5525 Green Bay Road
Kenosha, WI 53144-3737

PPG PARTNERS, L.L.C.
Certified Public Accountants
and Consultants

Telephone: 262/657-2060
Fax: 262/657-2080
www.ppgpartners.net

Business Hours: Starting January 1, 2018, PPG Partners is open 8:00 AM-5:00 PM Monday-Friday.

2018 Individual Tax Change Highlights

On Dec. 22, President Trump signed into law the "Tax Cuts and Jobs Act", a sweeping tax reform law that will entirely change the tax landscape. The legislation reflects the largest major tax reform in over three decades.

This comprehensive tax overhaul dramatically changes the rules governing the taxation of individual taxpayers for tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026. While the Act contains several provisions, below are some of the big changes that may affect your personal taxes.

New income tax rates and brackets. Seven tax rates will apply for individuals: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The Act also provides four tax rates for estates and trusts: 10%, 24%, 35%, and 37%.

Standard deduction increased. The standard deduction is increased to $24,000 for married individuals filing a joint return, $18,000 for head-of-household filers, and $12,000 for all other taxpayers. No changes are made to the current-law additional standard deduction for the elderly and blind.

Personal exemptions suspended. The deduction for personal exemptions is effectively suspended by reducing the exemption amount to zero. Under pre-Act law, taxpayers determined their taxable income by subtracting from their adjusted gross income any personal exemption deductions. Personal exemptions generally were allowed for the taxpayer, the taxpayer's spouse, and any dependents.

Child Tax Credit Increased. The child tax credit is increased to $2,000. The income levels at which the credit phases out are increased to $400,000 for married taxpayers filing jointly ($200,000 for all other taxpayers). In addition, a $500 nonrefundable credit is provided for certain non-child dependents.

Limits the state and local tax deduction. The Act limits the aggregate deduction for state and local real property taxes; state and local personal property taxes; state and local, and foreign, income, war profits, and excess profits taxes; and general sales taxes (if elected) for any tax year to $10,000 ($5,000 for marrieds filing separately).

Temporarily reduces the medical expense threshold. A deduction is allowed for the expenses paid during the tax year for the medical care of the taxpayer, the taxpayer's spouse, and the taxpayer's dependents to the extent the expenses exceed a threshold amount. The threshold on medical expense deductions is now reduced from 10% to 7.5% for all taxpayers.

Continued on Page 2

Continued from Page 1

Deduction for Personal Casualty and Theft Losses Suspended. The personal casualty and theft loss deduction is suspended, except for personal casualty losses incurred in a Federally-declared disaster area.

Alimony Deduction by Payor/Inclusion by Payee Suspended. For any divorce or separation agreement executed after Dec. 31, 2018, or executed before that date but modified after it (if the modification expressly provides that the new amendments apply), alimony and separate maintenance payments are not deductible by the payor spouse and are not included in the income of the payee spouse. Rather, income used for alimony is taxed at the rates applicable to the payor spouse.

Miscellaneous Itemized Deductions Suspended. Under pre-Act law, taxpayers were allowed to deduct certain miscellaneous itemized deductions to the extent they exceeded 2% of the taxpayer's adjusted gross income. With the new Act, the deduction for miscellaneous itemized deductions that were subject to the 2% floor is suspended.

Moving Expenses Deduction Suspended. The deduction for moving expenses is suspended, except for members of the Armed Forces on active duty who move pursuant to a military order and incident to a permanent change of station.

Repeal of Obamacare Individual Mandate. For months beginning after Dec. 31, 2018, the amount of the individual shared responsibility payment is reduced to zero. The Act leaves intact the 3.8% net investment income tax and the 0.9% additional Medicare tax, both enacted by Obamacare.

AMT Retained, with Higher Exemption Amounts. The alternative minimum tax (AMT) is a tax system separate from the regular tax that is intended to prevent a taxpayer with substantial income from avoiding tax liability by using various exclusions, deductions, and credits. Under it, AMT rates are applied to AMT income determined after the taxpayer "gives back" an assortment of tax benefits. If the tax determined under these calculations exceeds the regular tax, the larger amount is owed. The Act retains AMT rules but raises the AMT exemption amounts.

Estate and Gift Tax Retained, with Increased Exemption Amount. For estates of decedents dying and gifts made after Dec. 31, 2017 and before Jan. 1, 2026, the Act doubles the base estate and gift tax exemption amount from $5 million to $10 million. The $10 million amount is indexed for inflation occurring after 2011 and is expected to be approximately $11.2 million in 2018 ($22.4 million per married couple).

Corporate Income Tax Rate Change

Under pre-Act law, corporations are subject to graduated tax rates of 15% (for taxable income of $0-$50,000), 25% (for taxable income of $50,001-$75,000), 34% (for taxable income of $75,001-$10,000,000), and 35% (for taxable income over $10,000,000). Personal service corporations pay tax on their entire taxable income at the rate of 35%.

Beginning with the 2018 tax year, the Act makes the corporate tax rate a flat 21%. It also eliminates the corporate alternative minimum tax.