

INDIVIDUAL TAX BRACKET, STANDARD DEDUCTION, and PERSONAL EXEMPTION CHANGES

How Trump's tax plan could change federal income tax brackets:

Single Filers

Joint Filers

	2017	PROPOSED UNDER TRUMP'S TAX PLAN
10%	\$0 – \$9,325	12% \$0 – \$45,000
15%	\$9,326 – \$37,950	
25%	\$37,951 – \$91,900	25% \$45,001 – \$200,000
28%	\$91,901 – \$191,650	
33%	\$191,651 – \$416,700	35% \$200,001 – \$500,000
35%	\$416,701 – \$418,400	39.6% \$500,001 or more
39.6%	\$418,401 or more	
Standard deduction:	\$6,350	Standard deduction: \$12,000
Personal exemption:	\$4,050	Personal exemption: Eliminated

Source: Business Insider, November 2, 2017

How Trump's tax plan could change federal income tax brackets:

Single Filers

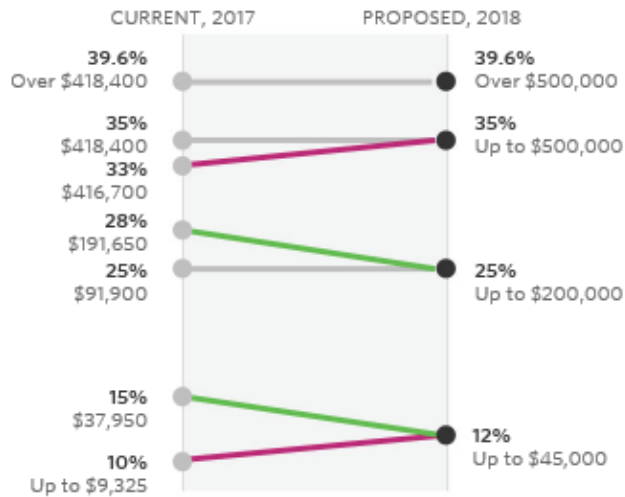
Joint Filers

	2017	PROPOSED UNDER TRUMP'S TAX PLAN
10%	\$0 – \$18,650	12% \$0 – \$90,000
15%	\$18,651 – \$75,900	
25%	\$75,901 – \$153,100	25% \$90,001 – \$260,000
28%	\$153,101 – \$233,350	
33%	\$233,351 – \$416,700	35% \$260,001 – \$1,000,000
35%	\$416,701 – \$470,700	39.6% \$1,000,000 or more
39.6%	\$470,701 or more	
Standard deduction:	\$12,700	Standard deduction: \$24,000
Personal exemptions:	\$8,100	Personal exemption: Eliminated

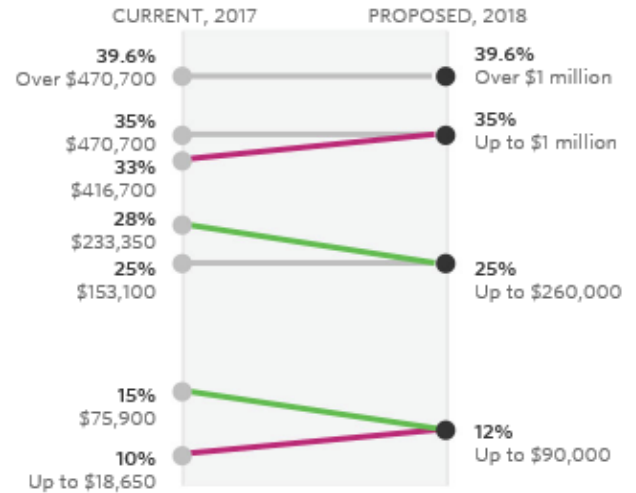
Standard deduction for head of household: \$18,000 and the personal exemption is eliminated.

Source: Business Insider, November 2, 2017

Unmarried Individuals



Married, Filing Jointly



Source: Wall Street Journal, November 2, 2017

SHARE OF TAX FILERS CLAIMING ITEMIZED DEDUCTIONS, 2014

Note: Only about 30% of tax filers claimed itemized deductions!

Adjusted Gross Income	Number of Itemizers	Share of Tax Filers Who Itemized	Average Sum of Itemized Deductions Claimed Per Itemizer
\$1 to \$20k	2,165,366	5%	\$15,857
\$20k to \$50k	7,801,176	17%	\$15,641
\$50k to \$100k	14,760,417	46%	\$19,187
\$100k to \$200k	13,455,839	77%	\$25,598
\$200k to \$500k	4,639,462	93%	\$43,131
\$500k to \$1 million	770,130	92%	\$83,433
+\$1 million	372,696	91%	\$424,864

Source: CRS analysis of the Internal Revenue Service's (IRS) Statistics of Income (SOI) 2014 Data, Tables I.4 and 2.1, at <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

Whether or not individuals in the lower tax brackets would actually save tax dollars is up for debate. But, one thing is clear. Under the proposed reform, fewer people would need to itemize which should make tax time a little less stressful.

SHARE OF TAX FILERS CLAIMING ITEMIZED DEDUCTIONS, 2015

Adjusted Gross Income	Number of Itemizers	Share of Tax Filers Who Itemized
\$1 to \$20k	2,176,125	5%
\$20k to \$50k	7,571,425	17%
\$50k to \$100k	14,475,709	44%
\$100k to \$200k	14,038,259	76%
\$200k to \$500k	5,083,499	94%
\$500k to \$1 million	821,784	93%
+\$1 million	400,462	91%
Total Number of Itemizers	44,567,263	
Total Returns Filed	150,493,263	
Itemizers as a % of Total Returns	30%	
Average Itemized Claim Deduction	approx. \$27,000	

Source: Data compiled from Internal Revenue Service Statistics of Income 2015 Data, Tables 1.2 and 2.1

Deduction Changes

Most Common Itemized Deductions	Proposed Changes
State and local taxes	Eliminated
Property taxes	Up to \$10,000
Home mortgage interest	Preserved for current mortgages; deduction is limited to \$500,000 of debt on new home purchases
Charitable deductions	Remains (with a few modifications)

Other Common Deductions	Proposed Changes
Medical expenses	Eliminated
Tax preparation fees	
Student loan interest	
Moving expenses	
Child tax credit	<ul style="list-style-type: none"> Increased from \$1,000 to \$1,600 per child New "family flexibility credit" of \$300 for a taxpayer (each spouse for joint filers) who is neither a child nor a non-child dependent (available only through 12/31/2022) Phase outs increased to \$230,000 (joint filers) and \$115,000 (single filers)
Higher education tax credits	<ul style="list-style-type: none"> American Opportunity Tax Credit, Hope Scholarship Credit, and Lifetime Learning Credit consolidated into a new American Opportunity Tax Credit 100% tax credit for first \$2,000 of certain higher education expenses, 25% credit for the next \$2,000

	<ul style="list-style-type: none"> • Additional maximum \$500 credit for 5th year of post-secondary education
Alimony paid	Eliminated as a deduction

OTHER KEY HIGHLIGHTS

Topic	Status
401(k)s	No changes to pre-tax contributions limits
529 accounts	In addition to qualified higher education expenses, up to \$10,000 per year of elementary and high school expenses would be considered qualified expenses
Alternative Minimum Tax (AMT)	Eliminated
Estate Tax/Generation –Skipping Transfer Tax	Increase the exemption from \$5.5 million (currently scheduled for 2018) to \$11 million per person, with permanent repeal in 6 years
Corporate Tax Rate	Decreased from 35% to 20%

Important to remember, this is just a bill! What happens next?

The House Ways & Means Committee will begin its “markup” of the bill on November 6 and Speaker Ryan’s goal is to get it to vote on the floor by Thanksgiving.

At the same time, the Senate Finance Committee will launch a similar process.

The goal is to get the bill passed in both chambers prior to Jan 1.

Tax planning is just one piece of a sound financial plan. Focus on what you know and can control, review your spending, maximize your savings, and understand that the final tax bill will look different than what has been proposed.