Congress Passes Tax Act

By: J. Conrad Garcia

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On Wednesday, December 20, 2017, the legislation previously known as the ?Tax Cuts and Jobs Act? (the ?Act?)[1] passed the United States House and Senate. At this juncture, it appears President Trump will sign the Act into law on January 3, 2018.

The Act impacts individuals and businesses in a variety of ways. Generally, the Act reforms individual income and corporate income taxes and moves the United States to a territorial system of business taxation. It expands the child tax credit and doubles the estate tax exemption until December 31, 2025. The Act also preserves the mortgage interest deduction and zeros out penalties for not obtaining health coverage under the Affordable Care Act individual mandate.

Click here for a summary table of relevant changes under the Act, comparing the current law with changes under the Act. The table is divided into various topics, listed in alphabetical order.

In addition, **click here** for a summary table of individual income tax rates for the 2018 tax year.

Changes to the tax laws will be the central topic of our **Winter 2018 Tax Forum** on January 24. Click **here** to register.

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TOPIC	OLD L
Affordable Care Act Individual Mandate	Under the Affordable Care Act, individuals mus coverage or pay an "individual responsibility pa and 2018 is $695.
Deduction for Excessive Employee Remuneration	For publicly traded companies, performance-b exempt from the $1 million cap on deductibility An executive's coverage by this rule is determi those required to register their securities unde Act of 1934.
Qualified Bicycle Commuting Reimbursement	Qualified employer reimbursements of up to $ and maintaining a bicycle used for commuting employment are excludible from the employee
Qualified Equity Grants	N/A
Recharacterization of Certain IRA and Roth IRA Contributions	Taxpayers may recharacterize contributions to contribution to the other type of IRA.
Rollovers of Plan Loan Offsets	The period of time that a plan loan offset amou retirement plan as a tax-free rollover is 60 day

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TOPIC	OLD L
Accounting for Inventories	Businesses where production, purchase, or sa producing factor must account for inventories a accounting. Taxpayers with average gross rec for inventories as materials and supplies that a of accounting. Corporations and partnerships $5 million average gross receipts test, while ce inventories if their average gross receipts exce
Cash Method of Accounting	Corporations and partnerships with corporate average gross receipts test, while certain indus inventories if their average gross receipts exce
Change to Section 481(a) Adjustments Upon Change in Accounting Method for S Corporations that Revoke their S Election	Generally, a C corporation may not use the ca purposes; if an S corporation that uses the cas must switch to the accrual method of accountin accounting method, the corporation is required the rules set forth in Section 481 and the Regu adjustments decrease taxable income, they ar change, the first year under the new accountin increase taxable income are taken into accoun year of the change. In addition, existing law pr becomes a C corporation, distributions to the adjustments account can be made during the a C corporation that are tax-free to the shareh the shareholders' basis in their stock.

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INDIVIDUAL INCOME TAX RATES FOR 2018

TAXABLE INCOME:	INCOME TAX:
Single Individuals	
Not over $9,525	10% of taxable income
Over $9,525 but not over $38,700	$952.50 plus 12% of the excess over $9,525
Over $38,700 but not over $82,500	$4,453.50 plus 22% of the excess over $38,700
Over $82,500 but not over $157,500	$14,089.50 plus 24% of the excess over $82,500
Over $157,500 but not over $200,000	$32,089.50 plus 32% of the excess over $157,500
Over $200,000 but not over $500,000	$45,689.50 plus 35% of the excess over $200,000
Over $500,000	$150,689.50 plus 37% of the excess over $500,000
Heads of Households	
Not over $13,600	10% of the taxable income
Over $13,600 but not over $51,800	$1,360 plus 12% of the excess over $13,600
Over $51,800 but not over $82,500	$5,944 plus 22% of the excess over $51,800
Over $82,500 but not over $157,500	$12,698 plus 24% of the excess over $82,500
Over $157,500 but not over $200,000	$30,698 plus 32% of the excess over $157,500
Over $200,000 but not over $500,000	$44,298 plus 35% of the excess over $200,000
Over $500,000	$149,298 plus 37% of the excess over $500,000
Married Individuals Filing Joint Returns and Surviving Spouses	
Not over $19,050	10% of the taxable income
Over $19,050 but not over $77,400	$1,905 plus 12% of the excess over $19,050
Over $77,400 but not over $165,000	$8,907 plus 22% of the excess over $77,400
Over $165,000 but not over $315,000	$28,179 plus 24% of the excess over $165,000
Over $315,000 but not over $400,000	$64,179 plus 32% of the excess over $315,000
Over $400,000 but not over $600,000	$91,379 plus 35% of the excess over $400,000
Over $600,000	$161,379 plus 37% of the excess over $600,000
Married Individuals Filing Separate Returns	
Not over $9,525	10% of the taxable income
Over $9,525 but not over $38,700	$952.50 plus 12% of the excess over $9,525
Over $38,700 but not over $82,500	$4,453.50 plus 22% of the excess over $38,700
Over $82,500 but not over $157,500	$14,089.50 plus 24% of the excess over $82,500
Over $157,500 but not over $200,000	$32,089.50 plus 32% of the excess over $157,500
Over $200,000 but not over $300,000	$45,689.50 plus 35% of the excess over $200,000
Over $300,000	$80,689.50 plus 37% of the excess over $300,000
Estates and Trusts	
Not over $2,550	10% of the taxable income
Over $2,550 but not over $9,150	$255 plus 24% of the excess over $2,550
Over $9,150 but not over $12,500	$1,839 plus 35% of the excess over $9,150
Over $12,500	$3,011.50 plus 37% of the excess over $12,500

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[1] The Act is formally known as ?An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.?

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