Tax Changes Under the Tax Cuts and Jobs Act of 2017

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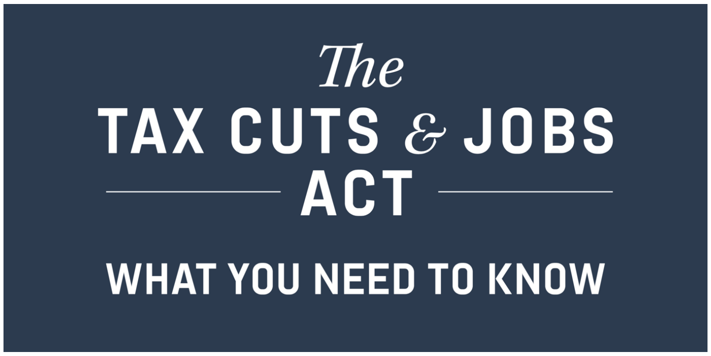
Last December, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (the "TCJA of 2017" or the "TCJA"). The TCJA is one of the largest overhauls of our federal tax code in years.



2018 Individual Income Tax Changes

The following is a summary of some of the changes that were made to the individual income tax rules.

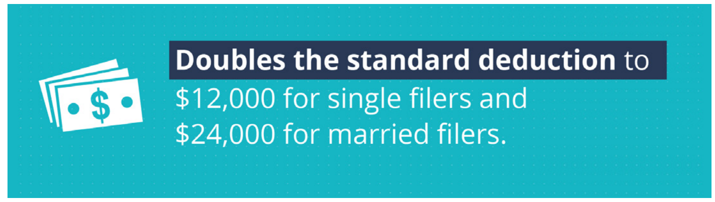
TAX RATES REDUCED AND BRACKETS EXPANDED

Although one of the initial goals of the TCJA was to simplify the tax code and reduce the number of tax brackets, when the TCJA was finalized it continued to have seven brackets, however, the rates were mostly reduced and many of the brackets were expanded.

STANDARD DEDUCTION "DOUBLED"

The standard deduction is the deduction to which all taxpayers are entitled without having to take specific or itemized deductions. Presumably, by increasing the standard deduction, fewer taxpayers will itemize their deductions, thereby simplifying their tax return preparation.

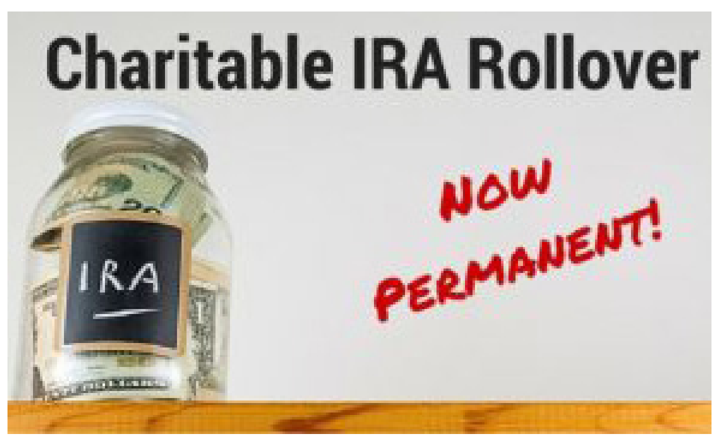
"For 2018, the standard deduction for a single taxpayer was increased from $6,500 to $12,000, while married taxpayers filing a joint return now have a $24,000 standard deduction."



PERSONAL EXEMPTIONS FOR TAXPAYER, SPOUSE AND DEPENDENTS – ELIMINATED

The TCJA eliminates personal exemptions. Under the old tax law, a personal exemption was available to the taxpayer, provided that no one else claimed the taxpayer as a dependent. The taxpayer was also entitled to an additional exemption for each dependent. Under the old tax law, the amount of the personal exemption for 2018 was scheduled to be $4,150 for each exemption.

DEDUCTION FOR CHARITABLE DONATIONS – MODIFIED



The TCJA made several changes to your ability to deduct charitable contributions. One of these changes relates to your ability to deduct cash contributions. Taxpayers may now deduct up to

60% of their AGI if the contribution is made in cash. The old limitation of 50% of AGI continues to apply to most other types of assets.

The TCJA also makes the IRA charitable rollover permanent. This provision can be very beneficial to taxpayers who have attained age 70 ½. It allows a taxpayer to make a direct transfer from an IRA to a qualified charity of up to $100,000. The transfer counts against your minimum required distribution amount and is not included in your income. Because the transferred amount isn't included in your income, it doesn't increase your AGI which can affect your ability to take certain deductions such as those for medical expenses.

DEDUCTION FOR STATE & LOCAL TAXES – LIMITED TO $10,000

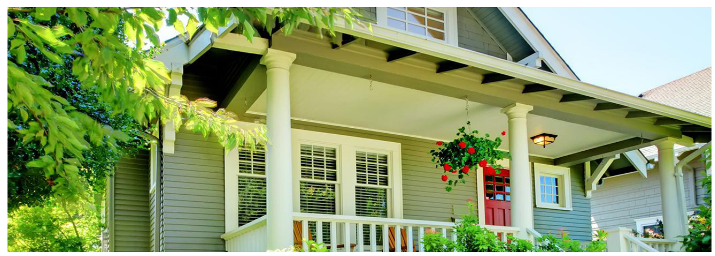
One of the more controversial changes in the TCJA is the limitation on the deduction for state and local taxes ("SALT") to $10,000. The SALT deduction includes all state and local taxes, such as income taxes, property taxes and sales taxes and was previously unlimited.

DEDUCTION FOR MEDICAL EXPENSES – INCREASED (TEMPORARILY)

Under the TCJA, in 2018 taxpayers may deduct more of their medical expenses. These expenses are now deductible to the extent that your total medical expenses exceed 7.5% of your adjusted gross income ("AGI"). Under the prior tax law, these deductions were also allowed, but only to the extent that they exceeded 10% of your AGI. In 2019, the limit will again be 10% of AGI.

DEDUCTION FOR MORTGAGE INTEREST – LIMITED

The TCJA also increases the limit on the taxpayer's ability to deduct interest on mortgage notes. Under both the TCJA and prior tax law, a taxpayer can deduct interest on loans used to purchase, build or substantially improve first and second homes which are secured by the property. However, under the TCJA the limit for the maximum combined amount of these mortgage loans was reduced from $1,000,000 to $750,000. Homeowners who had mortgages in place on or before December 31, 2017 will be grandfathered into the old limit.



DEDUCTION FOR INTEREST ON HOME EQUITY LOANS – LIMITED

The TCJA eliminated the ability of a taxpayer to deduct interest on home equity loans and home equity lines of credit, unless the proceeds are used to purchase, build or substantially improve the home securing the loan. Under the prior tax law, a taxpayer could deduct the interest on these loans regardless of what the proceeds were used for. Home equity loans with deductible interest are combined with other mortgage loans in determining the $750,000 maximum amount of mortgage loans.

DEDUCTION FOR LOSS DUE TO CASUALTY AND THEFT – LIMITED

Under the prior tax law, a taxpayer could, after certain limitations, deduct losses on personal property relating to casualty and theft to the extent such losses exceed 10% of the taxpayer's AGI. Casualty losses are those related to a sudden and unexpected event such as a fire, earthquake, hurricane, flood or tornado and do not result from normal wear and tear. Under the TCJA of 2017, deductions are no longer available for theft and are only available for casualty losses if the President declares a natural disaster.

MISCELLANEOUS DEDUCTIONS – ELIMINATED

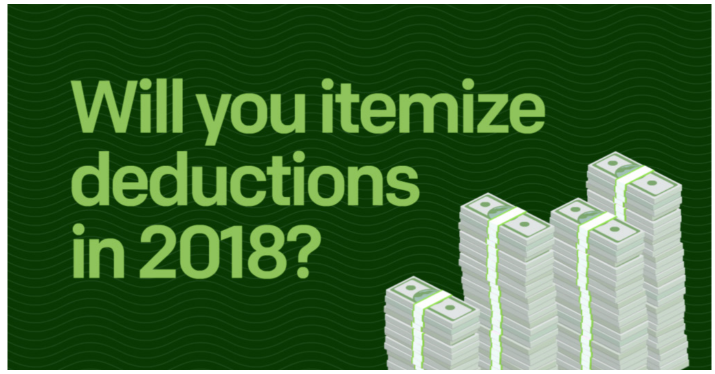
Under the prior tax law, taxpayers could deduct various miscellaneous expenses to the extent they exceeded 2% of the taxpayer's AGI. Examples of these expenses include, but are not limited to, tax preparation fees, investment expenses, employee business expenses (e.g. license and regulatory fees and unreimbursed continuing education costs). Under the TCJA of 2017, these deductions are eliminated.

DEDUCTION FOR ALIMONY PAYMENTS – ELIMINATED

Under the prior tax law, if you made alimony payments to an ex-spouse, you could deduct these payments from your income, and the ex-spouse receiving the alimony was required to include alimony received in their taxable income. The TCJA eliminates this deduction which means if you are making alimony payments, you will no longer be able to deduct them, and your ex-spouse will no longer include them in their income.

LIMITATION ON ITEMIZED DEDUCTIONS – ELIMINATED

The TCJA of 2017 eliminates the limitation on a taxpayer's itemized deductions.
Under the old tax law, high income individuals were limited in the amount of the itemized deductions they were allowed. This limitation, commonly known as the Pease Limitation, reduced the amount of a taxpayer's itemized deductions by 3% of each dollar a taxpayer's AGI exceeded certain thresholds. The limitation was limited to 80% of the taxpayer's itemized deductions.



CHILD TAX CREDIT – CREDIT DOUBLED AND PHASE OUT INCREASED

The TCJA increases the amount of the child tax credit to $2,000 per dependent child under the age of 17. In addition, the TCJA also adds a $500 credit for other non-child dependents. Finally, the TCJA greatly increases the phase out thresholds for taxpayers, which means that many more taxpayers will benefit from these credits.

INDIVIDUAL MANDATE – ELIMINATED

Under the prior tax law, a tax penalty was assessed on any individual who did not have qualified health insurance coverage. Although the TCJA of 2017 does not repeal this tax penalty, it does reduce the tax penalty to $0 by 2019.

2018 Gift, Estate and GST Tax Changes

The TCJA of 2017 also includes several changes to the gift, estate and generation skipping transfer ("GST") taxes. These changes are summarized below.

GIFT, ESTATE AND GST TAX EXEMPTION

The TCJA increased the amount an individual may give away during lifetime and/or at death as well as the amount that can be transferred to a grandchild, more remote descendant or other individual classified as a “skip person”. These exemptions continue to be unified and for 2018 were doubled to $11,180,000.

ANNUAL EXCLUSION AMOUNT

The TCJA continues to allow for gifts to individuals and certain trusts to qualify for the annual exclusion for gift and GST tax purposes. For 2018, the annual exclusion is $15,000.

CONCLUSION

The TCJA includes numerous significant changes to the tax law, many of which are very complex. In addition, many of the changes to the tax law expire in 2025. How the TCJA of 2017 will affect you personally and how to take advantage of these changes is something you should discuss with your tax and estate planning advisors.

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