



12/20/2017 – What’s Happening with the New Tax Bill?

With all the chatter going on in the news and media, I thought I would write up a quick summary of the finalized tax bill going through the House and Senate. So, how does the new tax bill break down? (This does not cover every piece of the new bill, but it gives a high-level overview). Here is a quick overview: Well, as quick as it can be!

Corporate Reform:

- Corporate tax rate will fall from 35% to 21%.
- Pass-Throughs will receive a 20% deduction on the first \$315,000 of joint income. (Essentially a Pass-Through is any business that is not taxed on the corporate level like a C-Corp and taxes flow through to their personal tax returns and are taxed as personal income. For Example: An S-Corp, Sole Proprietorships, and LLC’s.
- The AMT (Alternative Minimum Tax) is eliminated on Corporations.

Individual Tax Reform:

- Personal Tax Rates

New bracket comparisons:

<u>Married Filing Jointly</u>			
Current - 2017	Rate	New - 2018	Rate
0-\$18,650	10.00%	0-\$19,050	10.00%
\$18,651-\$75,900	15.00%	\$19,051-\$77,400	12.00%
\$75,901-\$153,100	25.00%	\$77,401-\$165,000	22.00%
\$153,101-\$233,350	28.00%	\$165,001-\$315,000	24.00%
\$233,351-\$416,700	33.00%	\$315,001-\$400,000	32.00%
\$416,701-\$470,700	35.00%	\$400,001-\$600,000	35.00%
\$470,701+	39.60%	\$600,000+	37.00%

<u>Single Filer</u>			
Current - 2017	Rate	New - 2018	Rate
0-\$9,325	10.00%	0-\$9,525	10.00%
\$9,326-\$37,950	15.00%	\$9,526-\$38,700	12.00%
\$37,951-\$91,900	25.00%	\$38,701-\$82,500	22.00%
\$91,901-\$191,650	28.00%	\$82,501-\$157,500	24.00%
\$191,651-\$416,700	33.00%	\$157,501-\$200,000	32.00%
\$416,701-\$418,400	35.00%	\$200,001-\$500,000	35.00%
\$418,401+	39.60%	\$500,000+	37.00%

- The Standard Deduction will increase to 12,000/person or 24,000 for joint filing, almost doubling each.
- \$2,000.00 per child tax credit for a child under the age of 17 that is fully refundable up \$1,400.00.

- Elimination of the Individual Mandate that forces you to purchase healthcare in 2019.
- AMT exemption on single filer with less than \$500,000 in income and joint filers with less than \$1,000,000 in income.
- The 40% Estate Tax doubles from 5.49 million on a single filer to 10.98 million, and 10.98 million on married filers to 21.96 million.
- Current Student Loan Interest is still deductible.
- Medical expenses over 7.5% of your Adjusted Gross Income are deductible.
- Mortgage interest rate deductions have been lowered from \$1,000,000 to \$750,000.
- State and local taxes are only deductible now up to \$10,000.

Let's look at a quick hypothetical and see what happens here: Just to keep it easy, let's say you have a married couple with \$100,000/year of Taxable Income after all deductions are factored in.

Let's run the numbers and see what happens:

(Remember in a Marginal Tax System you pay the Rate for each Dollar earned in that bracket.

For example: In 2017, you only pay 10% on any taxable income from \$0 - \$18,650, so the tax is \$1,865).

Married Filing Jointly Current - 2017			Married Filing Jointly Next Year - 2018		
Income: \$100,000.00			Income: \$100,000.00		
Taxable Income:	Rate:		Taxable Income:	Rate:	
0-\$18,650	10.00%	\$1,865.00	0-\$19,050	10.00%	\$1,905.00
\$18,651-\$75,900	15.00%	\$8,587.50	\$19,051-\$77,400	12.00%	\$7,200.00
\$75,901-\$153,100	25.00%	\$6,025.00	\$77,401-\$165,000	22.00%	\$4,972.00
\$153,101-\$233,350	28.00%		\$165,001-\$315,000	24.00%	
\$233,351-\$416,700	33.00%		\$315,001-\$400,000	32.00%	
\$416,701-\$470,700	35.00%		\$400,001-\$600,000	35.00%	
\$470,701+	39.60%		\$600,000+	37.00%	
Total Taxes Due:		\$16,477.50			\$14,077.00

- According to my math, that's over a \$2,400.00/year savings. (This married couple needs to take that additional tax reduction and start saving and investing for their future)! 😊

(Now remember, Blue Ocean Wealth Management does not give legal or TAX ADVICE. Blue Ocean cannot guarantee the accuracy of any of these calculations and these numbers are for illustrative and informational purposes only. Consult your own legal or TAX PROFESSIONAL about your individual situation and if you do not have a good Tax Professional, I can get you in touch with one)!

Sources:

www.businessinsider.com/tax-brackets-trump-tax-plan-chart-2017-9

<http://www.foxnews.com/politics/2017/12/19/congress-votes-on-tax-bill-what-tax-cuts-and-jobs-act-means-for.html>

<https://taxfoundation.org/2017-tax-brackets/>

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