

"High Impact" Items in the Proposed Tax Cut and Jobs Act Individual Tax Calculations

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>The alternative minimum tax is repealed

>The expanded child tax credit (now called the Child and Family Tax Credit)

- Credit for dependent child is increased to \$1,600 from \$1,000
- \$1,000 of the \$1,600 is potentially refundable
- \$300 credit for each non-qualifying child dependent and \$300 for each taxpayer

>The seven tax brackets are reduced to four, but still with a 39.6% top rate (12%, 25%, 35%, 39.6%)

- 12% rate is phased out beginning at income of \$1,200,000 MFJ, \$1,000,000 for other taxpayers
- Low income taxpayers have their rate increased from 10% to 12%, but probably will have lower tax due to the earned income credit (no changes) and the expanded child and family credit

>3.8% "medicare surtax" still is in the law.

>The increased standard deduction replaces a smaller standard deduction and the exemption (both personal and dependent) deduction.

>The alternative tax on long-term capital gains and qualified dividends is unchanged

>The new lower tax on flow-through entity income introduces a *very significant* increase in complexity to the individual tax computation

- The tax on taxable income is computed and then the lower tax on the flow-through income is *subtracted* from that amount
- If taxable income includes long-term capital gain and/or qualified dividend income, there is a 3-step calculation to compute the total tax

>For AGI deductions used by many taxpayers are repealed

- Alimony deduction (but no gross income for payee) for divorces after 2017
- Tuition and fees deduction
- Student loan interest deduction
- Unreimbursed moving expense deduction

>From AGI deductions are largely repealed

- No unreimbursed medical expense deduction
- No state and local income tax deduction
- No state and local sales tax deduction
- No casualty loss deduction (but gains are capital gains and losses are capital losses)
- No unreimbursed employee expenses deduction
- No tax preparation fees deduction
- Property tax on principal residence deductible up to \$10,000

- Mortgage interest on up to \$500,000 of debt (with grandfather provision for existing debt as of November 2, 2017), no interest deduction on *any* home equity debt after 2017
- *Cash* charitable deductions up to 60% of AGI
- Investment interest expense deduction unchanged