

Summary of Changes in the U.S. Tax Reform Measure

Provision	Current (2017 Law)	Tax Reform Changes
Individual tax rates	Seven brackets, with top individual rate of 39.6%.	Seven brackets with rates generally the same as, or lower than, current rates. (Marginal rates are higher at some income levels.) Top individual rate of 37%. Rates (and most other individual tax provisions) revert to 2017 law after 2025.
Personal exemptions, standard deduction	Personal exemption of \$4,050 per person, subject to income limits. Standard deduction (for taxpayers who do not itemize) of \$6,350 for single filers, \$12,700 for married filing jointly.	Personal exemption eliminated. Standard deduction \$12,000 for single filers, \$24,000 for married filing jointly. (Expires after 2025.)
Child tax credit	Child tax credit up to \$1,000, phased out for higher income levels.	Child tax credit up to \$2,000 with significantly higher phase-out levels. Credit for other dependents up to \$500. (Expires after 2025.)
Alternative minimum tax	A parallel tax system to the regular tax system with its own definition of taxable income, exemptions, and tax rates. Taxpayers must compute their income for purposes of both the regular income tax and the AMT.	Repeals corporate AMT. Retains individual AMT with higher exemption and phase-out thresholds, intended to reduce the number of households affected. (Expires after 2025.)
Capital gains and dividends	Capital gains and qualified dividend income are taxed at a maximum rate of 20% (0% for investors in the 15% or lower tax bracket, 15% for investors in the 25%, 28%, 33%, or 35% tax brackets).	No change to the tax rates (0%, 15%, and 20%) applicable to capital gains and qualified dividend income. The 0% rate applies to taxpayers with taxable income not over \$38,600 (single filers) and \$77,200 (joint filers). The 15% rate applies to taxpayers with taxable income not over \$425,800 (single filers) and \$479,000 (joint filers).
Mortgage interest deduction	Deductibility of interest on mortgage principal up to \$1 million (principal residence and one other). Interest on home equity debt up to \$100,000 may be deductible.	Deductibility limited to interest on \$750,000 of principal for new mortgages. Deductibility of home equity interest (including existing indebtedness) eliminated. (Expires after 2025.)

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State and local tax deduction	Deduction allowed for state/local property taxes and state income taxes (or sales tax, if higher).	Maximum combined \$10,000 deduction for state and local taxes (\$5,000 if married filing separately). (Expires after 2025.)
Medical expense deduction	Deductible for eligible expenses exceeding 10% of adjusted gross income (AGI).	Reduces threshold to 7.5% of AGI for tax years 2017 and 2018, then reverts to 10%.
Charitable contribution deduction	Deductible, subject to limits based on income.	Still deductible. Deduction limit for cash contributions to public charities increased from 50% of income to 60%.
Other itemized deductions	Variety of miscellaneous itemized deductions allowable to the extent exceeding 2% of AGI.	All deductions subject to 2% AGI floor are repealed. Moving expenses no longer deductible. Alimony payments no longer deductible for payor (or included in income for recipient) for divorces finalized after 12/31/18. (Expires after 2025.)
Qualified distributions from 529 plans	Distributions used for qualified higher education expenses (college) not includible in income. Expenses for K–12 education do not qualify.	Allows 529 plans to be used for elementary and secondary education tuition expenses, up to \$10,000 per beneficiary per year.
Requirement to purchase health insurance (individual mandate)	The Affordable Care Act imposes a penalty based on family size and household income for people without health coverage.	Penalties are eliminated starting in 2019. (Expires after 2025.)
Roth IRA conversions and recharacterizations	Recharacterization allows you to “undo” or “reverse” a conversion to a Roth IRA.	Repeals rules that allow individuals to recharacterize Roth IRA conversions.
Estate tax	Assets up to \$5.49 million (individual) and \$10.98 million (married couple) are exempt, indexed for inflation.	Doubles exemption. (Expires after 2025.)
Corporate rate	35% maximum rate.	21% flat rate.
Corporate taxes	U.S. companies taxed based on profits earned globally, with complex rules.	Significant changes to international taxation rules and deductions (with continued complexity). Temporarily allows full expensing of investments.
Pass-through entities	Income taxed at individual rates for owners (not the business itself).	20% of certain qualified business income for these owners may be deductible from income taxed at individual rates. Subject to complex rules and dollar limitation

Source: “SUMMARY OF CHANGES IN THE U.S. TAX REFORM MEASURE”, CNN News, January 3, 2018