## Tax Reform: 5 Things to Know

How does the new tax law affect you? When Congress passed the Tax Cuts and Jobs Act in December, it included significant changes to existing tax law. Now that you're finishing up your 2017 tax return, it's a good time to consider what the new legislation will mean to you, according to the Massachusetts Society of CPAs. Here are a few key issues you should know about.

**Tax Brackets Have Changed**

You may be in a new tax bracket beginning in 2018, depending on your income and other factors. The tax brackets for single and joint filers are now 10%, 12%, 22%, 24%, 32%, 35% and 37%. The top rate is down from 39.6%, and rates are generally lower at various income levels. The range of income that falls into each bracket has also changed, so check with your CPA to find out the impact on your own situation. The corporate tax rate will also change, from a top rate of 35% to one rate of 21%.

**The Standard Deduction is Doubled**

In another important change, the standard deduction—the amount you can deduct from your income instead of itemizing your deductions—has nearly doubled, to $12,000 for single filers and $24,000 for married couples filing jointly. Those who are now itemizing may no longer need to do so if the new standard deduction is larger than their total itemized deductions. And if you are going to itemize, you no longer face a cap on itemized deductions.

**There's No Personal Exemption**

Beginning in 2018, taxpayers can no longer take the $4,050 personal exemption for themselves and their dependents. For many taxpayers, the loss of that exemption may be offset by the higher standard deduction, but taxable income levels could go up for larger families or single parents. The good news for those taxpayers is that the maximum child tax credit has been doubled to $2,000 per qualifying child. The phase-out threshold for the credit—basically the top income limit to qualify for the credit—has also been raised, beginning after income levels of $400,000 for married filing jointly and $200,000 for all other taxpayers.

**Limits on Some Popular Deductions**

Taxpayers in some high-tax states should be aware of the new limit on the total deduction for state and local sales, income, and property taxes. Under the new law, there is a $10,000 limit on the amount you can deduct for these taxes. And if you're planning to take out a large mortgage soon, there is a new cap on the size of the mortgage on which you can deduct interest. Interest is now deductible on up to $750,000 in mortgage debt, down from $1 million. This limit does not apply to mortgages in place before December 15, 2017. Home equity loan interest is no longer deductible.

**Individual Health Care Mandate Dropped**

Starting in 2019, individuals who don't have health insurance will no longer have to pay a penalty. Although Congress included a repeal of this fine in the tax bill, it isn't currently set to take effect until 2019, which means the penalty would still apply for 2017 and 2018 tax returns.

**Your CPA Can Help You Plan for Change**

These are just some of the changes under the new law.  Reach out to your CPA for help in making tax planning decisions that will serve you well now and in the future, and for help with all your financial questions and concerns.