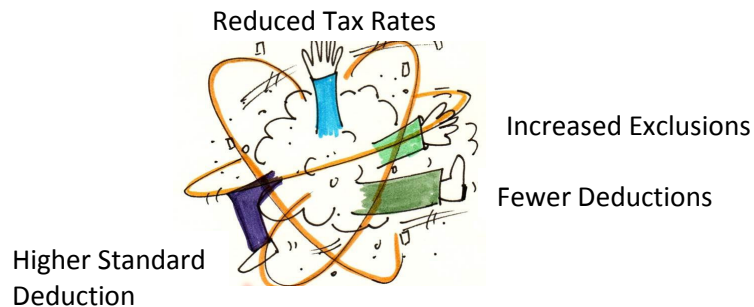


Tax Updates – January 2018
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AFR for January 2018

	Annual	Semi-annual	Quarterly	Monthly
Short-term	1.68%	1.67%	1.67%	1.66%
Mid-term	2.18%	2.17%	2.16%	2.16%
Long-term	2.59%	2.57%	2.56%	2.56%
The Section 7250 rate is 2.6%				

Happy New Tax World -- At least until 2025



On December 22, 2017 President Trump signed into law the *Tax Cuts and Jobs Act* (the “Act”). Commentators are stating this is the most sweeping tax change since the 1986 reform of the tax code. A few highlights of the Act (a mere 185 pages) include:

- ✓ Reduction in six of the seven individual tax rate brackets;
- ✓ Reduction in the corporate tax rate to a flat rate of 21%;
- ✓ Repeal of the corporate alternative minimum tax;
- ✓ Creation of Section 199A Qualified Business Income creating a new 20% deduction (subject to limits) for qualified business income;
- ✓ Increase in the standard deduction and family/child tax credit;
- ✓ Increase in alternative minimum tax exemption for individuals;
- ✓ Elimination or reduction of several itemized deductions;
- ✓ Elimination of personal exemption; and
- ✓ Increase in the federal gift, estate and generation-skipping transfer tax exclusion (tax rate of 40% not changed).

As these highlights suggest, there is a lot of detail to grapple with and digest. A comprehensive analysis is beyond this report. The Act may be found at: <https://www.congress.gov/115/bills/hr1/BILLS-115hr1enr.pdf>. Below are several charts visually explaining a few of the highlights.

2018 Income Tax Brackets

Income Tax Rate	Income Levels for Those Filing As:	
	2018-2025	Single
10%	\$0-\$9,525	\$0-\$19,050
12%	\$9,526-\$38,700	\$19,051-\$77,400
22%	\$38,701-\$82,500	\$77,401-\$165,000
24%	\$82,501-\$157,500	\$165,001-\$315,000
32%	\$157,501-\$200,000	\$315,001-\$400,000
35%	\$200,001-\$500,000	\$400,001-\$600,000
37%	\$500,000+	\$600,000+

2018 Capital Gain Rate

	Single	Married Filing Jointly	Head of Household
0%	Up to \$38,600	Up to \$77,200	Up to \$51,700
15%	\$38,600-\$425,800	\$77,200-\$479,000	\$51,700-\$452,400
20%	Over \$425,800	Over \$479,000	Over \$452,400

2018 Alternative Minimum Tax (AMT)

Filing Status	Exempt Amount	Phase-out of Exemption
Single	\$70,300	\$500,000
Married Filing Jointly	\$109,400	\$1,000,000

2018 Standard Deductions

Filing Status	Standard Deduction Amount
Single	\$12,000
Married Filing Jointly	\$24,000
Head of Household	\$18,000

2018 Gift, Estate and Generation-Skipping Transfer Taxes Exclusions

	2017	2018
lifetime gift, estate and GST tax exclusion	\$5,490,000 individual \$10,980,000 married couple	\$11,200,000* individual \$22,400,000* married couple *approximate based on new inflation index
Gift tax annual exclusion	\$14,000	\$15,000
Rate	40%	40%

Section 199A Qualified Business Income

<p>Deduction 20% of Qualified Business Income</p>	<p>Deduction Limitation</p> <ul style="list-style-type: none"> ▪ 50% of taxpayer's portion of the W-2 wages from the entity; or ▪ 25% of taxpayer's portion of the W-2 wages from the entity plus 2.5% of the unadjusted basis of depreciable property owned by the entity. 	
<p>Available to Qualifying Entities</p> <ul style="list-style-type: none"> ▪ S-Corporation ▪ Partnership ▪ Sole Proprietorship ▪ Qualified REIT Dividends ▪ Qualified Cooperative Dividends ▪ Qualified Publicly Traded Partnership Income (PTP Income) 	<p>Reduced or Eliminated for Specified Service Businesses (SSB)</p> <ul style="list-style-type: none"> ▪ Lawyers ▪ Accountants ▪ Financial Services ▪ Medical Professionals ▪ Performing arts ▪ "Consulting" entities ▪ Businesses where the reputation of the owner and skill of owners is critical 	<p>SSB Formula</p> <ul style="list-style-type: none"> ▪ No reduction if income is \$157,500 or less if single or \$315,000 or less if married ▪ Deduction is reduced thereafter ▪ Deduction is entirely phased out once income exceeds \$207,500 if single, or \$415,000 for married filers

New Jersey Estate Tax

The New Jersey Estate Tax has been repealed for individuals dying after December 31, 2017. The New Jersey Inheritance Tax remains in effect with the same rates and classifications.