

2018 Tax Law Changes – Executive Summary

1. Changes to standard deduction and personal exemption

	Old	New
Standard Deduction (joint)	\$12,700	\$24,000
Personal Exemption (joint)	\$8,100	None

2. State, local, and property tax deduction capped at \$10,000

3. Mortgage deduction limited to \$750,000 and only allowed to deduct HELOC if used for home improvements

4. No longer able to deduct miscellaneous deductions like investment management and tax preparation fees

5. Medical expense deduction reduced to 7.5% of AGI for 2018; will revert to 10% in 2019

6. Now able to use 529 plan for private elementary and secondary school costs (up to \$10,000 per year)

7. Kiddie tax rates have been tweaked (\$0 on unearned income up to \$2,600; 20% tax on income above \$12,700)

8. “Pass through” income from LLC’s, partnerships, and S Corporations receives a lower rate than ordinary income

9. Child tax credit increased from \$1,000 to \$2,000

10. Lifetime gift tax exemption per person = \$11,200,000 (per couple = \$22,400,000); adjusts for inflation

11. Alternative Minimum Tax (AMT) will affect significantly lower number of taxpayers

12. New Tax Brackets:

Old brackets		New brackets	
Taxable income	Tax rate	Taxable income	Tax rate
\$0-\$9,525	10%	\$0-\$9,525	10%
\$9,526-\$38,700	15%	\$9,526-\$38,700	12%
\$38,701-\$93,700	25%	\$38,701-\$82,500	22%
\$93,701-\$195,450	28%	\$82,501-\$157,500	24%
\$195,451-\$424,950	33%	\$157,501-\$200,000	32%
\$424,951-\$426,700	35%	\$200,001-\$500,000	35%
\$426,701+	39.6%	\$500,001+	37%

Sources: docs.house.gov, taxfoundation.org

Old brackets		New brackets	
Taxable income	Tax rate	Taxable income	Tax rate
\$0-\$19,050	10%	\$0-\$19,050	10%
\$19,051-\$77,400	15%	\$19,051-\$77,400	12%
\$77,401-\$156,150	25%	\$77,401-\$165,000	22%
\$156,151-\$237,950	28%	\$165,001-\$315,000	24%
\$237,951-\$424,950	33%	\$315,001-\$400,000	32%
\$424,951-\$480,050	35%	\$400,001-\$600,000	35%
\$480,051+	39.6%	\$600,001+	37%

Sources: docs.house.gov, taxfoundation.org