Tax Reform Highlights:

- The estate tax exemption is doubled from $5.6 million to $11.2 million.
- Because the concept of "portability" is retained, married couples can now leave $22.4 million estate tax-free to their heirs.
- The *annual* gift tax exemption has increased from $14,000 to $15,000 per year, per individual.

While we at Boyer & Corporon Wealth Management (BCWM) are not legal or tax professionals, we are certainly available to work with our clients and their professionals to consider how the new legislation can have an impact on their investment strategies and plans.

As in years past, clients of BCWM will soon receive additional correspondence from our office regarding important 2017 tax-year information specific to their accounts under our management.