CREW CHARLOTTE

Tax Reform – Key Takeaways

Individual Impacts

- Reduces individual tax rates – highest rate dropped from 39.6% to 37%.
- Increases the standard deduction – single taxpayers increased from $6,350 to $12,000 and married filing joint increased from $12,700 to $24,000.
- Eliminates personal and dependent exemptions. Each exemption was worth $4,050 in 2017.
- Creates a cap on deductibility of state and local taxes. The combined deductible amount for state income taxes, real property taxes and personal property taxes is $10,000.
- Limits home mortgage interest deductibility. It is now allowed only on indebtedness of up to $750,000 where this amount was previously $1,000,000.
- Increases child tax credit from $1,000 to $2,000 per a child.
- Reduces the impact of alternative minimum tax.
- Allows for the deduction of medical expenses that exceed 7.5% of your Adjusted Gross Income (AGI). Previously this limitation was 10%.
- Limits the deductibility of business losses on active trade or business.
- Disallows the charitable deduction for contributions made in exchange for university athletic seating rights.
- Eliminates the deduction of unreimbursed employee business expenses.

Business Impacts

- Reduces the maximum tax rate for corporations from 35% to 21%.
- Creates a deduction for pass-through entity owners – up to 20% of qualifying income.
- Limits the deductibility of certain types of interest expense.
- Eliminates alternative minimum tax.
- Disallows any deduction for client entertainment expenses. These were previously subject to a 50% limitation.
- Increases bonus depreciation from 50% to 100%. Also, allows bonus depreciation to be applied to used assets.
- Requires a three year holding period on carried interest in order to obtain long-term capital gain treatment.
- Limits like-kind exchanges to transactions related to real property.

This should not be interpreted as binding tax advice. Please consult your tax advisor.

elliott davis

Bobbi Jo Lazarus, Shareholder
704.808.5245 | BobbiJo.Lazarus@elliottdavis.com

GreerWalker
Certified Public Accountants

Stacia Neugent, Tax Manager
704.353.8237 | Stacia.Neugent@greerwalker.com