

# Tax Cuts and Jobs Act

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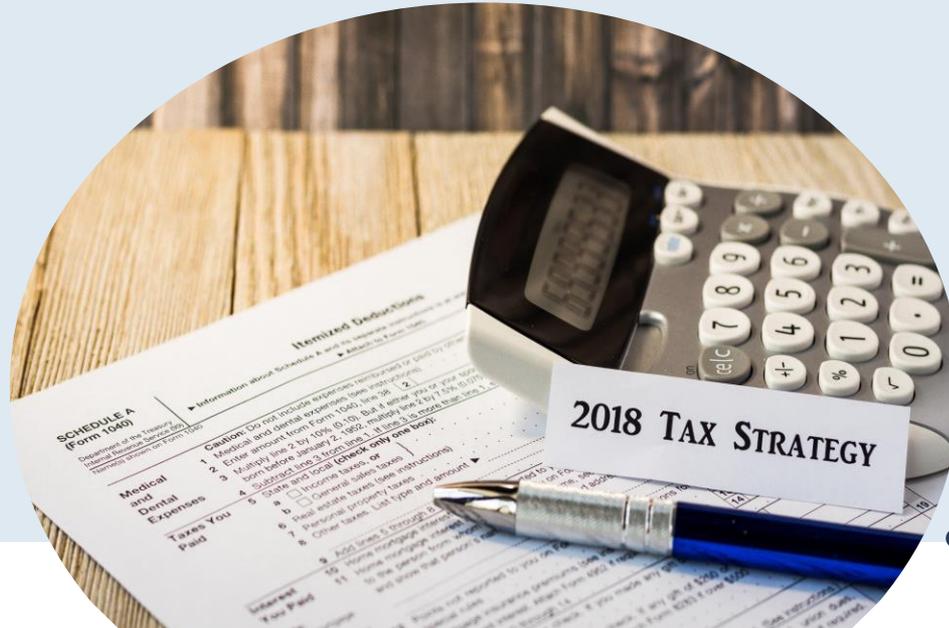


# General Information about the Tax Act



On December 22, 2017, the tax bill known as the Tax Cuts and Jobs Act was signed into law.

Many provisions in the Act expire at the end of 2025.





# Tax Brackets Single Filers



The seven income tax brackets were adjusted downward

Prior Law – Single Filers		TCJA (2018 Tax Year through 2025)	
10%	\$0 - \$9,525	10%	\$0 - \$9,525
15%	\$9,525 - \$38,700	12%	\$9,525 - \$38,700
25%	\$38,700 - \$93,700	22%	\$38,700 - \$82,500
28%	\$93,700 - \$195,450	25%	\$82,500 - \$157,500
33%	\$195,450 - \$424,950	32%	\$157,500 - \$200k
35%	\$424,950 - \$426,700	35%	\$200k - \$500k

# Tax Brackets Joint Filers



The seven income tax brackets were adjusted downward

Prior Law - Married Filing Jointly		TCJA (2018 Tax Year through 2025)	
10%	\$0 - \$19,050	10%	\$0 - \$19,050
15%	\$19,050 - \$77,400	12%	\$19,050 - \$77,400
25%	\$77,400 - \$156,150	22%	\$77,400 - \$165k
28%	\$156,150 - \$237,950	25%	\$165k - \$315k
33%	\$237,950 - \$424,950	32%	\$315k - \$400k
35%	\$424,950 - \$480,050	35%	\$400k - \$600k
39.6%	\$426,700+	37%	\$600k+



# Standard Deductions

The standard deduction was nearly doubled to \$12,000 for individuals and \$24,000 for joint returns and will be adjusted for inflation in future years.





# Personal Exemptions

*The personal and dependent exemptions (\$4,150 per person) have been eliminated.*



# Mortgage Interest Deduction - Existing Loans and Refinancing

The mortgage interest deduction for existing mortgages of up to \$1 million taken out before December 15, 2017, will not be affected.

Homeowners may also refinance mortgage debts existing on December 14, 2017, up to \$1 million and still deduct the interest, so long as the new loan does not exceed the amount of the mortgage being refinanced.

# Mortgage Interest Deduction – New Loans



*For any new loans as of January 1, 2018, the deduction will be limited to interest on \$750,000 of principal.*





# Mortgage Interest Deduction – Second Homes



- *Deduction of interest on loans secured by a second house will still be allowed.*
- *Total amount for principal residence and second home loans cannot exceed the amounts specified on slides 7 and 8.*



# Mortgage Interest Deduction Home Equity Loans



*The interest on home equity loans will only be deductible if the proceeds are used to substantially improve the residence.*



# Property Tax Deductions



*Maximum deduction for state and local income taxes, sales tax and property tax, in any combination, \$10,000 (single and joint filers). Previously unlimited.*



# Capital Gain Exclusion: Sale of Principal Residence



*No Change:*

- *\$250,000 for single filers; \$500,000 for joint filers for principal residence.*
- *Must own and live in the home for 2 of the last 5 years.*



# Limited Change to Long Term Capital Gains Tax Rates

- 15% long-term capital gains rate continues with one exception:
  - 20% for those in the highest tax bracket
- No change to 25% depreciation recapture rate





# Qualified Business Income Deduction



20% above the line deduction for qualified business income

- Available to pass-thru entities (S and LLCs) and sole proprietors including independent contractors
  - Income limitations of \$157,500 for single filers and \$315,000 for joint filers (which phase out over the next \$50,000 for single filers and \$100,000 for joint filers)
  - Above these income thresholds the deduction is still available but is based on a formula that looks at wages paid and depreciable business property
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# ADDITIONAL RESOURCES

- [C.A.R. Legal Q&A, The Tax Cuts and Jobs Act – In Brief](#)
- [C.A.R. Legal Q&A, The Tax Cuts and Jobs Act – Highlights and In Depth](#)
- *Quick Guide, January 2018 Tax Cut and Jobs Act, Real Estate Applications Summary\**
- *Quick Guide, January 2018 Tax Cuts and Jobs Act, Ordinary Income Effects Summary\**

\*Quick Guides can be located on the [Legal Tools](#) page of the C.A.R. website

