



## 2018 Tax Change Summary Guide

The most significant changes to the 2018 Tax regulations apply to Corporations and to the treatment and taxation of pass-through income. C Corps, S Corps and LLCs are all impacted. Under the Tax Cuts and Jobs Act, C-corps are taxed at a flat rate of 21%—a cut from the previous range of 15%-35%.

The new Section 199A provides both benefits and complexity to business owners. Different qualifications apply to specific industries and incomes (Qualified Business Incomes QBI) to receive all the benefits of 199A. The deduction is phased out for income between \$415,000 and \$315,000 for Joint Filers and \$257,000 and \$157,000 for single filers. Keep in mind that the computation of the deduction is complex and should be left to a tax expert.

Taxpayers with income above these levels must meet two requirements to qualify for a 199A deduction:

- The income may not be generated by a *Specified Service Business*; and
- The *Qualified Trade or Business* generating the income must either pay wages or own property.

A Specified Service Businesses (SSB) is broadly defined as any trade or business involving the performance of services in the fields: *health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, investing, investment management, trading or dealing in securities.*

An SSB is also any trade or business where the principal asset is the reputation or skill of one or more of its owners or employees. We strongly suggest the opinion of a tax expert in determining your participation under 199A.



199A provides up to a 20% discount on pass-through income derived from C Corps, S Corps and LLCs. W2 wages are not eligible for the 199Aa discount. The difference in tax rates for C Corps offers additional savings (21% max rate) over S corps depending on how much money is passed through. The calculations are complex and in some cases conversion to a C Corp can have tax benefits to the owners. Again, your tax expert can help navigate you to the correct financial and business decisions to take full advantage of the new 2018 regulations

### **SINGLE TAXPAYERS**

<b>2018 Tax Rates – Standard Deduction \$12,000</b>		<b>2017 Tax Rates – Standard Deduction \$6,350</b>	
10%	0 to \$9,525	10%	0 to \$9,325
12%	\$9,525 to \$38,700	15%	\$9,325 to \$37,950
22%	\$38,700 to \$82,500	25%	\$37,950 to \$91,900
24%	\$82,500 to \$157,500	28%	\$91,900 to \$191,650
32%	\$157,500 to \$200,000	33%	\$191,650 to \$416,700
35%	\$200,000 to \$500,000	35%	\$416,700 to \$418,400
37%	Over \$500,000	39.60%	Over \$418,400



### **MARRIED FILING JOINTLY & SURVIVING SPOUSES**

<b>2018 Tax Rates – Standard Deduction \$24,000</b>		<b>2017 Tax Rates – Standard Deduction \$12,700</b>	
10%	0 to \$19,050	10%	0 to \$18,650
12%	\$19,050 to \$77,400	15%	\$18,650 to \$75,900
22%	\$77,400 to \$165,000	25%	\$75,900 to \$153,100
24%	\$165,000 to \$315,000	28%	\$153,100 to \$233,350
32%	\$315,000 to \$400,000	33%	\$233,350 to \$416,700
35%	\$400,000 to \$600,000	35%	\$416,700 to \$470,700
37%	Over \$600,000	39.60%	Over \$470,700



### **MARRIED FILING SEPARATELY**

<b>2018 Tax Rates – Standard Deduction \$12,000</b>		<b>2017 Tax Rates – Standard Deduction \$6,350</b>	
10%	0 to \$9,525	10%	0 to \$9,325
12%	\$9,525 to \$38,700	15%	\$9,325 to \$37,950
22%	\$38,700 to \$82,500	25%	\$37,950 to \$76,550
24%	\$82,500 to \$157,500	28%	\$76,550 to \$116,675
32%	\$157,500 to \$200,000	33%	\$116,675 to \$208,350
35%	\$200,000 to \$500,000	35%	\$208,350 to \$235,350
37%	Over \$500,000	39.60%	Over \$235,350



## HEAD OF HOUSEHOLD

<b>2018 Tax Rates – Standard Deduction \$18,000</b>		<b>2017 Tax Rates – Standard Deduction \$9,350</b>	
10%	0 to \$13,600	10%	0 to \$13,350
12%	\$13,600 to \$51,800	15%	\$13,350 to \$50,800
22%	\$51,800 to \$82,500	25%	\$50,800 to \$131,200
24%	\$82,500 to \$157,500	28%	\$131,200 to \$212,500
32%	\$157,500 to \$200,000	33%	\$212,500 to \$416,700
35%	\$200,000 to \$500,000	35%	\$416,700 to \$444,500
37%	Over \$500,000	39.60%	Over \$444,500



## ESTATES & TRUSTS

2018 Tax Rates		2017 Tax Rates	
10%	0 to \$2,550	15%	0 to \$2,550
24%	\$2,550 to \$9,150	25%	\$2,550 to \$6,000
35%	\$9,150 to \$12,500	28%	\$6,000 to \$9,150
37%	Over \$12,500	33%	\$9,150 to \$12,500
N/A	N/A	39.60%	Over \$12,500



**FICA (SOCIAL SECURITY & MEDICARE)**

<b>FICA Tax</b>	<b>2018</b>	<b>2017</b>
Social Security Tax Rate: Employers	6.2%	6.2%
Social Security Tax Rate: Employees	6.2%	6.2%
Social Security Tax Rate: Self-Employed	15.3%	15.3%
Maximum Taxable Earnings	\$128,400	\$127,200
Medicare Base Salary	Unlimited	Unlimited
Medicare Tax Rate	1.5%	1.5%
Additional Medicare Tax for income above \$200,000 (single filers) or \$250,000 (joint filers)	0.9%	0.9%
Medicare tax on net investment income (\$200,000 single filers, \$250,000 joint filers)	3.8%	3.8%



## EDUCATION CREDITS & DEDUCTIONS

Credit / Deduction	2018	2017
American Opportunity Credit (Hope)	2500	2500
Lifetime Learning Credit	2000	2000
Student Loan Interest Deduction	2500	2500
Coverdell Education Savings Contribution	2000	2000





## MISCELLANEOUS PROVISIONS

2018		2017	
N/A – No longer exists	N/A	Personal Exemption	\$4,050
Business expensing limit: Cap on equipment purchases	\$2,500,000	Business expensing limit: Cap on equipment purchases	\$2,030,000
Business expensing limit: New and Used Equipment and Software	\$1,000,000	Business expensing limit: New and Used Equipment and Software	\$510,000
Prior-year safe harbor for estimated taxes of higher-income	110% of your 2018 tax liability	Prior-year safe harbor for estimated taxes of higher-income	110% of your 2017 tax liability
Standard mileage rate for business driving	54.5 cents	Standard mileage rate for business driving	53.5 cents
Standard mileage rate for medical/moving driving	18 cents	Standard mileage rate for medical/moving driving	17 cents
Standard mileage rate for charitable driving	14 cents	Standard mileage rate for charitable driving	14 cents
Child Tax Credit	\$2,000	Child Tax Credit	\$1,000
Unearned income maximum for children under 19 before kiddie tax applies	\$1,050	Unearned income maximum for children under 19 before kiddie tax applies	\$1,050



## MISCELLANEOUS PROVISIONS

Maximum capital gains tax rate for taxpayers with income up to \$51,700 for single filers, \$77,200 for married filing jointly	0%	Maximum capital gains tax rate for taxpayers in the 10% or 15% bracket	0%
Maximum capital gains tax rate for taxpayers with income above \$51,700 for single filers, \$77,200 for married filing jointly	15%	Maximum capital gains tax rate for taxpayers above the 15% bracket but below the 39.6% bracket	15%
Maximum capital gains tax rate for taxpayers with income above \$425,800 for single filers, \$479,000 for married filing jointly	20%	Maximum capital gains tax rate for taxpayers in the 39.6% bracket	20%
Capital gains tax rate for unrecaptured Sec. 1250 gains	25%	Capital gains tax rate for unrecaptured Sec. 1250 gains	25%
Capital gains tax rate on collectibles	28%	Capital gains tax rate on collectibles	28%
Maximum contribution for Traditional/Roth IRA	\$5,500 if under age 50 \$6,500 if 50 or older	Maximum contribution for Traditional/Roth IRA	\$5,500 if under age 50 \$6,500 if 50 or older
Maximum employee contribution to SIMPLE IRA	\$12,500 if under age 50	Maximum employee contribution to SIMPLE IRA	\$12,500 if under age 50



## MISCELLANEOUS PROVISIONS

	\$15,500 if 50 or older		\$15,500 if 50 or older
Maximum Contribution to SEP IRA	25% of eligible compensation up to \$55,000	Maximum Contribution to SEP IRA	25% of eligible compensation up to \$54,000
401(k) maximum employee contribution limit	\$18,500 if under age 50 \$24,500 if 50 or older	401(k) maximum employee contribution limit	\$18,000 if under age 50 \$24,000 if 50 or older
Estate tax exemption	\$11,200,000	Estate tax exemption	\$5,490,000
Annual Exclusion for Gifts	\$15,000	Annual Exclusion for Gifts	\$14,000