

# OVERVIEW OF THE 2017 TAX CUTS AND JOBS ACT

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Joyce Obear, CPA



## Disclaimer

- The purpose of this presentation is to provide an overview of the tax legislation passed in 2017 and is not meant to be tax advice. Because each situation is different, please consult your tax advisor to determine how the law changes effect your specific situation.



## Today's discussion will include

- Changes affecting 2017 tax returns
- Business income tax changes
- Personal income tax changes
- What about Maryland income taxes?



## 3 Provisions Affecting 2017 Tax Returns

- Schedule A – Medical Deductions – Expenses in excess of 7.5% of AGI are deductible
- Mortgage refinancings use a date of 12/15/17
- Bonus depreciation changes after 9/27/17



## Business Taxes

- Flat tax rate for C corporations is 21% vs the prior maximum rate of 35%
- Corporate AMT is repealed



## Business Taxes

- Businesses with gross revenue < \$25 million can use the cash method of accounting
- Entertainment expenses are no longer deductible
- Meals while on business travel are still deductible at 50%
- Health insurance mandate has not changed
- Payments to settle sexual harassment cases are not deductible if there is a non-disclosure clause



## Business Taxes

- Changes in depreciation rules
  - Bonus depreciation (effective after 9/27/17)
  - Section 179 depreciation
  - Luxury auto depreciation
- No more “like-kind” exchanges on personal property



## Business Taxes

- Pass Through Business Income may qualify for a deduction of up to 20% of profits from
  - Partnership pass through income
  - S Corporation pass through income
  - Schedule C income
  - Schedule F income
  - Schedule E income if the activity is a trade or business, including rentals



## Individual Taxes

- Extended by the Act and not changed
  - Additional standard deduction for blind/elderly
  - Capital gains rates (brackets adjusted)
  - .9% Medicare surtax
  - 3.8% net investment income surtax
  - Self employment taxes (rate and application)
  - Teacher's \$250 classroom supplies deduction



## Individual Taxes

- Effective 1/1/18
  - Standard deduction has almost doubled
    - MFJ - \$24,000 (up from \$12,700 in 2017)
    - Single - \$12,000 (up from \$6,350 in 2017)
  - BUT no more personal exemptions (\$4,050 in 2017)



## Individual Taxes

- Schedule A itemized deductions
  - Medical expenses in excess of 7.5% of AGI are deductible (# effective in 2017)
  - State and local income taxes, sales taxes and real estate taxes deductible up to \$10,000
  - Mortgage interest on loans up to \$750,000
  - Home equity interest not deductible

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## Individual Taxes

- Charitable contributions
- Casualty losses limited to Presidential declared disaster areas
- Job expenses and miscellaneous itemized deductions – repealed, not allowed



## Individual Taxes

2017

Income  
 Minus: Adjustments to Income  
 Equals: Adjusted Gross Income  
 Minus: Exemptions  
 Minus: Greater of Standard  
 or Itemized Deductions  
 Equals: Taxable Income

2018

Income  
 Minus: Adjustments to Income  
 Equals: Adjusted Gross Income  
 Minus: Greater of Standard or  
 Itemized Deductions  
 Minus: Special Deductions  
 Equals: Taxable Income



## Individual Taxes

- Other changes to note
  - Moving expenses
  - Roth IRA conversions
  - Expanded use of 529 plan funds
  - AMT
  - Children with unearned income – “Kiddie Tax”
  - Individual insurance mandate (\*2019)
  - Alimony expense deduction (\*2019)
  - Alimony income (\*2019)



# Individual Taxes

- Tax Credits
  - Expanded child tax credit
  - New dependent credit



**Table 1. Tax Brackets for Ordinary Income Under Current Law and the Tax Cuts and Jobs Act (2018 Tax Year)**

**Single Filer**

Current Law		Tax Cuts and Jobs Act	
10%	\$0-\$9,525	10%	\$0-\$9,525
15%	\$9,525-\$38,700	12%	\$9,525-\$38,700
25%	\$38,700-\$93,700	22%	\$38,700-\$82,500
28%	\$93,700-\$195,450	24%	\$82,500-\$157,500
33%	\$195,450-\$424,950	32%	\$157,500-\$200,000
35%	\$424,950-\$426,700	35%	\$200,000-\$500,000
39.6%	\$426,700+	37%	\$500,000+





**Table 2. Tax Brackets for Ordinary Income Under Current Law and the Tax Cuts and Jobs Act (2018 Tax Year)**

**Married Filing Jointly**

Current Law		Tax Cuts and Jobs Act	
10%	\$0-\$19,050	10%	\$0-\$19,050
15%	\$19,050-\$77,400	12%	\$19,050-\$77,400
25%	\$77,400-\$156,150	22%	\$77,400-\$165,000
28%	\$156,150-\$237,950	24%	\$165,000-\$315,000
33%	\$237,950-\$424,950	32%	\$315,000-\$400,000
35%	\$424,950-\$480,050	35%	\$400,000-\$600,000
39.60%	\$480,050+	37%	\$600,000+



## Maryland Individual Income Taxes

- Gov. Hogan has stated that the Federal tax changes will be reviewed to determine the impact on Maryland filers
- Maryland tax returns include both the state and county income taxes
- Maryland is one of the states looking to enact an individual mandate for taxpayers who do not have qualified health insurance



# THANK YOU

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Joyce Obear, CPA  
[jobearcpa@comcast.net](mailto:jobearcpa@comcast.net)  
301-858-1992

