GENSKE, MULDER & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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NEWS RELEASE: TAX CUTS AND JOBS ACT PASSED SIGNED INTO LAW

Just prior to the holiday weekend, Congress passed and the President signed into law the Tax Cuts and Jobs Act (TCJA), which makes widespread changes to the existing tax law. The bill lowers income tax rates for individual taxpayers, provides a new large deduction for most owners of pass-through entities (LLC's, S Corporations and partnerships) and increases individual AMT and estate tax exemptions. However, many of the new relief provisions added are only temporary and many existing tax breaks are eliminated or limited.

Below is a summary of the key changes effective for tax years beginning after December 31, 2017.

FOR INDIVIDUALS

- Individual income tax rates will drop up to 4%. Married taxpayers will see rates, depending on taxable income, of 10%, 12%, 22%, 24%, 32%, 35% or 37%. Some taxpayers filing single will see a rate increase. These adjusted rates are effective through 2025.
- The standard deduction nearly doubles: $24,000 for married filing joint, $18,000 for head of household, and $12,000 for single and married filing separate. These deductions are effective through 2025.
- The child tax credit increases to $2,000 through 2025. There are some additional changes designed to help more taxpayers benefit from the credit.
- The limit on deduction for state and local taxes on a combined basis for property and income (or sales) taxes changes to $10,000 ($5,000 for married filing separate). The new limit is effective through 2025.
- The mortgage debt limit for the home mortgage interest deduction is reduced to $750,000 ($375,000 for married filing separate) through 2025. Existing home loans up to $1 million are grandfathered in.
- The deduction for interest on home equity debt is eliminated through 2025.
- Gift and estate tax exemptions increase to $10 million (adjusted for inflation) through 2025.

FOR BUSINESSES

- There is a new 20% qualified business income deduction for certain owners of pass-through entities and sole proprietorships through 2025. Dairy farms may be entitled to a deduction for milk marketed through a cooperative. Contact us to discuss how the various provisions of this deduction might affect you.
- Bonus depreciation increases to 100% and "qualified assets" now include used assets. This is effective for assets acquired and placed in service after September 27, 2017 and before January 1, 2023.
- Section 179 expense increases to $1 million and the phase-out threshold increases to $2.5 million.
- Net interest expense in excess of 30% of the business' adjusted taxable income is now disallowed. Businesses with average annual gross receipts of $25 million or less are exempt from the limit.
- Net operating loss deductions are limited to 80% for losses generated in tax years beginning after December 31, 2017.

We realize some of these changes are significant and may have an impact on your tax planning for the new year. We will continue to share information with you as we see how these changes are implemented. Please contact us if you have any questions about the effect of the new laws on you or your business.