The Tax Cuts and Jobs Act (TCJA), the biggest federal tax law overhaul in 31 years, has a broad impact on all aspects of the American economy and on decision-making by businesses and individuals alike. While many changes took effect for tax years after December 31, 2017, a few go into effect in 2019 including elimination of the individual mandate under the Affordable Care Act.

Now is the time to review year-end tax planning strategies for 2018, and to plan your 2019 tax strategy – don’t wait to make major decisions and adjustments that could minimize your tax liability. Below are highlights of some of the most significant changes affecting individual and business taxpayers.

Visit Yeo & Yeo’s Tax Resource Center at yeoandyeo.com for ongoing information and links to other Tax Reform resources including Yeo & Yeo’s Tax Reform Webinar Series and the IRS Withholding Calculator.

**Businesses**

- Replacement of graduated corporate tax rates ranging from 15% to 35% with a flat corporate rate of 21%
- Repeal of the 20% corporate AMT
- New 20% qualified business income deduction for owners of flow-through entities (such as partnerships, limited liability companies and S corporations) and sole proprietorships — through 2025
- Doubling of bonus depreciation to 100% and expansion of qualified assets to include used assets — effective for assets acquired and placed in service after September 27, 2017, and before January 1, 2023
- Doubling of the Section 179 expensing limit to $1 million and an increase of the expensing phase-out threshold to $2.5 million
- Other enhancements to depreciation-related deductions
- New disallowance of deductions for net interest expense in excess of 30% of the business’s adjusted taxable income (exceptions apply)
- New limits and rules regarding net operating loss (NOL) deductions
- Elimination of the Section 199 deduction, also commonly referred to as the domestic production activities deduction or manufacturers’ deduction — effective for tax years beginning after December 31, 2017. Certain exceptions apply for fiscal year corporations.
- New rule limiting like-kind exchanges to real property that is not held primarily for sale
- New tax credit for employer-paid family and medical leave — through 2019
- New limitations on excessive employee compensation
- New limitations on deductions for employee fringe benefits, such as entertainment and, in certain circumstances, meals and transportation
Individuals

- Reduction of individual income tax rates to 10%, 12%, 22%, 24%, 32%, 35% and 37% — through 2025
- Near doubling of the standard deduction to $24,000 (married couples filing jointly), $18,000 (heads of households), and $12,000 (singles and married couples filing separately) — through 2025
- Elimination of personal exemptions — through 2025
- Doubling of the child tax credit to $2,000 and other modifications intended to help more taxpayers benefit from the credit — through 2025
- Elimination of the individual mandate under the Affordable Care Act requiring taxpayers not covered by a qualifying health plan to pay a penalty — effective for months beginning after December 31, 2018
- Reduction of the adjusted gross income (AGI) threshold for the medical expense deduction to 7.5% for regular and AMT purposes — for 2017 and 2018
- New $10,000 limit on the deduction for state and local taxes (on a combined basis for property and income taxes; $5,000 for separate filers) — through 2025
- Reduction of the mortgage debt limit for the home mortgage interest deduction to $750,000 ($375,000 for separate filers), with certain exceptions — through 2025
- Elimination of the deduction for interest on home equity debt — through 2025
- Elimination of the personal casualty and theft loss deduction (with an exception for federally declared disasters) — through 2025
- Elimination of miscellaneous itemized deductions subject to the 2% floor (such as certain investment expenses, professional fees and unreimbursed employee business expenses) — through 2025
- Elimination of the AGI-based reduction of certain itemized deductions — through 2025
- Elimination of the moving expense deduction (with an exception for members of the military in certain circumstances) — through 2025
- Expansion of tax-free Section 529 plan distributions to include those used to pay qualifying elementary and secondary school expenses, up to $10,000 per student per tax year
- AMT exemption increase, to $109,400 for joint filers, $70,300 for singles and heads of households, and $54,700 for separate filers — through 2025
- Doubling of the gift and estate tax exemptions, to $10 million (expected to be nearly $11.2 million for 2018 with inflation indexing) — through 2025

More to consider

This is just a brief overview of some of the most significant TCJA provisions. Additional rules and limits apply, and the law includes many additional provisions. Contact your Yeo & Yeo professional or local Yeo & Yeo office to learn more about how these and other tax law changes will affect you in 2018 and beyond.

For additional tax information, please refer to Yeo & Yeo’s Tax Resource Center at yeoandyeo.com.