

An Overview of the "TCJA" (Trump Reform): Impact to Individuals

	Pre-Reform 2018 Tax Rules	Post-Reform 2019 Tax Rules																																																						
Individual tax rates	<ul style="list-style-type: none"> • Maximum tax rate is 39.6% • Rates associated with specific income brackets are designated below: 	<ul style="list-style-type: none"> • Maximum tax rate reduced to 37% • Rates associated with specific income brackets are designated below: 																																																						
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Alternative minimum tax (AMT)	<ul style="list-style-type: none"> • Exemption amounts of \$86,200 (married) and \$55,400 (single) • Phase-out of exemption amount begins at \$164,100 (married) and \$123,100 (single) 	<ul style="list-style-type: none"> • Exemption amounts increased to \$111,700 (married) and \$71,700 (single) • Phase-out of exemption amount begins at \$1,020,600 (married) and \$510,300 (single) 																																																						
Individual standard deduction/ personal exemptions	<ul style="list-style-type: none"> • Standard deduction is \$13,000 (married) and \$6,500 (single) • Personal exemption of \$4,150 phased out for higher incomes 	<ul style="list-style-type: none"> • Standard deduction nearly doubled \$24,400 (married) \$12,200(single), \$18,350 (HOH) + \$1,650/\$1,300 each for taxpayers 65+ or blind • Personal exemptions repealed at all income levels 																																																						

Pre-Reform 2018 Tax Rules**Post-Reform 2019 Tax Rules**

Itemized deductions	Pre-Reform 2018 Tax Rules	Post-Reform 2019 Tax Rules
	<ul style="list-style-type: none"> • Deductions allowed but subject to the “PEASE limitation,” which reduces availability of itemized deductions at income levels starting at \$320,000 (married) and \$266,700 (single) 	<ul style="list-style-type: none"> • Individual deduction for state and local taxes (SALT) for income, sales and property is limited in the aggregate to \$10,000 (married and single filers) and \$5,000 (married filing separately) • “PEASE limitation” (including for charitable contributions) is repealed • Most miscellaneous itemized deductions that were subject to the 2% of AGI floor will no longer be allowed (e.g. tax preparation and investment expenses)
Capital gain /qualified dividend rate	<ul style="list-style-type: none"> • Maximum tax rate on long-term capital gains and qualified dividend income (before 3.8% net investment income tax) is 20% 	<ul style="list-style-type: none"> • Unchanged: <ul style="list-style-type: none"> - 0% for those in 10% & 12% brackets - 15% for those in 22%-35% brackets - 20% for those in 37% bracket
Medical expense deduction	<ul style="list-style-type: none"> • Floor of 10% of AGI before deduction can be taken 	<ul style="list-style-type: none"> • Floor reduced for tax years 2017 and 2018. 10% floor for 2019
Cost of securities	<ul style="list-style-type: none"> • Investors have the ability to “specifically identify” which tax lot of a security is sold 	<ul style="list-style-type: none"> • Unchanged
Mortgage interest	<ul style="list-style-type: none"> • Individuals are generally allowed an itemized deduction for interest on <ol style="list-style-type: none"> 1. Principal residence and second residence mortgages up to \$1,000,000 (married) or \$500,000 (single) (limit applies on a combined basis) 2. Home Equity Line of Credit (HELOC) up to \$100,000 	<ul style="list-style-type: none"> • Individuals are generally allowed an itemized deduction for interest on principal residence and second residence mortgages up to a combined \$750,000 • Pre 12/16/17 mortgages are grandfathered and new purchase money mortgages may be grandfathered if the purchase contract is dated before 12/16/17 and other conditions are met • Refinancing of grandfathered mortgages are grandfathered, but not beyond the original mortgage’s term/amount (some exceptions apply for “balloon payment” mortgages) • Interest on a HELOC is no longer deductible

	Pre-Reform 2018 Tax Rules	Post-Reform 2019 Tax Rules
Capital gain exclusion for primary residence	<ul style="list-style-type: none"> Allows individuals to exclude gain of up to \$500,000 (for joint filers) from the sale of a primary residence Taxpayer must own and use the house as primary residence for 2 out of the previous 5 years and exemption can be used only once every 2 years 	<ul style="list-style-type: none"> Unchanged
Like-kind exchanges	<ul style="list-style-type: none"> Allows for the disposal of an asset and the acquisition of another replacement asset without generating a current tax liability from the gain on the sale of the first asset Applies to like-kind exchanges of real property as well as certain categories of personal property 	<ul style="list-style-type: none"> Limits applicability to like-kind exchanges of real property that is not held primarily for sale <p>**This does not expire in 2025</p>
Section 529 plans	<ul style="list-style-type: none"> Distributions may be used for expenses relating to higher (post-secondary) education 	<ul style="list-style-type: none"> In addition to higher (post-secondary) education, distributions from 529 plans of up to \$10,000/year per student can be used for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school <p>**This does not expire in 2025</p>
Pass-through deduction	<ul style="list-style-type: none"> Income received from partnerships, S corporations, or sole proprietorships is passed-through to the owner's individual tax returns, where it is taxed as ordinary income 	<ul style="list-style-type: none"> There is a new 20% deduction for qualified business income from a partnership, S corporation, or sole proprietorship
Charitable deduction changes	<ul style="list-style-type: none"> Cash gift to public charities is deductible as long as it doesn't exceed 50% of the taxpayers Adjustable Gross Income (AGI) 80% of value spent on university athletics seating rights can be deducted 	<ul style="list-style-type: none"> Cash gift to public charities is deductible as long as it doesn't exceed 60% of the taxpayers Adjustable Gross Income (AGI) 80% deduction for university athletic seating rights is repealed
Gift/estate/generation-skipping transfer (GST) tax exemption	<ul style="list-style-type: none"> Estate, gift and GST tax exemptions are each \$5.6 million per US domiciliary 	<ul style="list-style-type: none"> Doubles the estate, gift and GST tax exemptions to \$11.18 million per US domiciliary Like most individual provisions, the exemptions sunset after 2025 and revert back to the law in effect for 2017 with inflation adjustments; possibility for "clawback" at death if law is not changed

Pre-Reform 2018 Tax Rules**Post-Reform 2019 Tax Rules**

Child Tax Credit	<ul style="list-style-type: none">• \$1000/qualified child• Phase-out of credit begins at \$75,000 (single) and \$200,000 (married)	<ul style="list-style-type: none">• Increases to \$2,000/qualified child, with \$1,400 being refundable• Phase-out of credit begins at \$110,000 (single) and \$400,000 (married)
Individual mandate / Health Insurance	<ul style="list-style-type: none">• Requires most Americans to purchase health insurance coverage; taxpayers must submit proof of healthcare coverage with their tax return or pay a penalty	<ul style="list-style-type: none">• Individual mandate is repealed **This does not expire in 2025
Future Inflation Adjustments	<ul style="list-style-type: none">• In general, tax brackets and many other tax code limits are inflation adjusted using Consumer Price Index – Urban (or CPI-U)	<ul style="list-style-type: none">• Many but not all of the indexed limits would now be indexed using Chained-CPI-U, which generally leads to slightly slower cost of living adjustments each year **This does not expire in 2025

Other Pertinent Information:

- 2019 Social Security Wage Base: \$ 132,900
- 2019 Standard Mileage Rates:
 - Business .58 per mile
 - Charitable .14 per mile
 - Medical .20 per mile
 - Moving .20 per mile

NC Related Highlights:

- 2018: Flat Individual Tax Rate 5.499%
- 2019 and after: Flat Individual Tax Rate 5.25%
- Standard Deduction:

	<u>2019</u>	<u>2020</u>
MFJ	20,000	21,000
HOH	15,000	15,750
Single	10,000	10,500
MFS	10,000	10,500

-New Child deduction of \$0 - \$2,500 per child for taxpayers within the \$0 - \$120,000 income range
[Replaces the \$100 Child Tax Credit]