



What You Need to Know About the Tax Cuts & Jobs Act for Individuals

By Ben Kaup

As you have surely heard, we finally have a new tax bill. The new bill has been dubbed the "Tax Cuts & Jobs Act" and is the biggest change to our federal tax system since The Tax Reform Act of 1986. We have been following this closely since its beginnings in the House of Representatives and want to update our clients on the final bill. Although the coverage of the bill has been skewed by politics on both sides of the aisle, we feel almost all of our clients will see their taxes go down. The simplification of the tax code, which was promised early on, did not make its way into the final bill. Your taxes may go down, but the complexity involved in determining your taxable income has gone up tremendously, especially for business owners. Below I will outline some of the major points affecting taxpayers starting in 2018. We will give a more in-depth look at the new business regulations in our next tax tip.

- Tax rates have gone down across the board. The rule of thumb is that the old rates have all dropped by roughly 3-4%. There are some taxpayers who may see even a more dramatic rate decrease in certain brackets. I have included the new tax brackets below.
- The Standard Deduction has increased from \$12,700 to \$24,000 for Married Filing Jointly taxpayers and has increased from \$6,350 to \$12,000 for Individuals.
- The increased Standard Deduction has eliminated the personal exemption which is \$4,150 per individual in your family in 2017. This is a concern for larger families, but that brings us to the next point...
- The Child Tax Credit has increased. It is going from \$1,000 to \$2,000. This is a credit, which reduces your taxes dollar for dollar. As opposed to the old exemption which only reduced your "taxable income."
- The "State and Local Tax" deduction is being capped at \$10,000 per year. This deduction is for what you pay in state income taxes and **personal** real estate taxes. This change is somewhat mitigated with the higher standard deduction.
- The Alternative Minimum Tax exemption has increased from \$84,500 to \$109,400 for Married Filing Jointly Taxpayers and from \$54,300 to \$70,300 for individuals. This will be a welcomed break for those who have found themselves in the Alternative Minimum Tax in the past.
- Alimony paid to a former spouse will no longer be deductible. Essentially you are now paying your ex-spouse's taxes on the alimony payment. There is good news if you are already paying alimony, as you are grandfathered in and can continue to take the deduction.

These are just some of the main tax changes for individuals looking forward to 2018. At Kaup's Financial Advisors we will continue to study the new tax reform so we can keep our clients up to date with the best tax planning strategies in the area. In our next tax tip we will cover the biggest change in the tax law, business tax reform.

If you have any questions on how the newly passed tax reform affects you, please don't hesitate to give us a call.

Rate	Individuals	Married Filing Jointly
10%	Up to \$9,525	Up to \$19,050
12%	\$9,526 to \$38,700	\$19,051 to \$77,400
22%	38,701 to \$82,500	\$77,401 to \$165,000
24%	\$82,501 to \$157,500	\$165,001 to \$315,000
32%	\$157,501 to \$200,000	\$315,001 to \$400,000
35%	\$200,001 to \$500,000	\$400,001 to \$600,000
37%	over \$500,000	over \$600,000

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