CORBENIC
PARTNERS

On Friday, December 22, 2017 the Tax Reform Bill, being referred to as the Tax Cuts and Jobs Acts 2017, was signed by President Trump. The legislation cuts taxes for corporations as well as individuals. However, most of the provisions expire after 2025 for individuals whereas the tax cuts for corporations are permanent. Below outlines some of the key changes for individuals and corporations.

<table>
<tr><td colspan="2">Individuals</td></tr>
<tr><td>Tax Bracket</td><td>Keeps the current seven bracket structure; however, lowers overall through December 2025
<table>
<tr><th>Rate</th><th>Individual Filers</th><th>Married Joint Filers</th></tr>
<tr><td>10%</td><td>Up to $9,525</td><td>Up to $19,050</td></tr>
<tr><td>12%</td><td>$9,525 to $38,700</td><td>$19,050 to $77,400</td></tr>
<tr><td>22%</td><td>$38,700 to $82,500</td><td>$77,400 to $165,000</td></tr>
<tr><td>24%</td><td>$82,500 to $157,500</td><td>$165,000 to $315,000</td></tr>
<tr><td>32%</td><td>$157,500 to $200,000</td><td>$315,000 to $400,000</td></tr>
<tr><td>35%</td><td>$200,000 to $500,000</td><td>$400,000 to $600,000</td></tr>
<tr><td>37%</td><td>Over $500,000</td><td>Over $600,000</td></tr>
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Alternative Minimum Tax (AMT)	The AMT, which is a secondary tax, increases the current exemption though December 2025. The provision will increase the amount to $109,400 for married taxpayers filling jointly, $54,700 for married couples filing separate, and $70,300 for all other taxpayers
Standard Deduction and Exemptions	Under the TCJA the standard deduction nearly doubles - $24,000 for married joint filers and $12,000 for individual filers while personal exemptions are eliminated through the end of 2025
Family Tax Credits	Doubles the per-child tax credit to from $1,000 to $2,000 and a $500 nonrefundable credit would be allowed for non-child dependents. This is valid through December 2025
Education Savings Plan	Expands the use of 529 plans to include elementary and secondary school expenses through the end of 2025
Affordable Care Act	The Tax Cuts and Jobs Act repeals the individual mandate penalty, effective for months beginning after December 31, 2018
Estate Tax	The bill doubles the federal estate and gift tax exemptions to $11.2 million per individual ($22.4 million for married couples) through the end of 2025
State and Local Tax (SALT) Deduction	State and local tax itemized deductions are eliminated except for up to the aggregate of $10,000 ($5,000 for married taxpayers filing separately) of real estate and income taxes. This would be effective for tax years after 2017 and eliminates the deduction entirely after 2025

Mortgage Interest Deduction	Retains the deduction for interest, but only up to $750,000 ($375,000 for a married person filing a separate return). This only applies to mortgages on homes acquired after December 31, 2017
Medical Expense Deduction	Tax years 2017 and 2018, retains the deduction and allows for it to be taken if eligible expenses exceed 7.5% of AGI. In 2019, the handles rises to 10% of AGI
Miscellaneous Deductions	Eliminates deductions subject to 2% floor though December 2025. Does not include provision for teacher expenses
Charitable Contributions	Increases the limitation on cash contributions to 60% of AGI for tax years 2018 - 2025, up from a 50% cap previously. Also, donations made to colleges in exchange for athletic tickets are no longer deductible
Chained CPI	The main difference between the current inflationary index and Chained CPI is that Chained CPI takes into account product substitution. This assumption concludes that consumers will trade a more expensive product for a cheaper alternative, which leads to a slower-growing inflationary measure. This directly affects defined income ranges for tax brackets

Business	
Corporate Income Taxes	In 2018, the corporate tax rate will be reduced from 35% to a 21% flat corporate tax rate
Pass-through Income	Individuals, trusts and estates will be allowed to deduct 20% of qualified business income from a partnership, S corporation, or sole proprietorship that is effectively connected with a U.S. trade or business
Corporate AMT	Eliminates the 20% corporate AMT in 2018
Business Interest Deduction	Limits the deductibility of net interest expense to 30% of the business's adjusted taxable income
Section 179 Expensing	Doubles the expensing limit to $1 million
Substantial Built-in Loss	Expands the term substantial built-in loss to include the situation where the transferee would be allocated a net loss excess of $250,000 upon a hypothetical liquidation of the partnership

Net Operating Losses (NOL)	Eliminates the NOL carrybacks while limiting NOL carryforwards to 80% of taxable income. The bill allows unused NOL to be carried forward indefinitely
Section 199 Deduction	Eliminates the Section 199 deduction for tax years starting after 2017 for noncorporate taxpayers and for tax years beginning after 2018 for C corporation taxpayers
Territorial System	Corporations will not be taxed on foreign profit
Bonus Depreciation	Allows companies to immediately write off 100% of the expense of eligible property purchased. The 100% deduction figure lasts through 2022 and decreases by 20% each year after until exhausted in 2027