

Tax Reform 2018

What you should know this year

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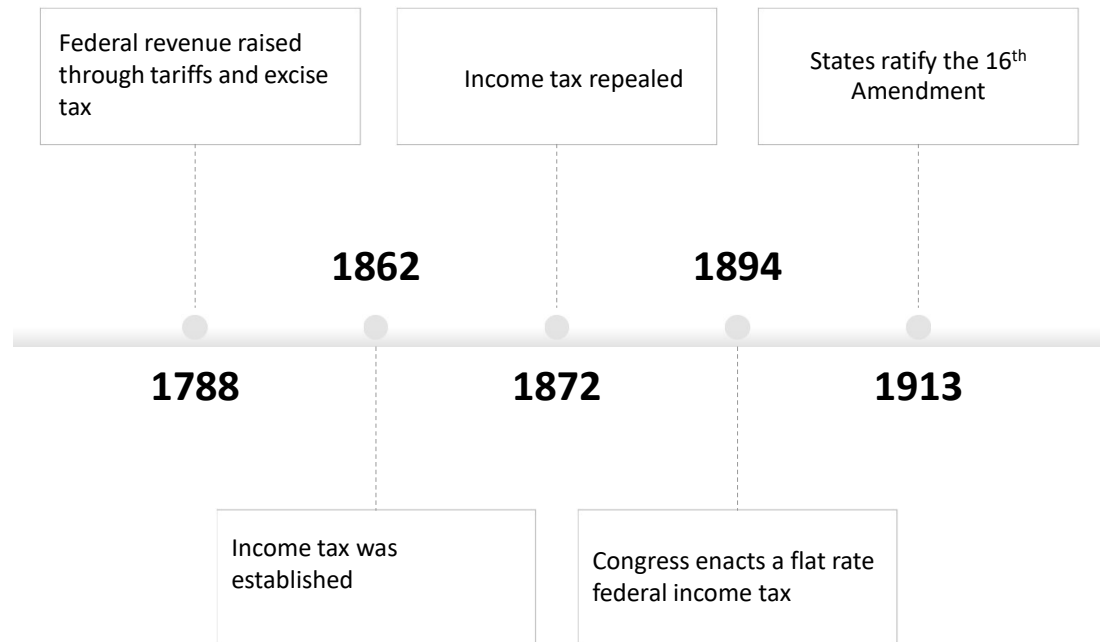
Anything new?

- The tax cuts and jobs act was officially signed into law by President Trump on December 22, 2017. The new laws will go live on Jan 1st 2018.
- We haven't had a tax reform in three decades dating back to the Reagan Administration.

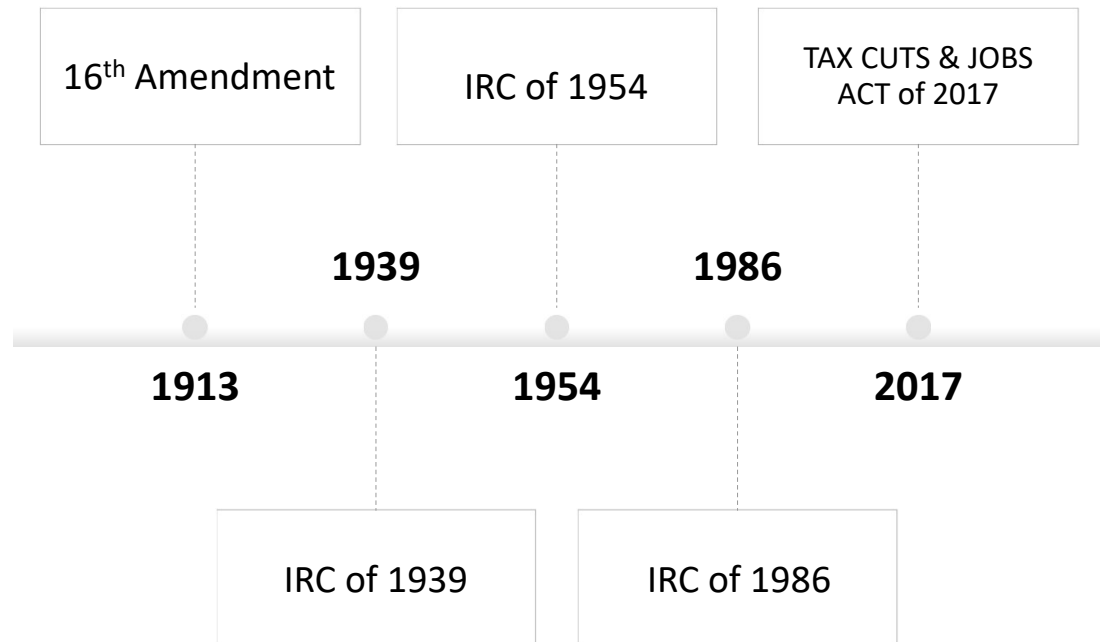
So what changed?

- A postcard sized 1040 form (e.g., 23 lines vs 79 lines)
- 1040A and 1040 EZ are gone
- Six new schedules (Schedules A, B, C, D, E are still around)
- Elimination of personal exemptions and several deductions
- Consolidation of a few lines
- Smaller font

History of Income Tax



Tax Reform cycle



Fun Fact

- The due date for filing federal tax returns was originally in March . In 1955 it switched to April 15th!

Tax Cuts & Jobs Act of 2017



- Passed by the House on Nov 16th
- Passed by the Senate on Dec 2nd
- Conference Agreement filed Dec 15th
- Signed into law by President Trump on Dec 22nd

Individual Tax Rates: Current Law vs. Tax Cuts and Jobs Act					
2018 Rates Under Current Law			Tax Cuts and Jobs Act (Conference)		
Rate	Single	Married/Joint	Rate	Single	Married/Joint
10%	\$0-\$9,525	\$0-\$19,050	10%	\$0-\$9,525	\$0-\$19,050
15%	\$9,525-\$38,700	\$19,050-\$77,400	12%	\$9,525-\$38,700	\$19,050-\$77,400
25%	\$37,00-\$93,700	\$77,400-\$156,150	22%	\$38,700-\$82,500	\$77,400-\$165,000
28%	\$93,700-\$195,450	\$156,150-\$237,950	24%	\$82,500-157,500	\$165,000-\$315,000
33%	\$195,450-\$424,950	\$237,950-\$424,950	32%	\$157,500-\$200,000	\$315,000-\$400,000
35%	\$424,950-\$426,700	\$424,950-\$480,050	35%	\$200,000-\$500,000	\$400,000-\$600,000
39.6%	\$426,700 and up	\$480,050 and up	37%	\$500,000 and up	\$600,000 and up

Note: Rates are indexed to chained CPI. Changes expire after December 31, 2025.

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39.6%	\$426,700 and up	\$480,050 and up	37%	\$500,000 and up	\$600,000 and up
35%	\$424,950-\$426,700	\$424,950-\$480,050	35%	\$200,000-\$500,000	\$400,000-\$600,000

What does it mean to have a progressive tax system?

- It takes a larger percentage of income on higher income taxpayers than on lower income taxpayers

What is the point of a tax return?

- The purpose of filing a tax return is to calculate the final income reportable to the Internal Revenue Service